CHAMPION TECHNOLOGY HOLDINGS LIMITED

(Continued in Bermuda with limited liability)

(Stock Code: 92)

ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2018

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Champion Technology Holdings Limited (the "**Company**", together with its subsidiaries, collectively, the "**Group**") announces the consolidated results of the Group for the year ended 30 June 2018 with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	**2018** **HK$'000**	2017 HK$'000 (Restated)
Revenue	*4(a)*	**142,754**	194,544
Cost of sales		**(67,011)**	(133,336)
Gross profit		**75,743**	61,208
Other income, gains and losses		**12,321**	5,181
Gain on disposal of subsidiaries	*16*	**1,465**	6,097
Distribution costs		**(27,692)**	(27,332)
General and administrative expenses		**(117,806)**	(90,951)
Impairment losses recognised for inventories	*11*	**(4,222,621)**	(4,275,921)
Impairment losses recognised for other receivables		**(8,751)**	–
Impairment losses recognised for development costs for systems and networks	*9*	**–**	(49,199)
Impairment losses recognised for available-for-sale investments	*10*	**–**	(418,296)
Fair value gain on financial assets at fair value through profit or loss		**15,077**	–
Fair value gain on investment properties acquired in prior year		**27,366**	907
Fair value loss on investment properties acquired in current year		**(178,259)**	–
Research and development costs expensed		**(2,712)**	(3,089)
Finance costs		**(50,634)**	(11,984)
Share of result of a joint venture		**(7)**	(4)

	Notes	**2018** *HK$'000*	2017 *HK$'000* (Restated)
Loss before taxation		**(4,476,510)**	(4,803,383)
Income tax credit/(expense)	*6*	**790**	(613)
Loss for the year		**(4,475,720)**	(4,803,996)
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefits pension plans		**36,450**	(208)
Surplus arising from transfer of property, plant and equipment to investment properties		**73,221**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**8,155**	188
Other comprehensive income/(expense) for the year		**117,826**	(20)
Total comprehensive expense for the year		**(4,357,894)**	(4,804,016)
Loss for the year attributable to:			
Owners of the Company		**(3,811,905)**	(4,188,139)
Non-controlling interests		**(663,815)**	(615,857)
		(4,475,720)	(4,803,996)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(3,711,174)**	(4,188,152)
Non-controlling interests		**(646,720)**	(615,864)
		(4,357,894)	(4,804,016)
Loss per share – Basic and diluted	*8*	**HK$(9.29)**	HK$(13.23)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

		At 30 June		At 1 July
		2018	2017	2016
	Notes	***HK$'000***	*HK$'000*	*HK$'000*
			(Restated)	(Restated)
Non-current assets				
Property, plant and equipment		**34,087**	38,987	41,942
Investment properties		**167,834**	54,094	53,187
Development costs for systems and networks	*9*	**–**	–	66,901
Available-for-sale investments	*10*	**–**	–	418,296
Interest in a joint venture		**452**	459	463
Finance lease receivable		**46,117**	–	–
		248,490	93,540	580,789
Current assets				
Inventories	*11*	**32,949**	4,254,744	8,555,151
Finance lease receivable		**4,488**	–	–
Trade and other receivables	*12*	**43,523**	46,718	36,814
Financial assets at fair value through profit or loss	*13*	**110,786**	–	–
Cash and cash equivalents		**112,534**	121,971	131,426
		304,280	4,423,433	8,723,391
Current liabilities				
Trade and other payables	*14*	**44,654**	75,416	76,996
Contract liabilities		**21,034**	–	–
Warranty provision		**1,236**	1,073	1,055
Customers' deposits		**3,483**	3,483	3,483
Amount due to a director		**4,180**	9,975	–
Interest bearing bank and other borrowings – amount due within one year		**52,728**	203,636	194,677
Promissory note payable		**1,279**	–	–
		128,594	293,583	276,211

	At 30 June		At 1 July
	2018	2017	2016
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Net current assets	**175,686**	4,129,850	8,447,180
Total assets less current liabilities	**424,176**	4,223,390	9,027,969
Non-current liabilities			
Interest bearing bank and other borrowings – amount due after one year	**230,000**	–	3,677
Promissory note payable	**55,714**	–	–
Retirement benefit obligations	**27,774**	60,727	57,821
Deferred tax liabilities	**9,496**	9,573	9,365
	322,984	70,300	70,863
Net assets	**101,192**	4,153,090	8,957,106
Capital and reserves			
Share capital	**45,589**	633,179	633,179
Reserves	**2,645**	2,931,886	7,120,038
Equity attributable to owners of the Company	**48,234**	3,565,065	7,753,217
Non-controlling interests	**52,958**	588,025	1,203,889
Total equity	**101,192**	4,153,090	8,957,106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. BASIS OF PREPARATION AND ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial assets at fair value through profit or loss that are measured at fair value and in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all the Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and accounting principles generally accepted in Hong Kong. Historical cost is generally based on the fair value of the consideration given in exchange for goods. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

In the current year, the Group has applied a number of amendments to HKFRSs issued by the HKICPA that are mandatorily effective for accounting periods beginning on 1 July 2017. The adoption of the amendments to HKFRSs in the current year has had no material impact on the consolidated financial statements of the Group for the current and prior years.

2. CHANGES IN ACCOUNTING POLICIES

(a) Early adoption of HKFRS 9 Financial Instruments

The Group has elected to early adopt HKFRS 9, from 1 July 2017. As permitted by the transitional provisions of HKFRS 9, the Group has elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition are recognised in the opening retained profits of the current year.

The adoption of HKFRS 9 has resulted in changes in the accounting policies for classification and measurement of financial assets and financial liabilities and impairment of financial assets.

The Group has also early adopted the consequential amendments to HKFRS 7 Financial Instruments: Disclosures together with HKFRS 9. Changes include transition disclosures and detailed qualitative and quantitative information about the expected credit loss ("**ECL**") calculations such as the assumptions and inputs used are set out as below.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification and measurement of financial instruments

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVTOCI) and at fair value through profit or loss (FVTPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of investments in debt instruments under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is classified as financial assets at FVTPL.

Under HKAS 39, unlisted equity investments that were not held for trading were classified as available-for-sale financial assets and carried at cost less impairment. These unlisted equity investments are classified as financial assets at FVTPL under HKFRS 9, unless they are eligible for and designated at FVTOCI by the Group. As at 1 July 2017, the Group did not designate these investments as financial assets at FVTOCI. These unlisted equity investments were fully impaired in prior year before 1 July 2017, therefore, no impact on the unlisted equity investments upon early adoption of HKFRS 9 as at 1 July 2017.

Set out below are disclosures relating to the impact of the adoption of HKFRS 9 on the Group.

The measurement categories and the carrying amounts of financial assets in accordance with HKAS 39 and HKFRS 9 at 1 July 2017 are compared as follows:

Financial assets	**Original measurement category under HKAS 39**	**New measurement category under HKFRS 9**	**Original carrying amount under HKAS 39** *HK$'000*	**New carrying amount under HKFRS 9** *HK$'000*
Trade and other receivables	Amortised cost (Loans and receivables)	Amortised cost	46,718	46,718
Cash and cash equivalents	Amortised cost (Loans and receivables)	Amortised cost	121,971	121,971
Unlisted equity investments	Available-for-sale investments	Financial assets at FVTPL	–	–

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 July 2017 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVTPL at 1 July 2017.

(ii) Credit loss

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing assessment and measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables); and

– finance lease receivable.

As at 1 July 2017, the Group assessed the impact of expected credit loss allowance and concluded that the amount of expected credit loss is not significant to the Group. As a result, the Directors considered no adjustment to the retained profits as at 1 July 2017 is necessary.

(iii) Transition

Changes in accounting policies resulting from the early adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained profits and reserves as at 1 July 2017. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The following assessments have been made on the basis of the facts and circumstances that existed at 1 July 2017 (the date of initial application of HKFRS 9 by the Group), in particular, the determination of the business model within which a financial asset is held.

(b) Early adoption of HKFRS 15 Revenue from Contracts with customers

The Group has elected to early adopt HKFRS 15, from 1 July 2017. HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 July 2017. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 July 2017.

The revenue recognition of the principal activities of the Group's contracts with customers are as follows:

(i) Sales of cultural products and leather

Revenue from sales of cultural products and leather are determined by management to be recognised at a point in time (i.e. when control of the cultural products and leather is transferred to the customer).

(ii) Sales of systems and software licensing income

Revenue from sales of systems and software licensing income is determined by management to recognise at a particular point in time (i.e. when control of the systems and software is transferred to the customer).

(iii) Installation service

Revenue from provision of installation service is determined by management to be recognised over time.

(iv) Maintenance service

Revenue from provision of maintenance service is determined by management to be recognised over time.

The excess of cumulative billings to customer who received services from the Group over the cumulative revenue recognised in profit or loss is recognised as contract liabilities. The contract liability is recognised as revenue when the Group satisfies its performance obligations.

Reclassifications were made as at 1 July 2017 to be consistent with the terminology used under HKFRS 15:

- Receipts in advance from customers which were previously in trade and other payables are reclassified to contract liabilities.

The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 1 July 2017		
	As previously stated	Reclassifications under HKFRS 15	Results as reported
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of financial position (extract):			
Trade and other payables	75,416	(21,188)	54,228
Contract liabilities	–	21,188	21,188

The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 30 June 2018		
	Results without the early adoption of HKFRS 15	**Reclassifications under HKFRS 15**	**Results as reported**
	HK$'000	***HK$'000***	***HK$'000***
Consolidated statement of financial position (extract):			
Trade and other payables	**65,688**	**(21,034)**	**44,654**
Contract liabilities	**–**	**21,034**	**21,034**

	Year ended 30 June 2018		
	Results without the early adoption of HKFRS 15	**Effects of the early adoption of HKFRS 15**	**Results as reported**
	HK$'000	***HK$'000***	***HK$'000***
Consolidated statement of cash flow (extract)			
Increase in trade and other payables	**21,558**	**(21,034)**	**524**
Increase in contract liabilities	**–**	**21,034**	**21,034**

3. CHANGE IN ACCOUNTING POLICY IN RESPECT OF THE GROUP'S INVESTMENT PROPERTIES

As at 30 June 2017, the carrying amount of the Group's property, plant and equipment, included investment properties located in Hong Kong and the People's Republic of China (the "PRC") with the aggregate carrying amount of HK$3,483,000 which the Directors considered the amount involved to be immaterial and hence did not separately present them as investment properties. As at 30 June 2017, the Group's property, plant and equipment and investment properties were accounted for using the cost model.

In preparing the consolidated financial statements of the Group as at 30 June 2018, the Directors have determined that the accounting policy for the investment properties shall be changed from cost model to fair value model as they believe that the change would provide more relevant information. As a result, the carrying amount of the investment properties (based on their fair values) is material and hence investment properties are presented separately from property, plant and equipment. With the new accounting policy, the Group's investment properties are measured at fair value at the end of each reporting period with changes in fair value being recognised in profit or loss. The change in accounting policy has been applied retrospectively.

As at 1 July 2016 and 30 June 2017, the fair value of the investment properties determined using market comparable approach is based on valuation reports, issued by Hilco Global Greater China Limited.

Impact on the consolidated financial statements as at 30 June 2017 as follows:

	The Group as previously reported *HK$'000*	**Prior year adjustments** *HK$'000*	**The Group as restated** *HK$'000*
Property, plant and equipment	42,470	(3,483)	38,987
Investment properties	–	54,094	54,094
Other non-current assets	459	–	459
Non-current assets	42,929	50,611	93,540
Current assets	4,423,433	–	4,423,433
Current liabilities	(293,583)	–	(293,583)
Deferred tax liabilities	–	(9,573)	(9,573)
Other non-current liabilities	(60,727)	–	(60,727)
Non-current liabilities	(60,727)	(9,573)	(70,300)
Net assets	4,112,052	41,038	4,153,090
Accumulated losses	(710,600)	41,038	(669,562)
Share capital and other reserves	4,822,652	–	4,822,652
Total equity	4,112,052	41,038	4,153,090

Impact on the consolidated financial statements as at 1 July 2016 as follows:

	The Group as previously reported *HK$'000*	Prior year adjustments *HK$'000*	The Group as restated *HK$'000*
Property, plant and equipment	45,646	(3,704)	41,942
Investment properties	–	53,187	53,187
Other non-current assets	485,660	–	485,660
Non-current assets	531,306	49,483	580,789
Current assets	8,723,391	–	8,723,391
Current liabilities	(276,211)	–	(276,211)
Deferred tax liabilities	–	(9,365)	(9,365)
Other non-current liabilities	(61,498)	–	(61,498)
Non-current liabilities	(61,498)	(9,365)	(70,863)
Net assets	8,916,988	40,118	8,957,106
Retained profits	3,478,594	40,118	3,518,712
Share capital and other reserves	5,438,394	–	5,438,394
Total equity	8,916,988	40,118	8,957,106

Impact on the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2017:

	The Group as previously reported *HK$'000*	**Prior year adjustments** *HK$'000*	**The Group as restated** *HK$'000*
Revenue	194,544	–	194,544
Cost of sales	(133,336)	–	(133,336)
Gross profit	61,208	–	61,208
Other income, gains and losses	5,181	–	5,181
Gain on disposal of subsidiaries	6,097	–	6,097
Distribution costs	(27,332)	–	(27,332)
General and administrative expenses	(91,172)	221	(90,951)
Impairment losses recognised for inventories	(4,275,921)	–	(4,275,921)
Impairment losses recognised for development costs for systems and networks	(49,199)	–	(49,199)
Impairment losses recognised for available-for-sale investments	(418,296)	–	(418,296)
Fair value gain on investment properties acquired in prior year	–	907	907
Research and development costs expensed	(3,089)	–	(3,089)
Finance costs	(11,984)	–	(11,984)
Share of result of a joint venture	(4)	–	(4)
Loss before taxation	(4,804,511)	1,128	(4,803,383)
Income tax expense	(405)	(208)	(613)
Loss for the year	(4,804,916)	920	(4,803,996)

	The Group as previously reported	Prior year adjustments	The Group as restated
	HK$'000	*HK$'000*	*HK$'000*
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefits pension plans	(208)	–	(208)
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations	188	–	188
Other comprehensive expense for the year	(20)	–	(20)
Total comprehensive expense for the year	(4,804,936)	920	(4,804,016)
Loss for the year attributable to:			
Owners of the Company	(4,189,059)	920	(4,188,139)
Non-controlling interests	(615,857)	–	(615,857)
	(4,804,916)	920	(4,803,996)
Total comprehensive expense for the year attributable to:			
Owners of the Company	(4,189,072)	920	(4,188,152)
Non-controlling interests	(615,864)	–	(615,864)
	(4,804,936)	920	(4,804,016)
Loss per share – Basic and diluted	HK$(13.23)*	–	HK$(13.23)

* *The weighted average number of ordinary shares for the purposes of calculating basic loss per share for the year ended 30 June 2017 has been retrospectively adjusted to reflect the share consolidation and rights issue (note 8).*

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

Revenue represents the amounts received and receivable for goods sold and services provided by the Group to external customers.

The revenue of the Group comprises the following:

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of cultural products	**–**	53,000
Sales of systems and related products	**86,547**	92,737
Sales of leather	**5,890**	–
Rendering of services	**27,892**	26,960
	120,329	172,697
Leasing of system products	**22,425**	21,847
	142,754	194,544

(b) Segment information

The operating segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conforming to HKFRSs, which are regularly reviewed by the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance. Five (2017: four) operating and reportable segments under HKFRS 8 "Operating Segments" are identified as follows:

- Sales of cultural products – includes income from trading of cultural products
- System sales including software licensing and services – includes income from sales of systems including software licensing and provision of related services
- Leasing of system products – includes income from leasing of system products
- Strategic investments – includes income from available-for-sale investments and financial assets at fair value through profit or loss
- Other – include income from sales of leather

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 2(b). Segment results represent the loss before taxation recognised by each reportable segment, excluding interest income, finance costs, share of result of a joint venture, unallocated income and expenses such as central administration costs and directors' salaries, etc. This is the measure reported to the executive directors of the Company, the chief operating decision makers, for the purpose of resource allocation and assessment of segment performance.

Information regarding the above segments is reported below:

	Sales of cultural products HK$'000	System sales including software licensing and services HK$'000	Leasing of system products HK$'000	Strategic investments HK$'000	Other HK$'000	Consolidated HK$'000
Year ended 30 June 2018						
REVENUE						
External and total revenue						
Recognised at a point in time	–	86,547	–	–	5,890	92,437
Recognised over time	–	27,892	22,425	–	–	50,317
	–	114,439	22,425	–	5,890	142,754
RESULTS						
Segment result	(4,228,726)	1,483	1,567	(1,817)	158	(4,227,335)
Gain on early redemption of promissory note payable						3,444
Interest income						2,176
Gain on disposal of subsidiaries *(note 16)*						1,465
Fair value gain on investment properties acquired in prior year						27,366
Fair value loss on investment property acquired in current year						(178,259)
Finance costs						(50,634)
Unallocated expenses, net						(54,726)
Share of result of a joint venture						(7)
Loss before taxation						(4,476,510)

	Sales of cultural products *HK$'000*	System sales including software licensing and services *HK$'000*	Leasing of system products *HK$'000*	Strategic investments *HK$'000*	Consolidated *HK$'000*
Year ended 30 June 2017 (Restated)					
REVENUE					
External and total revenue	53,000	119,697	21,847	–	194,544
RESULTS					
Segment result	(4,269,763)	(81,984)	3,045	(428,054)	(4,776,756)
Interest income					180
Gain on disposal of subsidiaries					6,097
Fair value gain on investment properties acquired in prior year					907
Finance costs					(11,984)
Unallocated expenses, net					(21,823)
Share of result of a joint venture					(4)
Loss before taxation					(4,803,383)

	Sales of cultural products ***HK$'000***	**System sales including software licensing and services** ***HK$'000***	**Leasing of system products** ***HK$'000***	**Strategic investments** ***HK$'000***	**Other** ***HK$'000***	**Consolidated** ***HK$'000***
Year ended 30 June 2018						
Amounts included in the measure of segment profit or loss:						
Amortisation and depreciation	**–**	**7,159**	**1,390**	**6**	**856**	**9,411**
Fair value gain on financial assets at fair value through profit or loss	**–**	**–**	**–**	**15,077**	**–**	**15,077**
Impairment losses recognised for inventories	**4,222,621**	**–**	**–**	**–**	**–**	**4,222,621**
Impairment losses recognised for other receivables	**–**	**5,835**	**–**	**–**	**2,916**	**8,751**

	Sales of cultural products HK$'000	System sales including software licensing and services HK$'000	Leasing of system products HK$'000	Strategic investments HK$'000	Other HK$'000	Consolidated HK$'000
Year ended 30 June 2017 (Restated)						
Amounts included in the measure of segment profit or loss:						
Amortisation and depreciation	–	25,945	1,334	–	–	27,279
Impairment losses recognised for inventories	4,275,921	–	–	–	–	4,275,921
Impairment losses recognised for development costs for systems and networks	–	49,199	–	–	–	49,199
Impairment losses recognised for available-for-sale investments	–	–	–	418,296	–	418,296

No information about segment assets and liabilities is presented as such information is not regularly provided to the chief operating decision maker for resource allocation and performance assessment purposes.

(c) Geographical information

The following table provides an analysis of the Group's revenue and non-current assets by location of customers and by location of assets respectively:

	Revenue		**Non-current assets** *(Note)*	
	Year ended 30 June		**As at 30 June**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)
The People's Republic of China (the "**PRC**"), including Hong Kong and Macau	**6,011**	53,690	**218,200**	61,726
Europe (mainly United Kingdom and Germany)	**136,743**	140,854	**29,838**	31,355
	142,754	194,544	**248,038**	93,081

Note: Non-current assets exclude the Group's interest in a joint venture.

(d) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**–**	30,000
Customer B	**–**	23,000

Customer A and B contributed revenue from sales of cultural products during the year ended 30 June 2017.

No single customer contributed 10% or more to the Group's revenue for the year ended 30 June 2018.

5. AMORTISATION AND DEPRECIATION

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Amortisation on development costs for systems and networks, included in cost of sales	**–**	17,702
Depreciation of property, plant and equipment, included in general and administrative expenses	**9,411**	9,577
Total amortisation and depreciation	**9,411**	27,279

6. INCOME TAX

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Current tax:		
– United Kingdom ("**UK**") corporate income tax	**(1,120)**	272
– Germany corporate income tax	**407**	129
– Malaysia corporate income tax	**–**	4
	(713)	405
Deferred tax:		
– (Credit)/charged for the year	**(77)**	208
Income tax (credit)/expense	**(790)**	613

UK corporate income tax is calculated at 19% (2017: 19%) on the estimated assessable profit derived from UK.

Pursuant to the rules and regulations of Germany, the Group is subjected to corporate income tax at 15% (2017: 15%) on the estimated assessable profit of the subsidiary which carried on business in Germany.

Pursuant to the rules and regulations of Malaysia, the Group is subjected to corporate income tax at 24% (2017: 24%) on the estimated assessable profit of the subsidiary which carried on business in Malaysia.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. For income generated in PRC earned by subsidiaries incorporated outside PRC is subjected to withholding tax at 10% (2017: 10%). There is no estimated assessable profit for PRC Enterprise Income Tax for both years.

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profits derived from Hong Kong. There is no estimated assessable profit for Hong Kong Profits Tax for both years.

7. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2018 nor has any dividend been proposed since the end of reporting period (2017: Nil).

8. LOSS PER SHARE

The calculation of basic loss per share attributable to the owners of the Company is based on the following data:

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Loss for the year attributable to owners of the Company	**(3,811,905)**	(4,188,139)
Number of ordinary shares	***'000***	*'000*
		(Restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	**410,230**	316,589

The weighted average number of ordinary shares for the purposes of calculating basic loss per share for the year ended 30 June 2018 has been adjusted after taking into account the share consolidation occurred during the year and the bonus element of the rights issue which was completed after the end of the reporting period but before the Consolidated Financial Statements are authorised for issue. The corresponding weighted average number of ordinary shares for the year ended 30 June 2017 has been retrospectively adjusted to reflect the said share consolidation and rights issue.

The rights issue as set out in note 17 which was completed after the end of the reporting period but before the consolidated financial statements are authorized for issue, had been taken into account by management in calculating the basic loss per share and concluded that such rights issue did not have significant impact on the weighted average number of ordinary shares in respect of the years ended 30 June 2017 and 2018.

Diluted loss per share for the year ended 30 June 2018 and 30 June 2017 were the same as the basic loss per share as there were no potential ordinary shares outstanding during both years.

9. DEVELOPMENT COSTS FOR SYSTEMS AND NETWORKS

	2018	2017
	HK$'000	*HK$'000*
Cost		
At beginning of the year	**13,769,936**	13,769,943
Currency realignment	**–**	(7)
At end of the year	**13,769,936**	13,769,936
Amortisation and impairment		
At beginning of the year	**13,769,936**	13,703,042
Currency realignment	**–**	(7)
Provided for the year	**–**	17,702
Impairment losses recognised	**–**	49,199
At end of the year	**13,769,936**	13,769,936
Carrying value		
At end of the year	**–**	–

Development costs for systems and networks include all direct costs incurred in setting up and development of systems and networks. The Group's development costs for systems and networks are amortised over the estimated economic useful lives of 1 year (2017: 1 to 2 years).

As at the end of the year ended 30 June 2017, the directors of the Company reassessed the market conditions in Asia Pacific region for the Group's systems and networks and considered that they were worse than previously expected. Further, no revenue in Asia Pacific region was generated from the system sales including software licensing and services segment business. Management conducted an impairment review of the Group's system sales including software licensing and services segment business in Asia Pacific region. The impairment assessment took into account the fact that no further development costs will be provided by the Group for that segment after granting the independent third parties non-executive rights to exploit and use the design of certain of the Group's developed systems and networks during the year ended 30 June 2016. The recoverable amount based on the value in use method was estimated as zero and accordingly, full impairment loss of HK$49,199,000 was recognised in profit or loss for the year ended 30 June 2017.

As at 30 June 2018, the management of the Group consider the zero recoverable amount of the development costs for systems and networks is appropriate and no reversal of impairment is considered necessary.

10. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2018	1 July 2017	30 June 2017
	HK$'000	*HK$'000*	*HK$'000*
Unlisted equity securities, at cost	**–**	–	518,480
Impairment loss recognised	**–**	–	(518,480)
	–	–	–

The unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated outside Hong Kong holding strategic investments that are involved in information technology and telecommunications industry. They are measured at cost less any accumulated impairment losses as at 30 June 2017 because the range of reasonable fair value estimates was so significant that the management was of the opinion that their fair values cannot be measured reliably.

As at 30 June 2017, the management of the Company considered that there was a general downturn in the market. Furthermore, the management had not received the necessary financial and other information of these investments nor been able to establish contacts with these investees. Accordingly, management has assessed the recoverable amount of the available-for-sale investments based on the limited financial information from or about these investments and management's own experience. The available-for-sale investments were written down to their recoverable amount of nil and an additional impairment loss of HK$418,296,000 was charged to profit or loss for the year ended 30 June 2017.

As a result of the adoption of HKFRS 9, unlisted equity investments are included in financial assets at FVTPL (Note 13).

11. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Raw materials	**7,185**	6,602
Work in progress	**5,170**	5,786
Finished goods *(notes)*	**20,594**	4,242,356
	32,949	4,254,744

Notes:

(i) Included in finished goods are cultural products, including precious stones and antiques, of HK$12,763,000 (2017: HK$4,235,385,000) which are held for trading and resale in the ordinary course of business.

(ii) As at 30 June 2018, all the cultural products of the Group were stored in a warehouse run by a worldwide security solution company, which is an independent third party to the Group (2017: 86.7% or 319 pieces out of total 368 pieces of cultural products are stored in museum operated by a company wholly-owned by Prof. Paul Kan Man Lok, a director and substantial shareholder of the Company up to 30 September 2016 and 1 October 2016 respectively, on a consignment basis).

(iii) For the purpose of preparing the consolidated financial statements for the year ended 30 June 2017, the Group had engaged cultural product/jewellery experts to perform an inspection on the inventories of cultural products. According to these experts, downgradings and reclassifications were required to be made on a number of inventory items of cultural products. The Group therefore engaged an independent valuer, Hilco Global Greater China Limited, to assess the current market values of the inventories as at 30 June 2017 based on the findings of the cultural product/jewellery experts concerning the grading and classification of the cultural products. As a result of the assessment, the management of the Group had determined that the net realisable values of a number of the inventory items of cultural products were lower than their costs and that the shortfalls amounted to an aggregate amount of HK$4,275,921,000. Accordingly, the Group recognised an impairment loss of HK$4,275,921,000 for the year ended 30 June 2017.

For the purpose of preparing the condensed consolidated statement of assets and liabilities as at 31 December 2017, the Group had arranged another team of cultural product and jewellery experts (the "**Current Experts**") from "China Cultural Heritage Information and Consulting Center" (the "**Consulting Center**") being led by Ms. YANG Zhen Hua (楊震華), to perform a more detailed authentication on all of the cultural products regarding their grading and classification. According to the Current Experts, further downgradings and reclassifications were required to be made on the cultural products as compared to those as of 30 June 2017. The Consulting Center has arranged another valuer, 北京市國宏信價格評估有限公司, to reassess the current market values of the inventories as at 31 December 2017 based on their findings concerning the grading and classification of the cultural products. As a result of the final authentication report and evaluation report, the management of the Group had determined that their net realisable values were below their costs and the shortfalls resulted in further impairment loss of HK$4,220,760,000 being made for the six months ended 31 December 2017.

For the purpose of preparing the consolidated financial statements for the year ended 30 June 2018, the Group engaged GEM Appraisal Center of Peking University (北京北大寶石鑒定中心) (the "**Appraisal Center**") to conduct a scientific examination of 360 pieces of cultural products regarding their grading and classification. According to the Appraisal Center, further downgradings and reclassifications were required to be made on cultural products as compared to those as at 30 June 2017. The management of the Group has arranged the valuer, 北京市國宏信價格評估有限公司 to reassess the current market values of all 368 pieces of cultural products as at 30 June 2018 based on the finding of the Current Experts and the Appraisal Center concerning the grading and classification of 8 pieces and 360 pieces of the cultural products respectively. As a result of final authentication report and evaluation report for the valuation of the cultural products as at 30 June 2018, the management of the Group had determined that their net realisable values were below their costs and the shortfalls resulted in additional impairment loss, of HK$4,222,621,000 (including impairment loss of HK$4,220,760,000 recognised for the six months ended 31 December 2017) being made for the year ended 30 June 2018.

The Directors were of the view that, with the detailed exercise performed by the Appraisal Center, the carrying amount net of impairment recognised so far, reflected in the consolidated financial statements, was the best estimate of the recoverable amount of the cultural products.

12. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables *(note (a))*	**30,575**	17,910
Other receivables *(note (b))*	**21,699**	28,808
Less: impairment provided for the year *(note (c))*	**(8,751)**	–
	12,948	28,808
	43,523	46,718

Notes:

(a) The Group maintains a well-defined credit policy regarding its trade customers depending on their credit worthiness, nature of services and products, industry practice and condition of the market with credit period ranging from 30 days to 180 days. For the year 2017, the Group's credit policy for sales of cultural products is cash on delivery.

The ageing analysis of trade receivables presented based on the invoice date at the end of the reporting period is as follows:

	2018	2017
	HK$'000	*HK$'000*
0 – 60 days	**28,622**	16,179
61 – 90 days	**1,896**	1,676
91 – 180 days	**57**	55
	30,575	17,910

Before accepting any new customer, the Group's finance and sales management team would assess the potential customer's credit quality and define the credit limit for the customers. Limits attributable to customers are reviewed regularly with reference to past settlement history. The Group's finance and sales management team considers trade receivables that are neither past due nor impaired to be of good credit quality as continuous repayments have been received.

The ageing analysis of trade receivable that are neither individually nor collectively considered to be impaired are as follows:

	2018	2017
	HK$'000	*HK$'000*
Neither past due nor impaired	**28,622**	16,179
Less than 1 month past due	**1,896**	1,600
1 to 3 months past due	**57**	131
	1,953	1,731
	30,575	17,910

(b) The other receivables are unsecured, non-interest bearing and refundable, and are expected to be realised in the next twelve months from the end of the reporting period.

As at 30 June 2018, other receivables mainly represent the rental deposit amounting to HK$2,210,000 (2017: HK$5,125,000).

As at 30 June 2017, included in other receivables was loan to an independent third party amounting to HK$5,744,000. The loan was secured by a personal guarantee provided by an independent third party and interest bearing at 10% per annum.

As at 30 June 2018, the loan has been past due and management of the Group was unsuccessful to demand payment from the debtor. Management of the Group considered the loan is not recoverable and accordingly the amount was fully impaired during the year ended 30 June 2018.

(c) The movement in the provision for impairment loss of other receivables during the year is as follows:

	2018	2017
	HK$'000	*HK$'000*
At 1 July	**–**	–
Impairment loss recognised	**8,751**	–
At 30 June	**8,751**	–

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018	1 July 2017	30 June 2017
	HK$'000	*HK$'000*	*HK$'000*
Unlisted equity investments *(i)*	–	–	–
Listed equity investments in Hong Kong *(ii)*	**110,786**	–	–
	110,786	–	–

(i) Upon the adoption of HKFRS 9, amount previously included in available-for-sale investments (note 10) were reclassified to financial assets at FVTPL.

During the year ended 30 June 2018, the management continued to make its efforts to try to establish contact with the investees. The management has exhausted all means practically possible, including the engagement of legal advisers and private investigators, to locate and contact the disappeared management of the investee companies and to try to recover part of investment amount. The directors of the Company, after taking into account a) the findings from the private investigators; b) the legal advice from the legal adviser; c) the various options suggested by the legal adviser, where the estimated cost to perform the actions are significantly exceeding the benefit, and d) there is no other alternative or possible further action that the Company could reasonably take, the directors of the Company concluded that the recoverable amount of the unlisted equity investments is zero.

(ii) The listed equity instruments as at 30 June 2018 were classified as held for trading financial assets.

The fair values of the listed shares in Hong Kong are determined based on the quoted market closing prices available on the Stock Exchange.

As at 30 June 2018, the Group's listed financial assets at fair value through profit or loss with carrying amount of HK$81,638,000 (2017: Nil) were pledged to secure margin facilities granted by licensed securities companies in Hong Kong to the Group.

14. TRADE AND OTHER PAYABLES

	30 June 2018	1 July 2017	30 June 2017
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	**7,751**	7,487	7,487
Other payables	**36,903**	46,741	67,929
	44,654	54,228	75,416

The aging analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	2018	2017
	HK$'000	*HK$'000*
0 – 60 days	**7,751**	7,487

The credit period for purchases of goods ranged from 30 days to 60 days.

As a result of the adoption of HKFRS 15, receipts in advance from customers of HK$21,034,000 (1 July 2017: HK$21,188,000) are included in contract liabilities and disclosed in note 2(b). Other payables mainly represent accruals for daily operating expenses.

15. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

On 19 July 2017, the Group entered into a sale and purchase agreement with Wealth Track Asia Limited (the "**Vendor**"), Mr. Yeung Chi Hang (the "**Vendor's Guarantor**") and Golden Field Property Limited ("**Golden Field**" or the "**Target Company**") to acquire 51% equity interest of Golden Field from the Vendor at a consideration of HK$150,000,000, which was satisfied by a cash payment of HK$30,000,000 and the issue of promissory note with principal amount of HK$120,000,000 by the Company to the Vendor. The fair value of the consideration was amounted to HK$116,209,000 as at the date of acquisition.

Golden Field is an investment holding company incorporated in Hong Kong on 12 March 1992 with limited liability which was 51% owned by the Vendor and 49% owned by three independent third parties to the Group immediately prior to completion of the abovementioned acquisition. Golden Field has 95% equity interest in Dongguan Golden Field Yijing Hotel Limited, a company incorporated in People's Republic of China (the "**PRC subsidiary**"). The acquisition was completed on 19 July 2017 and Golden Field and the PRC subsidiary became indirect non-wholly owned subsidiaries of the Company.

The PRC subsidiary is a sino-foreign equity joint venture established in the PRC on 1 July 2000 and owns a hotel property erected on leasehold land in the PRC of which the two land use rights will legally expire in 2032 and 2043. A hotel property was built on these 2 pieces of leasehold land.

Before the acquisition, the abovementioned hotel property was rented to an independent third party tenant under a subcontracting agreement (cancellable under any one or more of the following conditions, namely i) mutual consent by Golden Field and the tenant; ii) in the events of force majeure, such as natural disasters, significant changes in political and economic environment and severe fluctuation in the value of RMB; or iii) other legal requirements) for a period from 11 March 2003 to 10 March 2033. The tenant could use the name of the PRC subsidiary as trade name for their business operation. Pursuant to the relevant agreements between Golden Field and the tenant, the tenant has the right to pledge the properties to secure its borrowings by entering into supplementary agreement with the Group and no liability should be incurred under the name of the PRC subsidiary upon the expiry of the sub-contracting arrangement. As at 30 June 2018, no such liability was noted. Under the contractual arrangement, the PRC subsidiary is only entitled to receive a fixed amount of RMB3,900,000 per year.

As the lease period with the tenant is almost equal to the contractual life of one of the abovementioned land use rights and the hotel property is erected on the 2 leasehold lands, the key assets acquired represented a) finance lease receivable arising from the abovementioned contractual arrangements with the tenant and b) an investment property representing interest in a leasehold land with the remained contractual life from the end of expiry of the lease term with the tenant to 2043.

The above acquisition was determined by the directors of the Company to be acquisition of assets and liabilities through acquisition of subsidiaries rather than a business combination as the assets acquired and liabilities assumed did not constitute a business as defined under HKFRS 3 (revised) "Business Combination".

	Allocation of fair value of consideration *HK$'000*
Trade receivable	216
Cash and cash equivalents	254
Property, plant and equipment	752
Investment properties	174,596
Finance lease receivable	54,025
Accruals and other payables	(776)
Amount due to a director of Golden Field	(1,206)
Total identifiable net assets	227,861
Non-controlling interests	(111,652)
Net identifiable assets	116,209

	Allocation of fair value of consideration
	HK$'000
Fair value of the consideration	
At 19 July 2017	
Total cash consideration transferred	30,000
Promissory note issued	86,209
	116,209
Net cash outflow arising on acquisition	
Total cash consideration transferred	30,000
Acquisition of cash and cash equivalents	(254)
	29,746

16. GAIN ON DISPOSAL OF SUBSIDIARIES

Year ended 30 June 2017

On 30 August 2016, the Group disposed of its entire interests in Vision Kingdom Limited and Top Gallop International Limited, together with their subsidiaries, Smart (Macao Commercial Offshore) Limited and Victory (Macao Commercial Offshore) Limited, respectively, to an independent third party for a total consideration of HK$6,000,000 fully satisfied by cash. The consideration was received during the year ended 30 June 2016 and has been included as other payables as at 30 June 2016.

As at 30 August 2016, the carrying amount of net liabilities disposed of amounted to HK$97,000, mainly representing deposits, bank balances and cash of HK$2,536,000, other receivables of HK$185,000 and other payables of HK$2,818,000. The net gain on disposal amounted to HK$6,097,000.

Year ended 30 June 2018

On 30 August 2017, the Group agreed to dispose of its entire interest in Champion Technology Limited ("CTL") to an independent third party for a consideration of HK$300,000.

On 30 August 2017, the Group agreed to dispose of its entire interest in Chinese Science & Technology Limited ("CST") to an independent third party for a consideration of HK$100,000.

On 21 December 2017, the Group agreed to dispose of its entire interest in Zhuo Chong Investments Limited ("ZCI") to an independent third party for a consideration of HK$100,000.

As at the relevant disposal dates for the disposals of CTL, CST and ZCI, the collective carrying amount of net liabilities disposed of amounted to HK$965,000, mainly representing cash and cash equivalents of HK$1,627,000, inventory of HK$5,000, other receivables, deposits and prepayments of HK$3,934,000, property, plant and equipment of HK$921,000 and other payables and accrued charges of HK$7,452,000. The net gain on disposals of subsidiaries amounted to HK$1,465,000.

17. EVENTS AFTER THE REPORTING PERIOD

On 30 May 2018, the board of directors announced that the Company proposed to raise approximately HK$91.2 million before expenses by issuing 227,943,616 rights shares at the subscription price of HK$0.40 per rights share by way of rights issue, on the basis of one rights share for every two existing shares held on the record date. The rights issue was completed on 18 July 2018 and net proceeds of approximately HK$86,700,000 were raised by the Company. The number of issued ordinary shares of the Company was increased to 683,830,848 shares and the share capital and share premium of the Company was increased from approximately HK$45,589,000 to HK$68,383,000 and from approximately HK$2,156,386,000 to HK$2,220,292,000 respectively.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The independent auditor of the Company will issue a disclaimer of opinion on the consolidated financial statements of the Group. The following section sets out an extract of independent auditor's report regarding the consolidated financial statements of the Group for the year ended 30 June 2018:

Basis for Disclaimer of Opinion on the Loss, Changes in Equity and Cash Flows

(a) Impairment of available-for-sale investments for the year ended 30 June 2017

As disclosed in note 18 to the consolidated financial statements, as at 30 June 2017, the Group had available-for-sale investments ("AFS Investments") whose cost and accumulated impairment losses brought forward from prior year amounted to HK$518,480,000 and HK$100,184,000, respectively. Additional impairment loss of HK$418,296,000 was made by the Group for the year ended 30 June 2017.

During the course of our audit in respect of the year ended 30 June 2017, we sought to perform alternative audit procedures to satisfy ourselves that the AFS Investments were fully impaired as at 30 June 2017. However, the scope of our alternative audit procedures was limited as disclosed in the auditor's report for the year ended 30 June 2017.

During the year ended 30 June 2018, the management had been continuing to make its efforts to establish contact with the AFS Investees. The management has exhausted all means practically possible, including the engagement of legal advisers and private investigators, to locate and contact the disappeared management of the investee companies and to try to recover part of the costs of the investments. The directors of the Company, after taking into account 1) the findings from the investigators; 2) legal advice from the legal advisers; 3) various options suggested by the legal advisers, where the estimated costs to perform further action to try to recover the investments are expected to be significantly higher than the benefits, concluded that there are no other alternative or further action that the Group could take. As a result, the directors of the Company concluded and confirmed that the investments were irrecoverable as at 30 June 2018.

In respect of the audit for the year ended 30 June 2017, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on whether the abovementioned impairment loss of HK$418,296,000 should be recognised. In respect of the audit for the current year, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on whether the abovementioned impairment loss of HK$418,296,000 should be recognised for the year ended 30 June 2017 or earlier in prior year(s) by the Group. As a result, we were unable to determine whether the amount of impairment loss recognised in the prior years and nil impairment loss recognised for the current year are free from material misstatements. With various actions and efforts taken by management and the legal advice from the Group's legal advisers, we believe the matter of the scope limitations referred to above no longer have possible effects on the figures presented in the consolidated statement of financial position as at 30 June 2018.

However, as the figures in the consolidated statement of financial position as at 30 June 2017 formed the opening balances of the respective elements of the current year's consolidated financial statements, any adjustments that might have been found to be necessary in respect of the above would have a significant effect in respect of impairment loss on the available-for-sale investments, and the other elements making up the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related disclosures in the consolidated financial statements for the year ended 30 June 2018 and the prior year(s).

(b) Impairment of inventories resulting from downgradings and reclassifications of cultural products

Included in the Group's inventories as at 30 June 2017 were cultural products whose aggregate carrying amount was HK$4,235,385,000, net of accumulated impairment loss of HK$4,275,921,000. An impairment loss of HK$4,275,921,000 had been recognised by the Group for the year ended 30 June 2017. For the year ended 30 June 2018, a further impairment loss of HK$4,222,621,000 has been recognised by the Group. We did not express an opinion on the consolidated financial statements for the year ended 30 June 2017 as disclosed in the auditor's report for the year ended 30 June 2017.

For the purposes of the preparation of the consolidated financial statements for the year ended 30 June 2018, as disclosed in note 21 to the consolidated financial statements, as a result of the inconsistencies in the grading and classification of cultural products performed by different experts as at 30 June 2017 and 2016. During the year, the current management of the Group resolved to arrange another team of cultural product and jewellery experts (the "Current Experts") to conduct a detailed inspection of the cultural products regarding their grading and classification in respect of the year ended 30 June 2018. As disclosed in note 21 to the consolidated financial statements, the Group engaged the Appraisal Center to conduct a scientific examination of 360 pieces of cultural products, so as to better determine their nature and substance of these cultural products. Based on the work conducted by the Current Experts and the Appraisal Center, further downgradings were identified. Accordingly, a further impairment loss (as mentioned above) of HK$4,222,621,000 has been recognised for the year for the purpose of preparing the consolidated financial statements for the year ended 30 June 2018.

Subsequent to the publication of the Audited Condensed Consolidated Statement of Assets and Liabilities and for the purpose of the annual results of the Group for the year ended 30 June 2018, the directors of the Company unanimously decided to take the approach of eliminating any lingering doubts on the nature of the cultural products inventory so as to obtain a final and uncontroversial conclusion for our inventory.

The directors of the Company were of the view that, with the detailed exercise performed by the Current Experts and the Appraisal Center, the carrying amount net of impairment recognised so far, reflected in the consolidated statement of financial position, was the best estimate of the recoverable amount of the cultural products. We believe the matter of the scope limitations referred to above no longer have possible effect on the figure presented in the consolidated statement of financial position as at 30 June 2018.

However, as the closing balance of the cultural products as at 30 June 2017 is carried forward as the opening balance for the current year, any adjustments found to be necessary to the closing balance as at 30 June 2017 may have a significant effect on the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 30 June 2018.

Basis for Qualified Opinion on the Consolidated Statement of Financial Position

As described in the Disclaimer of Opinion on the Loss, Changes in Equity and Cash Flows section of our report, the matters of the scope limitations referred to available-for-sale investments and inventories no longer have effect on the figure presented in the consolidated statement of financial position as at 30 June 2018.

However, the comparative figures presented in the statement of financial position as at 30 June 2018 may contain material misstatements and hence may not be comparable with the figures.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

Revenue

Champion Technology Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") reported a revenue for the year under review of approximately HK$143 million compared with approximately HK$195 million of the previous year, a decrease of approximately 26.6 percent. This was mainly due to the temporary delay in the trading activities of cultural products during the year pending for the results of scientific authentication of the cultural products.

Loss attributable to Owners of the Company

The loss for the year under review is approximately HK$4,476 million (2017: approximately HK$4,804 million). Loss for the year attributable to owners of the Company is approximately HK$3,812 million (2017: approximately HK$4,188 million). The loss was mainly due to the drop in revenue, the further impairment losses recognised on the inventories and the fair value loss recognised on the investment properties during the year. Loss per share is HK$9.29 (2017: HK$13.23).

Distribution Costs

The Group's distribution costs for the year were mainly incurred by the principal subsidiary in United Kingdom – Multitone Electronics PLC ("**Multitone**"), which recorded distribution costs for the year under review of approximately HK$28 million compared with approximately HK$27 million of the previous year.

General and Administrative Expenses

General and administrative expenses for the year increased by approximately 29.5 percent to approximately HK$118 million from approximately HK$91 million of previous year. The increase is mainly attributable to the increase in audit fee and legal and professional fees.

Amortisation and Depreciation

Amortisation and depreciation costs for the year decreased to approximately HK$9 million, compared with approximately HK$27 million of previous year, due to significant decrease in amortisation on development costs for systems and networks as the development costs for systems and networks were fully impaired during the year ended 30 June 2017.

Impairment Loss and Fair Value Loss

Based on the result of comprehensive scientific authentication, the Group recognised an impairment loss on inventories of approximately HK$4,223 million for the year ended 30 June 2018. In addition, a fair value loss on investment properties acquired in current year of approximately HK$178 million was recognised in strict compliance with HKAS 8 which prevents the Group from recognizing the development potential of certain investment properties. Details of which are set out in the "Review of Operations" section below.

Finance Costs

Finance costs for the year increased to approximately HK$51 million from approximately HK$12 million of the previous year, which was due to the increase in borrowings and promissory note payable during the year.

REVIEW OF OPERATIONS

System Products

For our system products sector, our UK arm manifests the major sources of income of our Group in that sector. When our management together with the CEO and technical director of Multitone visited China recently to introduce the background and products of Multitone, several customers showed strong interest in doing business with us. More details of that development are provided in the "Outlook" section. So far, during the year under review, business and contribution from system products have remained steady and stable.

Cultural Products

Included in finished goods of the Group as at 30 June 2018 were cultural products, including precious stones and artifacts, of HK$12,763,000 (as at 30 June 2017: HK$4,235,385,000) which were held for trading and resale in the ordinary course of business.

Since November 2017, all such cultural products, totalling 368 pieces, have been kept in a warehouse run by a worldwide security solution company, which is an independent third party to the Group.

For the purpose of the audited condensed consolidated statement of assets and liabilities of the Group as at 31 December 2017 (the "**Audited Condensed Consolidated Statement of Assets and Liabilities**") which was announced by the Company on 30 April 2018, a team of cultural product/jewellery experts (the "**Current Experts**") organised by the 中國文物信息諮詢中心 "China Cultural Heritage Information and Consulting Center" (the "**Consulting Center**") and led by Ms. YANG Zhen Hua（楊震華）, who is a renowned expert in the field of jewellery and stones, was engaged to perform an inspection on all 368 pieces of the cultural products owned by the Group. Upon completion of their Stage 1 field work, they directed us to arrange for scientific examination with the GEM Appraisal Center of Peking University（北京北大寶石鑒定中心）(the "**Appraisal Center**") of selected representative samples plus certain items on which doubts were cast by them. According to the latest opinions from the Current Experts, further downgradings and reclassifications were required to be made on the cultural products as compared to those as at 30 June 2017. Based on the findings concerning the grading and classification of the cultural products, another valuer 北京市國宏信價格評估有限公司, who was arranged by the Consulting Center, reassessed the market values of the inventories as at 31 December 2017. As a result of the final authentication report and evaluation report, the Company had determined that their net realisable values were way below their costs and the shortfall resulted in impairment loss of approximately HK$4,221 million for the six months ended 31 December 2017.

Subsequent to the publication of the Audited Condensed Consolidated Statement of Assets and Liabilities and for the purpose of the annual results of the Group for the year ended 30 June 2018, the Directors unanimously decided to take the approach of eliminating any lingering doubts on the nature of the cultural products inventory so as to obtain a final and uncontroversial conclusion for our inventory.

As disclosed in note 11 to this announcement, the Company engaged the Appraisal Center to conduct a scientific examination of 360 pieces of cultural products, so that their nature and substance can be established, following which grading and classification of the cultural products can be confirmed. Based on their findings concerning the grading and classification of the cultural products, the Appraisal Center issued their final report, 北京市國宏信價格評估有限公司 has reassessed the market values of all 368 pieces of cultural products as at 30 June 2018. The result of the final authentication report and evaluation report indicate that there is no material change in their net realisable values between 31 December 2017 and 30 June 2018. Impairment loss of approximately HK$4,223 million is recognised for the year ended 30 June 2018.

In view of the disappointing drop in the value of the cultural products, we will restructure a suitable plan to develop the line of business on the cultural products and to proceed along a more practicable approach in trading new items and selling the cultural products that we have.

Available-for-sale Investments ("AFS Investments")

As at 30 June 2018, regarding the AFS Investments related to four unlisted equity securities invested previously which were fully impaired in the year of 2017, the factors supporting the directors' decision remain unchanged, such as, a) the findings by the private investigators; b) the legal advice from the legal adviser: c) the various options suggested by the legal advisers, where the estimated cost to perform the actions would significantly exceed the benefit; and d) there is no other alternative or possible further action that the Company could reasonably take, the Directors concluded that reversal of the impairment loss is not necessary and zero carrying amount of the AFS Investments as at 30 June 2018 is appropriate.

Securities Investments

In order to maximize the return of the funds raised from our previous fund raising activities, the Group has invested in some Hong Kong listed securities. The Group has focused on certain short-term securities trading through the Company and its wholly-owned subsidiary, namely Champnet Limited.

During the year ended 30 June 2018, the Group has recorded fair value gain on financial assets at fair value through profit or loss ("**Financial Assets at FVTPL**") of approximately HK$15 million (2017: Nil) which is attributable to unrealised gain of approximately HK$1 million and realised gain of approximately HK$14 million.

As at 30 June 2018, the fair value of the investments classified as Financial Assets at FVTPL amounted to approximately HK$111 million (2017: Nil). These investment portfolios comprised 12 (2017: Nil) equity securities listed in The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") of which 4 (2017: Nil) equity securities are listed on the Main Board of the Stock Exchange and the remaining 8 (2017: Nil) equity securities are listed on the GEM of the Stock Exchange.

Details of these investments will be shown under section "Review of Operations" of the annual report for the year ended 30 June 2018.

Dongguan Hotel Project

As disclosed in the announcement of the Company dated 19 July 2017, regarding the disclosable transaction in relation to the acquisition of the 51% equity interest of a Hong Kong company that indirectly owns a hotel in Dongguan through a PRC subsidiary (the "**Acquisition**"), the Directors considered the Acquisition was in line with the Group's business diversification strategy. In addition, as disclosed in the Audited Condensed Consolidated Statement of Assets and Liabilities which was announced on 30 April 2018, we noted that the market condition in Dongguan had changed, with the demand for hotel rooms in those areas, as expected, continued to remain gloomy, and this aspect was considered when this project was scrutinised. However, by virtue of the sub-contracting agreements, the Company can on one hand benefit from the steady, guaranteed income, while it may, on the other hand, take the initiative to terminate the agreements with the hotel operator as and when we consider appropriate.

If the sub-contracting agreements are terminated, we may redevelop the subject properties (together with the vacant and unused portions of land adjacent thereto) afresh into, proposedly, a brand new residential commercial complex project, whereby unlocking the true and inherent value of the land.

Therefore, we considered that there was a hidden value in this project which the Company would be able to benefit from in the foreseeable future.

To adhere strictly to the relevant accounting standard regardless of the commercial value, the valuation of the investment property regarding the land use right (i.e. interest in a leasehold land with the remained contractual life from the end of expiry of the lease term with the tenant to 2043), which was performed by an independent firm of professional valuers, Stirling Appraisals Limited, by the adoption of the adjusted market comparison approach by a) making reference to comparable sales of bare-land with lease term of 40 years; b) adjusted for the term factor using the valuation technique to estimate value of bare-land with lease term of 10 years as at 2033; and c) take into account the time value of money at discount rate of 6% from 2033 back to 30 June 2018, indicated that the value was approximate to HK$4.3 million (RMB3.6 million). Therefore, an impairment loss amounted to HK$178 million was recognised for the year ended 30 June 2018.

Kantone Holdings Limited ("Kantone")

Revenue for Kantone and its subsidiaries (collectively, the "**Kantone Group**") was approximately HK$137 million, as compared with approximately HK$141 million of the previous year. Loss for the year was approximately HK$1,644 million, as compared with the loss for the fiscal year 2017 of approximately HK$1,757 million.

The Kantone Group recorded a slight drop in revenue of HK$4 million. Throughout the period under review, the Kantone Group was able to maintain its momentum in the European market within the healthcare and emergency services sectors. For maintaining our products' competitiveness, the Kantone Group has continued to focus on optimizing its development resources to provide customers with critical messaging solutions in the niche markets. In addition, the Group's management is focusing on developing a foothold in the China and Hong Kong market.

In order to keep pace with the challenging business environment, the Group would continue to enhance its products and marketing plans with the aim of improving sales and the overall return.

OUTLOOK

The business objectives of the Group are to develop its business and achieve sustainable growth of its business. The Group aims to achieve such objectives by pursuing the following growth-oriented strategies: (i) broadening the customer base of the systems sales, lease and licensing business of the Group; (ii) improving the trading business of the Group; (iii) restructuring its property portfolio and tapping into the PRC property sector; and (iv) further expansion of its business in the technology sector by developing the renewable energy field in Hong Kong. The followings are the proposed strategic pattern of the Group oriented with the above strategy:

We had a good start in tapping in two sectors during the fourth quarter of this fiscal year, (i) trading and (ii) exploring the China and Hong Kong market of the system products from Multitone, and, other than broadening and exploring these two core businesses, we, on the other hand, had a chance to develop a new business to the Group in Hong Kong, and we will definitely be more cautious of the recent rapidly changing business and geopolitical environment around the globe and trade war uncertainties.

Broadening the Customer Base

The Group will continue exploring opportunities for the systems sales, lease and licensing segment to broaden the geographic base of customers, especially to the PRC market.

Through a substantial subsidiary in Europe which specialized in the design, manufacturing and supply of integrated wireless communication systems and solutions for sale and lease, the Group will continue to invest in new products and market development, capitalizing on its position as the market leader in critical messaging. In order to bring in the advanced systems and products applicable to critical messaging and smart cities, the Group has been working on establishing its own base as well as cooperative platforms in the PRC to bring in its systems and products from Europe. The Group will continue to adapt and adopt emerging technologies as well as developing its own innovative products.

Meanwhile, the Group has been identifying other telecommunication and internet technologies which would benefit the Group's roadmap in Asia and the existing business in Europe with a view to enlarging the Group's coverage in the telecommunication and internet industry.

Recently, the CEO and the technical director of Multitone visited several potential customers and business partners in China, this roadshow gave us an opportunity not only to introduce our background and products, but also get a much better understanding of the requirement and needs of the customers in China. Shortly after they returned from China, good news for further business alignment with one of the customers was received, they were not only prepared to buy our products, but also suggested going forward to form a long term partnership with them to promote and sell our products in China, especially the auction-related exhibition and elderly care-related businesses. This promising development happened to fit in with the business strategies pattern of our Group, which we will keep working with our management team in UK for the best business model.

Improving the Trading Business of the Group

The investments in China-Indochina Peninsula Economic Corridor by China will inject vitality into the region. The construction of China-Laos Railway and China-Thailand Railway will promote the economic growth of Vietnam, Laos, Cambodia, Thailand and Myanmar, thus driving the increase in oil demand in the region. Oil supply in Asia is expected to be insufficient for the consumption of all countries in the region, which will lead in turn to the increase in oil prices, offering thus a prosperous prospect for the market price of oil products.

The structure of the Asian oil market has experienced significant changes this year. The formal listing and trading of oil futures on Shanghai Futures Exchange on 26 March 2018 marked a milestone for China to dominate the Asian oil market. The trading volumes of Shanghai crude oil futures has exceeded those of Dubai crude oil futures market and are next only to those of New York and London, ranking third in the world.

On the other hand, China and India have surpassed Japan on the list of the world's petroleum importing countries. China and India import 9 million and 4.5 million barrels of petroleum per day, respectively, while those of Japan are only 3.5 million. This represents the decreasing influence of Japan on the crude oil market. Japan once consumed 10% of the petroleum demands in the world and firmly adhered to long-term contract transactions. Currently, as China and India lead the Asian oil market, the oil trade will place more emphasis on cost and flexibility in delivery, with a higher percentage of spot oils. This will also be a major characteristic of the Asian oil and oil product markets.

As the price of West Texas Intermediate crude oil reached US$72.76/barrel in June, the highest price since 2014, the rise of oil price seems to be inevitable. This is mainly due to the decline in the crude oil inventories in the world, including America. The oil production of Venezuela has reduced significantly, and its daily production may decline to less than 1 million barrels in 2019, while the crisis in Iran and Libya also lead to concerns about the short supply of oil, thus triggering a new oil crisis. Therefore, oil prices are set to rise in 2019.

In addition, Iran proposes to put to an end to the US dollar's dominance over oil trade, and make RMB the hard currency in Asia. If Iran's proposal becomes true, additional uncertainties will arise in the Asian oil market.

Leveraging on the strong growth momentum of the ASEAN countries' economy, the oil product business of the Company in China-Indochina Peninsula is expected to take advantage of the rapid growth of the ASEAN countries' economy to achieve high growth, thus generating profits for the Company and bringing good news to the shareholders.

Restructuring its Property Portfolio and Tapping into the PRC Property Sector

The Group has engaged specialists to study the ways to restructure its property portfolio in Hong Kong and the PRC with a view to enhancing their value and the Group's income including modifying their usage in a legitimate way. Following the completion of the acquisition of 51% equity interests of Golden Field Property Limited on 19 July 2017, the Group will diversify and further expand its business portfolio into the PRC property sector. The management is studying ways to have the site redeveloped into a commercial and residential complex which is becoming common and popular in line with the Big Bay Development scheme promoted by China.

Renewable Energy Sector

Developing renewable energy is the long-term goal of an advanced society. In support of the Government's environmental policy to address climate change, CLP Power is introducing a Feed-in Tariff (FiT) Scheme and Renewable Energy Certificate (RECs) to encourage low-carbon living and develop RE under the company's new Scheme of Control Agreement. CLP Power has been providing consultancy and technical help to those who are interested in adopting RE in the community, including a dedicated hotline, grid connection support service and a streamlined application process. About 300 RE systems are now connected to CLP Power's grid. The FiT Scheme is applicable to electricity produced by solar power systems with a generating capacity of up to 1 MW. CLP Power will purchase the electricity produced by an approved RE system once it is successfully connected to the company's power grid. A smart meter will be installed to record the amount of electricity generated by the RE system.

The Company viewed this as a great business opportunity with steady cash inflow to the Company. Recently, we have secured a suitable supplier of solar panels who shares the same vision of our management that now is the right moment to penetrate Hong Kong market. In September 2018, we received the approval from CLP Power to start a FiT scheme for a warehouse in New Territories as a test run. This test run will provide us with useful information for business planning, such as precise figures of the installation cost and time, and the effectiveness of the solar power. We have some identified targeted areas in the New Territories, but full scale operation would have to wait until the test run results are obtained.

CAPITAL REORGANISATION

In September 2017, the Board proposed to implement the capital reorganisation (the "**Capital Reorganisation**"), details of which were set out in the circular of the Company dated 25 September 2017 (the "**Circular**"). The shareholders of the Company approved the Capital Reorganisation at the special general meeting of the Company held on 18 October 2017 and the Capital Reorganisation became effective on 26 October 2017. For details, please refer to the Circular and the announcements of the Company dated 14 September, 20 September, 10 October, 18 October and 25 October 2017.

ISSUE OF PROMISSORY NOTE

On 19 July 2017, the Company issued promissory note with principal amount of HK$120,000,000. For details, please refer to the announcement of the Company dated 19 July 2017.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position and Gearing

The Group's financial position remained positive.

As at 30 June 2018, the Group had approximately HK$113 million (2017: approximately HK$122 million) liquid assets made up of deposits, bank balances and cash. Current assets were approximately HK$304 million (2017: approximately HK$4,423 million) and current liabilities amounted to approximately HK$129 million (2017: approximately HK$294 million). With net current assets of approximately HK$176 million (2017: approximately HK$4,130 million), the Group maintained a high level of financial liquidity. The gearing ratio of the Group, which calculation was based on the Group's total borrowings of approximately HK$339.7 million (2017: approximately HK$203.6 million) and equity attributable to owners of the Company of approximately HK$48 million (2017: approximately HK$3,565 million), was 7.1 (2017: 0.057). The high gearing ratio was largely a result of the significant reduction in the equity attributable to owners of the Company resulting from the recognition of the impairment loss on inventories and the fair value loss on investment properties. In consideration of the rights issue of the Company, which was completed on 18 July 2018, the gearing ratio is expected to decrease.

As at 30 June 2018, the Group's total borrowings comprised bank loan of approximately HK$Nil (2017: approximately HK$3.6 million), other borrowing of approximately HK$280 million (2017: 200 million), margin loans of approximately HK$2.7 million (2017: HK$Nil) and promissory note payable of approximately HK$57.0 million (2017: Nil), approximately HK$54.0 million was repayable within one year and approximately HK$285.7 million would be repayable in the second year (2017: all was repayable within one year). Finance costs for the year were approximately HK$50.6 million (2017: approximately HK$12.0 million).

Fund Raising Activities

During the year ended 30 June 2018, the Group completed a series of fund raising exercises to strengthen its financial position and raised total gross proceeds of approximately HK$198.3 million, with the net proceeds therefrom having been applied as follows:

<table>
<tr><th>Date of announcement</th><th>Fund raising activity</th><th>Net proceeds raised</th><th>Intended use of proceeds</th><th>Actual use of proceeds</th></tr>
<tr><td>26 July 2017</td><td>Placing of new ordinary shares under general mandate</td><td>Approximately HK$129.7 million</td><td>As general working capital of the Group and for development of the existing and future projects of the Group</td><td>(i) Approximately HK$36.1 million has been utilized for redemption of a promissory note;
(ii) Approximately HK$63.6 million has been utilized as general working capital of the Group as follows:
<table>
<tr><th>Use of proceeds</th><th>Amount
(HK$'000)</th></tr>
<tr><td>Audit fee</td><td>2,785</td></tr>
<tr><td>Directors' fee and salary</td><td>3,848</td></tr>
<tr><td>General operating expenses</td><td>18,697</td></tr>
<tr><td>Legal and professional fee</td><td>7,443</td></tr>
<tr><td>Payment of interest on loans</td><td>19,824</td></tr>
<tr><td>Rental fee, management fee & government rates</td><td>3,438</td></tr>
<tr><td>Staff salary</td><td>7,515</td></tr>
<tr><td>Total:</td><td>63,550</td></tr>
</table>(iii) Approximately HK$30.0 million has been utilised for investment in Hong Kong listed securities for medium to long time periods (Note).
Note: In April 2018, due to the change in market condition and the Group's business strategies, the Group changed its intention to hold the investment as a medium to long term investment to short term for trading purposes.</td></tr>
</table>

Date of announcement	Fund raising activity	Net proceeds raised	Intended use of proceeds	Actual use of proceeds
15 December 2017	Placing of new ordinary shares under general mandate	Approximately HK$63.6 million	As general working capital of the Group and for development of the existing and future projects of the Group and reduction of short-term debts	Approximately HK$25 million has been utilized for repayment of loan due to Guangdong Finance Limited, HK$12.7 million has been utilized for repayment of loan due to a previous substantial shareholder, HK$1.9 million has been utilized for repayment of interest on loans, HK$14.5 million has been utilised as general working capital of the Group and the remaining amount of HK$9.5 million (which is kept as bank deposits in Hong Kong) will be used for development of the existing and future projects of the Group and reduction of short-term debts. Set out below is a further breakdown of the use of the HK$14.5 million as general working capital of the Group:

Use of proceeds	Amount *(HK$'000)*
Audit fee	440
Directors' fee and salary	1,245
General operating expenses	1,414
Legal and professional fee	775
Rental fee, management fee & government rates	3,055
Staff salary	7,542
Total:	14,471

Treasury Policy

The Group is committed to financial prudence and maintains a positive financial position with low gearing. The Group finances its operation and business development by a combination of internally generated resources, capital market instruments and banking facilities.

All the borrowings were used by subsidiaries of the Company bearing interest at fixed rate for other borrowing, margin loans and promissory note payable. As all the Group's borrowings were denominated in their local currencies, the currency risk exposure associated with them was insignificant.

The Group does not engage in any speculative derivatives or structured product transactions, interest rate or foreign exchange speculative activities. It is the Group's policy to manage foreign exchange risk through matching foreign exchange income with expense and, where exposure to foreign exchange is anticipated, appropriate hedging instruments will be used.

Capital Commitments

As at 30 June 2018, the Group did not have any capital commitments (2017: HK$1 million).

Charges

As at 30 June 2018, the margin loan of the Group of approximately HK$2.7 million was secured by the Group's listed equity investments at fair value through profit or loss with an aggregate carrying value of approximately HK$81.6 million and the other borrowing of the Group of HK$280 million was secured by personal guarantee provided by Mr. Cheng Yang (a previous Director who resigned on 15 August 2017) and Ms. Wong Man Winny (an executive Director and chairman of the Board) and all the 128,137,958 shares of Kantone owned by the Company, representing approximately 64.94% of the issued share capital of Kantone. Mr. Cheng Yang ceased to be the guarantor with effect from 5 July 2018. Besides, property, plant and equipment of the Group with the aggregate carrying amounts of approximately HK$10.9 million have been pledged as securities for the defined benefit retirement scheme of certain subsidiaries operated in UK.

Save as disclosed above, the Group did not have any charges on assets as at 30 June 2018.

Contingent liabilities

As at 30 June 2018, the Group had no material contingent liabilities (2017: Nil).

Significant investments held, material acquisitions and disposals of subsidiaries, associates and joint ventures, and future plans for material investments or capital assets

Save for the acquisition and disposal of subsidiaries as disclosed in notes 15 and 16 to the consolidated financial statements in this announcement respectively, there were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 30 June 2018.

There is no plan for other material investments or additions of capital assets as at the date of this announcement.

REMUNERATION POLICY

As at 30 June 2018, the Group employed about 220 staff around the globe. Staff costs for the year ended 30 June 2018 were approximately HK$94 million (2017: approximately HK$99 million).

The remuneration of the employees of the Group is determined with reference to market terms and the performance, qualifications and experience of the individual employee.

Emoluments of the Directors are recommended by the Human Resources and Remuneration Committee of the Company after considering factors such as the Company's operating results, individual performance, salaries paid by comparable companies, and time commitment and responsibilities of the position.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees.

FINAL DIVIDEND

The Directors do not recommend any payment of final dividend for the year ended 30 June 2018 (2017: nil).

EVENTS AFTER REPORTING PERIOD

On 18 July 2018, the Company completed a rights issue on the basis of one rights share for every two existing shares held on the record date at a subscription price of HK$0.40 per rights share (the "**Rights Issue**"). A total number of 227,943,616 rights shares were issued with net proceeds of approximately HK$86.7 million (equivalent to a net price of approximately HK$0.38 per rights share) which will be used (i) as to approximately HK$50 million for repayment of loan due to Guangdong Finance Limited under a facility agreement entered into between the Company and Guangdong Finance Limited; (ii) as to approximately HK$15 million for investment on internet communication projects of the Group; and (iii) as to approximately HK$21.7 million for administrative expenses and operation expenses, including without limitation salaries and office rental expenses, and payment of interest of borrowings. For details, please refer to the prospectus of the Company dated 25 June 2018 and the announcements of the Company dated 30 May 2018, 12 June 2018 and 17 July 2018 in relation to the Rights Issue.

Save as disclosed above, no significant event affecting the Group occurred subsequent to 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed the Company's listed securities during the year ended 30 June 2018.

SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 30 June 2018 have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Moore Stephens CPA Limited on this preliminary announcement.

CODE OF CORPORATE GOVERNANCE

Throughout the year ended 30 June 2018, the Company has complied with the code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules, save for the deviation of code provision A.4.1 and E.1.2 of the CG Code below:

(a) Under the code provision A.4.1 of the CG Code, all non-executive Directors should be appointed for a specific term, subject to re-election. Whilst the non-executive Directors are not appointed for a specific term, the term of office for non-executive Directors is subject to retirement from office by rotation and is eligible for re-election in accordance with the provisions of the Bye-laws. At each annual general meeting of the Company, one-third of the Directors for the time being, (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation so that each Director shall be subject to retirement at least once every three years. As such, the Company considers that such provision is sufficient to meet the underlying objectives of CG Code.

(b) Under code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. Due to other engagement, Ms. Wong Man Winny, the chairman of the Board, was out of town and was unable to attend the 2017 annual general meeting held on 28 December 2017.

NON-COMPLIANCE WITH RULES 3.10(1) AND 3.21 OF THE LISTING RULES

Pursuant to Rule 3.10(1) and Rule 3.21 of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors and the audit committee must comprise a minimum of three members. Following the retirement of Mr. Zhang Jingzhi as an independent non-executive Director and a member of the audit committee of the Company with effect from 28 December 2017, the number of independent non-executive Directors fell below the minimum number of three as required under Rule 3.10(1) of the Listing Rules, and the number of members of the audit committee of the Company fell below the minimum number prescribed under Rule 3.21 of the Listing Rules. Following the appointment of Mr. Wong Yuk Man Edmand as an independent non-executive Director and a member of the audit committee of the Company with effect from 8 March 2018, the Company has been in compliance with the relevant requirements under the Listing Rules.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Specific enquiries have been made with all Directors, who have confirmed that, during the year ended 30 June 2018, each of them has complied with the required standards as set out in the Model Code.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed with the management of the Group on the accounting principles and practices adopted by the Group, its internal controls and financial reporting matters.

The annual results of the Company for the year ended 30 June 2018 have been reviewed by the Audit Committee.

By order of the Board
CHAMPION TECHNOLOGY HOLDINGS LIMITED
WONG MAN WINNY
Chairman

Hong Kong, 27 September 2018

As at the date of this announcement, the executive directors of the Company are Ms. Wong Man Winny and Mr. Liu Ka Lim; the non-executive directors of the Company are Ms. To Yin Fong Cecilica and Mr. Chan Sung Wai; and the independent non-executive directors of the Company are Mr. Leung Man Fai, Mr. Chan Yik Hei and Mr. Wong Yuk Man Edmand.