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## **CHAMPION TECHNOLOGY HOLDINGS LIMITED**

**冠軍科技集團有限公司**

*(Continued in Bermuda with limited liability)*

**(Stock Code: 92)**

- (1) VERY SUBSTANTIAL AND CONNECTED ACQUISITION;**
- (2) DECISION OF THE LISTING DIVISION ON THE ACQUISITION;**
- (3) REQUEST TO REVIEW THE DECISION  
BY THE LISTING COMMITTEE; AND**
- (4) RESUMPTION OF TRADING**

**Financial adviser to the Company**



### **THE ACQUISITION**

The Board would like to announce that, after trading hours on 8 June 2023, the Purchaser entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares, representing an aggregate of approximately 51.15% of the issued shares of the Target Company, at the Consideration of approximately HK\$33.68 million.

### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder is more than 100% under the Listing Rules, the Acquisition constitutes a very substantial acquisition of the Company and is therefore subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, as (i) Ms. Wong Man Winny is an executive Director and a substantial Shareholder of the Company, and (ii) Mr. Yeung Chi Hang is the director of a subsidiary of the Company, Ms. Wong Man Winny and Mr. Yeung Chi Hang are connected persons of the Company. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As more than one applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5%, the Acquisition is therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

Subject to the approval of the Stock Exchange, an SGM will be convened to consider and, if thought fit, to pass the resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. For this purpose, a circular containing, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing the view of the Independent Board Committee on the Sale and Purchase Agreement and the transactions contemplated thereunder; (iii) a letter of advice from an independent financial adviser to the Independent Shareholders; and (iv) a notice of the SGM, will be despatched by the Company to the Shareholders on or before 29 December 2023 as additional time is required by the Company for the preparation of relevant information for the inclusion in the circular.

## **DECISION OF THE LISTING DIVISION ON THE ACQUISITION**

On 29 September 2023, the Company received the decision letter relating to the Acquisition from the Listing Division, pursuant to which the Listing Division decided that the Acquisition constitutes a reverse takeover under Rule 14.06B of the Listing Rules. In arriving at the Decision, the Listing Division had considered the following:

- (i) The renewable energy business of the Group has a limited operating scale since its commencement, and the smart city solution business of the Group had short track record and its revenue for the year ended 30 June 2023 was not significant;
- (ii) The Acquisition is significant to the Company in light of the revenue ratio as calculated in accordance with the Listing Rules;

- (iii) The Acquisition would result in a fundamental change in the Company's existing businesses; and
- (iv) The Target Group was loss making in the past two years and would not have met the new listing requirements under Rule 8.05 of the Listing Rules had it been treated as a new listing applicant.

Under Chapter 2B of the Listing Rules, the Company has the right to have the Decision referred to the Listing Committee for review within seven Business Days from the date of issue of the Decision (i.e., on or before 11 October 2023).

#### **REQUEST TO REVIEW THE DECISION BY THE LISTING COMMITTEE**

On 4 October 2023, the Company submitted an application requesting the Listing Committee to review the Decision pursuant to Chapter 2B of the Listing Rules. The Company hereby reminds the Shareholders and potential investors of the Company that the outcome of the Review is uncertain. Subject to the results of the Review, the Acquisition may or may not proceed. Further announcement(s) will be made by the Company in respect thereof as and when appropriate.

#### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on Friday, 9 June 2023 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Monday, 9 October 2023.

**Shareholders and potential investors of the Company should note that the Completion is subject to the fulfilment or waiver of the conditions precedent (as the case may be). Therefore, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are therefore reminded to exercise caution when dealing in the securities of the Company.**

## **INTRODUCTION**

The Board would like to announce that, after trading hours on 8 June 2023, the Purchaser entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares, representing an aggregate of approximately 51.15% of the issued shares of the Target Company, at the Consideration of approximately HK\$33.68 million.

## **THE SALE AND PURCHASE AGREEMENT**

The principal terms of the Sale and Purchase Agreement are set out as below:

### **Date**

8 June 2023

### **Parties**

**Purchaser:** Power Favour Holdings Limited, a wholly-owned subsidiary of the Company

**Vendors:**

- (i) Ms. Wong Man Winny, who is interested in approximately 23.46% of the issued shares of the Target Company as at the date of the Sale and Purchase Agreement;
- (ii) Mr. Gan Shanghua, who is interested in approximately 1.54% of the issued shares of the Target Company as at the date of the Sale and Purchase Agreement;
- (iii) Mr. Yeung Chi Hang, who is interested in approximately 32.69% of the issued shares of the Target Company as at the date of the Sale and Purchase Agreement; and
- (iv) Elite Plan Investments Limited, which is interested in approximately 11.54% of the issued shares of the Target Company as at the date of the Sale and Purchase Agreement.

**Vendor's Guarantor:** Ms. Ho Wai Chun Priscilla, as guarantor for the obligations of Elite Plan Investments Limited under the Sale and Purchase Agreement

## Assets to be acquired

The Sale Shares, being an aggregate of approximately 51.15% of the issued shares of the Target Company as the date of the Sale and Purchase Agreement.

## Consideration

The Consideration payable by the Purchaser under the Sale and Purchase Agreement is approximately HK\$33.68 million, which consists of (i) HK\$20 million to be settled by cash by the Purchaser and to be financed by Company's internal resources; and (ii) the balance of the Consideration of approximately HK\$13.68 million to be settled by the Purchaser by way of issue and allotment of Consideration Shares at the issue price of HK\$0.1 each to the Vendors.

The details of the Sale Shares and consideration payable to each of the Vendors are set out as follows:

	Percentage of issued shares in the Target Company to be transferred %	Consideration in cash HK\$'000 a (approximate)	Number of the Consideration Shares	Value of the Consideration Shares HK\$'000 b (approximate)	Total consideration HK\$'000 c=a+b (approximate)
Ms. Wong Man Winny	23.46%	9,173	62,727,341	6,273	15,446
Mr. Gan Shanghua	1.54%	602	4,113,268	411	1,013
Mr. Yeung Chi Hang	14.61%	5,714	39,076,048	3,908	9,622
Elite Plan Investments Limited	11.54%	4,511	30,849,512	3,085	7,596
Total	51.15%	20,000	136,766,169	13,677	33,677

The original cost incurred by Ms. Wong Man Winny, a connected person of the Company, for her issued shares in the Target Company was approximately HK\$55.1 million. She acquired the issued shares in the Target Company in batches on 5 September 2016, 14 December 2016 and 5 July 2017. The original cost incurred by Mr. Yeung Chi Hang, a connected person of the Company, for his issued shares in the Target Company was US\$85 (equivalent to approximately HK\$659). He acquired the issued shares in the Target Company on 11 August 2020.

## **Basis of the Consideration**

The Consideration of approximately HK\$33.68 million payable by the Purchaser to the Vendors was determined and arrived at after arm's length negotiations between the Purchaser and the Vendors after having considered a number of factors including but not limited to:

- (i) the historical performance of the Target Group. The Target Group incurred gross loss and loss after tax for the two years ended 31 December 2022, which was mainly due to the decrease in the revenue generated from the provision of extracurricular courses. Such decrease was attributable to the frequent intermittent suspension of the provision of in-class courses by the Target Group as a result of the lockdown arrangement of COVID-19 implemented by the local government of various cities in the PRC. However, the Target Group earned gross profit of approximately RMB14.9 million and profit after taxation of approximately RMB1.1 million for the year ended 31 December 2019 before the outbreak of the COVID-19 pandemic. Without the impact of control measures of COVID-19, the performance of the Target Group is expected to surpass the pre-pandemic level after the relaxation of lockdown measures in the PRC in December 2022;
- (ii) the potential growth and prospects of the Target Group. As described under the paragraphs headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" in this announcement, the customer base of the training centers of the Target Group is expected to be enlarged in the future and the demand of the Target Group for IoT Learning Products will increase substantially. The Target Group will serve as good platforms to promote the IoT Learning Products of the Group and broaden the Group's client portfolio; and
- (iii) the appraised value of HK\$58.1 million, which represents the appraised value of the approximately 51.15% issued shares in the Target Company as at 31 December 2022 based on the Valuation Report. The Consideration represents a discount of approximately 42% to the appraised value for HK\$58.1 million of the approximately 51.15% issued shares in the Target Company. The Consideration was determined on the basis that it represents a good discount to the appraised value of the approximately 51.15% issued shares in the Target Company which is beneficial to the Company.

## **Payment terms**

Pursuant to the Sale and Purchase Agreement, the Consideration is approximately HK\$33.68 million and shall be settled by the Purchaser in the following manner:

- (i) HK\$20 million shall be settled by cash by the Purchaser on the date of the Completion:
  - (a) HK\$9,172,932 to Ms. Wong Man Winny;

- (b) HK\$601,504 to Mr. Gan Shanghua;
  - (c) HK\$5,714,286 to Mr. Yeung Chi Hang; and
  - (d) HK\$4,511,278 to Elite Plan Investments Limited.
- (ii) subject to the satisfaction of the Profit Guarantee, the balance of the Consideration of approximately HK\$13.68 million shall be settled by the Purchaser by way of issue and allotment of the Consideration Shares at the issue price of HK\$0.1 each to the Vendors on the following final settlement date, which is the 20th Business Day, if such day falls on a day which is not a Business Day, the next Business Day, from:
- (a) the date of issue of the audited consolidated financial statements of the Target Group for the year ending 31 December 2028; or
  - (b) (in any one of the financial year during the Guaranteed Period) the date of issue of the audited consolidated financial statements of the Target Group in which the audited consolidated profit after tax and non-controlling interests as shown in the financial statements of the Target Group when aggregated with those in any previous years of the Guaranteed Period equals or exceeds HK\$123 million.

The details of the issue and allotment of the Consideration Shares are as follows:

- (a) 62,727,341 Shares to Ms. Wong Man Winny;
- (b) 4,113,268 Shares to Mr. Gan Shanghua;
- (c) 39,076,048 Shares to Mr. Yeung Chi Hang; and
- (d) 30,849,512 Shares to Elite Plan Investments Limited.

### **Consideration Shares**

The Consideration Shares, being 136,766,169 Shares, represent: (i) approximately 5% of the issued share capital of the Company as at the date of the Sale and Purchase Agreement; and (ii) approximately 4.8% of the issued share capital of the Company enlarged by the allotment and issue of the Consideration Shares (assuming there will be no changes in the share capital of the Company other than the issue of the Consideration Shares). The Consideration Shares will be issued by the Company to the Vendors at HK\$0.1 per Share upon the fulfilment of the Profit Guarantee. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects

with all other then existing issued Shares and shall be credited as fully paid. To ensure the issue and allotment of the Consideration Shares in case of the fulfilment of the Profit Guarantee, the Company will carry out share consolidation to address the issue that the market price of the Shares is close to the limit of HK\$0.01. Application will be made by the Company to the Stock Exchange for the approval of the listing of, and permission to deal in, the Consideration Shares. There is no restriction on the subsequent sale of the Consideration Shares by the Vendors.

The issue price of HK\$0.1 per Consideration Share represents:

- (i) a premium of approximately 75% over the closing price of HK\$0.057 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 72% over the average closing prices of HK\$0.058 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 69% over the average closing prices of HK\$0.059 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The issue price of HK\$0.1 per Consideration Share was arrived at after arm's length negotiations between the Purchaser and Vendors after taking into account the (i) prevailing market price of the Shares; (ii) the unaudited net asset value per Share of approximately HK\$0.05 (calculated by total equity divided by the number of issued Shares as at 31 December 2022); and (iii) the audited net asset value per Share of approximately HK\$0.05 (calculated by total equity divided by the number of issued Shares as at 30 June 2022).

As the Shares were traded within the range of the closing price from HK\$0.054 to HK\$0.137 per Share with an average of approximately HK\$0.081 per Share from 8 June 2022, being one year prior to the Last Trading Day, to the Last Trading Day, the issue price of HK\$0.1 per Consideration Share is within such range. The duration of one year before the Last Trading Day is adequate given that a period longer than one year may not accurately reflect recent market conditions. As such, the Directors (other than Ms. Wong Man Winny who is required to abstain from voting at the relevant Board meeting under the requirements of the Listing Rules and the independent non-executive Directors whose view will be set out in the circular to be issued by the Company) consider that the issue price of the Consideration Shares is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Despite the fact that the shareholding percentage of the public Shareholders (excluding the Vendors) will be reduced from approximately 83.83% as at the date of this announcement to approximately 79.84% after the issue and allotment of the



Consideration Shares, taking into account the (i) the reasons for and benefits of the Acquisition as discussed in the section headed “REASONS FOR AND BENEFITS OF THE ACQUISITION” in this announcement; and (ii) the issue price of HK\$0.1 per Consideration Share is fair and reasonable as discussed above, the Directors consider that the issue of Consideration Shares is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

### Change in shareholding structure of the Company

To the best knowledge of the Directors and the Company, assuming that there are no other changes in the issued share capital of the Company after the date of this announcement and before the issue of Consideration Shares, the table below sets out the shareholding of the Company as at the date of this announcement and after the issue of Consideration Shares to the Vendors:

Shareholders	As at the date of this announcement		After the issue of Consideration Shares	
	Number of Shares	Percentage of shareholding ( <i>approximate</i> )	Number of Shares	Percentage of shareholding ( <i>approximate</i> )
<b>Vendors</b>				
Ms. Wong Man Winny	442,359,000	16.17%	505,086,341	17.59%
Mr. Gan Shanghua	—	—	4,113,268	0.14%
Mr. Yeung Chi Hang	—	—	39,076,048	1.36%
Elite Plan Investments Limited	—	—	30,849,512	1.07%
<b>Other public Shareholders</b>	<u>2,292,964,392</u>	<u>83.83%</u>	<u>2,292,964,392</u>	<u>79.84%</u>
<b>Total</b>	<u><u>2,735,323,392</u></u>	<u><u>100.00%</u></u>	<u><u>2,872,089,561</u></u>	<u><u>100.00%</u></u>

As at the date of this announcement, there were no outstanding options, warrants or convertible securities which entitle the holders to subscribe for Shares.

### Conditions precedents

Completion is conditional upon the following conditions precedent being fulfilled:

- (i) the passing of the necessary resolutions by the Independent Shareholders at the SGM approving the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (ii) the Listing Committee of the Stock Exchange has approved the listing of, and permission to deal in, the Consideration Shares and the approval has not been revoked prior to the date of Completion;

- (iii) all necessary consent and approvals have been obtained by the Purchaser, the Vendors and the Target Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the consents from the government authorities and/or regulatory authorities or the waiver from compliance with any relevant rule or requirement granted by the Stock Exchange or the SFC;
- (iv) the Purchaser being reasonably satisfied on the financial and legal due diligence results on the Target Group; and
- (v) the Vendors have not breached any of the warranties made under the Sale and Purchase Agreement.

### **Profit Guarantee**

The Vendor and the Vendor's Guarantor jointly and severally undertake and guarantee to the Purchaser that the audited consolidated profit after tax and non-controlling interests of the Target Company as shown in the audited consolidated financial statements of the Target Group for each year during the Guaranteed Period shall be equal to or exceed the amounts as follows:

<b>Year</b>	<b>Guaranteed consolidated profit after tax and non- controlling interests of the Target Group (HK\$' million)</b>
For the year ending 31 December 2024	20
For the year ending 31 December 2025	22
For the year ending 31 December 2026	24
For the year ending 31 December 2027	27
For the year ending 31 December 2028	30

If the audited consolidated profit after tax and non-controlling interests of the Target Company during the Guaranteed Period aggregated from 1 January 2024 equals or exceeds HK\$123 million, such will constitute the Vendors' full and complete fulfillment of the Profit Guarantee obligation in accordance with the Sale and Purchase Agreement. In case the Target Group recorded consolidated loss after tax and non-controlling interests for any years during the Guaranteed Period, such loss would be used to set off the consolidated profit after tax and non-controlling interests aggregated from 1 January 2024 in determining the fulfilment of Profit Guarantee obligation.

### *Basis for determining the Profit Guarantee*

The Profit Guarantee was determined with reference to the forecast profit after tax and non-controlling interests of the Target Company for the five years ending 31 December 2028 based on the Valuation. The profit after tax and non-controlling interests of the Target Company is forecast based on the (i) revenue, cost of goods sold, selling expenses, operating expenses of each training center of Intelligent Children's Palace for the five years ending 31 December 2028; and (ii) the corporate tax rate of 25% in the PRC. Actually, the guaranteed profits after tax and non-controlling interests exceed the amount of forecast profits after tax and non-controlling interests for all relevant years.

As such, the Directors consider that the forecast of the profit after tax and non-controlling interests of the Target Company for the five years ending 31 December 2028 and the Profit Guarantee is fair and reasonable.

### **Put Option**

Each of the Vendors had also granted a put option to the Purchaser, pursuant to which, in the event that the Profit Guarantee could not be fulfilled in full, the Purchaser may request each of the Vendors to repurchase their/its respective portion of Sale Shares at their/its respective proportion of the total consideration of HK\$20 million plus all accumulated interest (calculated from Completion Date and up to completion date of the put option at an interest rate of 6% per annum).

## **PROFIT FORECAST UNDER THE VALUATION REPORT**

### **Valuation methodology applied**

The Independent Valuer has considered various valuation approaches for the Valuation, which include cost approach, market approach and income approach.

The Independent Valuer is of the view that cost approach cannot capture future earnings potential of the Target Company. As such, the Independent Valuer did not adopt cost approach for the Valuation.

The market approach may not be suitable for valuing the Target Company as it has been experiencing financial losses for the past three years due to the impact of the COVID-19 pandemic. The COVID-19 restriction policies implemented by the PRC have had a significant impact on the operations of the Target Company. These policies varied widely with different measures being put in place at the provincial, city, and even community levels. As a result, it is extremely challenging to accurately assess the specific effects of each policy on the Target Company's performance. This complexity is further compounded when attempting to compare the Target Company to other businesses in the same industry, as they would also have been subject to varying COVID-19 policies. Given these factors, it is not appropriate to use the market approach as a valuation method in this case, as it would be difficult to accurately determine the Target Company's value based on the comparisons with other businesses.

Considering income approach can reflect the overall profitability of the Target Company as a going concern, which includes the value of the resources and assets not recognized in the financial statements, such as the value of management, customer resources including the students, human resources including IT experts and other intangible assets in the training centers, the Independent Valuer adopted income approach for the Valuation.

The Directors (other than Ms. Wong Man Winny who is required to abstain from voting at the relevant Board meeting under the requirements of the Listing Rules and the independent non-executive Directors whose view will be set out in the circular to be issued by the Company) consider the reasons to adopt income approach for the Valuation are valid and the income approach adopted by the Independent Valuer is fair and reasonable.

Since income approach was adopted by the Independent Valuer in the preparation of the Valuation Report, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. Therefore, the requirements of Rule 14.62 of the Listing Rules are applicable.

### **Assumptions of the Valuation**

Pursuant to the Valuation Report, details of the principal assumptions are shown as follows:

- (i) the Valuation was primarily based on the financial projections prepared by the Target Company with reference to the latest historical financial and operational information made available to the Independent Valuer. The Independent Valuer has assumed that the financial projections provided are (a) prepared on a reasonable basis, (b) reflecting estimates which have been arrived after due and careful consideration by its management and will be materialized, and (c) reflecting aspects of the individual operations, including but not limited to, market conditions, economic fundamentals, expected utilization rates, selling prices, and costs of sales and operations of each of the training centres;
- (ii) there will be no major changes in the existing political, legal, and economic conditions in the jurisdiction where the Target Company currently operates or will operate, which will materially affect the revenue attributable to the Target Company;
- (iii) there will be no major changes in the current taxation law in the jurisdiction where the Target Company currently operates or will operate, which will materially affect the revenue attributable to the Target Company. The rates of tax payable remain unchanged and all applicable laws and regulations will be complied with;

- (iv) exchange rates and interest rates will not differ materially from those presently prevailing;
- (v) economic conditions will not deviate significantly from economic forecasts;
- (vi) the Target Company shall secure and retain competent management, key personnel, marketing and technical staff to carry out and support its business operations;
- (vii) there are no other unpredictable and force majeure which cause material adverse effect;
- (viii) the cash flow of the Target Company will be generated in the middle of every forecast period; and
- (ix) there will be no material changes in the Target Company's mode of operation.

The Directors have reviewed the assumptions adopted in the Valuation Report and noted that the assumptions are usual assumptions adopted by valuers for entities comparable to the Target Company. As such, the Directors are of the view that the assumptions adopted in the Valuation Report are fair and reasonable.

The Valuation Report is dated 8 June 2023 and it was prepared with reference to the (i) business environment and the sentiment of the society after the uplift of the COVID-19 social distancing measures in the PRC; (ii) the actual revenue and expenses from 1 January 2023 to 31 May 2023; and (iii) the forecast provided by the management of the Target Company. Apart from these phenomena, the Directors and the Independent Valuer are not aware of any material change in the value of the Target Company since 31 December 2022.

Cheng & Cheng Limited, the Reporting Accountant, has been engaged by the Company for purposes of Rule 14.62(2) of the Listing Rules to review the arithmetical calculation and compilation of the discounted future cash flows upon which the Valuation Report was based.

Donvex Capital Limited, the Financial Adviser, has been engaged by the Company for purposes of Rule 14.62(3) of the Listing Rules to assess whether the profit forecast has been made by the Directors after due and careful enquiry.

A report from the Reporting Accountant dated 8 June 2023 in compliance with Rule 14.62(2) of the Listing Rules and a letter from the Financial Adviser dated 8 June 2023 in compliance with Rule 14.62(3) of the Listing Rules are set out in Appendix I and Appendix II to this announcement, respectively.

## Summary of the Valuation

		For the year ending 31 December						
		2023	2024	2025	2026	2027	2028	
		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Note
<b>Revenue</b>								
Rental income	RMB	1,890,000	1,890,000	1,984,500	1,984,500	2,083,725	2,083,725	1
Care service for pre-school children	RMB	2,549,500	3,000,000	3,030,000	3,030,000	3,030,000	3,030,000	2
Sub-contracting service income	RMB	7,712,665	6,692,103	6,692,103	6,692,103	6,692,103	6,992,103	3
Study tour service income	RMB	2,940,699	2,810,000	2,810,000	2,810,000	2,810,000	3,010,000	4
Smart education system implementation service income	RMB	<u>24,754,477</u>	<u>21,445,273</u>	<u>15,893,659</u>	<u>12,893,659</u>	<u>9,893,659</u>	<u>9,893,659</u>	5
Revenue from non-extracurricular courses	RMB	39,847,341	35,837,376	30,410,262	27,410,262	24,509,487	25,009,487	
Revenue from extracurricular courses	RMB	<u>169,389,125</u>	<u>210,733,006</u>	<u>227,591,646</u>	<u>243,523,061</u>	<u>258,134,445</u>	<u>271,041,167</u>	6
Total revenue	RMB	<u>209,236,466</u>	<u>246,570,382</u>	<u>258,001,908</u>	<u>270,933,323</u>	<u>282,643,932</u>	<u>296,050,654</u>	
<b>Cost of sales</b>								
Human resources	RMB	105,341,098	120,372,510	128,606,148	136,293,278	143,369,081	149,395,068	7
Material cost	RMB	4,045,034	6,703,485	7,239,765	7,746,548	8,211,341	8,621,908	8
Rental expenses	RMB	<u>39,668,114</u>	<u>42,297,813</u>	<u>45,022,401</u>	<u>46,921,555</u>	<u>48,663,350</u>	<u>50,201,936</u>	9
Total cost of sales	RMB	<u>149,054,246</u>	<u>169,373,808</u>	<u>180,868,314</u>	<u>190,961,381</u>	<u>200,243,772</u>	<u>208,218,912</u>	
<b>GROSS PROFIT</b>	RMB	60,182,220	77,196,574	77,133,594	79,971,942	82,400,160	87,831,742	
Selling Expenses	RMB	3,734,622	5,837,633	6,283,523	6,704,890	7,091,343	7,228,711	10
<b>Operating expenses</b>								
R&D expenses	RMB	6,230,601	7,563,342	5,063,342	4,063,342	3,263,342	3,063,342	11
Administrative expenses	RMB	11,335,066	11,036,139	11,233,283	11,233,283	11,233,283	11,233,283	12
Depreciation and amortization	RMB	15,547,450	17,032,357	18,232,356	18,232,356	18,232,356	18,232,357	13
Others	RMB	<u>4,299,287</u>	<u>5,972,402</u>	<u>5,250,834</u>	<u>4,737,584</u>	<u>4,447,959</u>	<u>4,804,986</u>	14
Total operating expenses	RMB	<u>37,412,404</u>	<u>41,604,240</u>	<u>39,779,815</u>	<u>38,266,565</u>	<u>37,176,940</u>	<u>37,333,968</u>	
Profit before tax	RMB	19,035,193	29,754,701	31,070,256	35,000,488	38,131,876	43,269,064	
Corporate Tax	RMB	2,548,668	3,500,183	4,550,046	5,391,510	5,565,138	10,817,266	
<b>NET PROFIT FOR THE YEAR</b>	RMB	16,486,525	26,254,518	26,520,209	29,608,978	32,566,738	32,451,798	
Net Profit after tax and non-controlling interests	RMB	15,424,843	20,200,403	19,503,930	21,341,196	23,183,709	24,597,918	

### Notes:

1. The forecast figures are based on rental agreement.

2. The Target Group provided a care service which functioned as a kindergarten for pre-school children during the day. The forecast figures are based on current level of revenue generated from care service for pre-school children. The Target Group has only one centre which offers such service with 5 classrooms. The service should have a steady demand over time. As care service for pre-school children is not the main business of the Target Group, the management plans to maintain its existing operation level.
3. The Target Group has allied with about 10 schools to offer after-school courses with the provision of teachers and other resources. The forecast figures are based on current level of revenue generated from sub-contracting service. Based on the current information, the management expects the revenue in 2024 to be 13% lower than the previous year. The revenue for 2023 is higher because it includes the deferred revenue which was received during the year of 2022. The management also expects the revenue to remain at the same level until 2027 without any significant changes as (i) the sub-contracting service should have a steady demand over time; and (ii) the management of the Target Group does not plan to expand this business considering it is not the main focus of the Target Group. As such, the sub-contracting service will continue to operate at the same level as before.
4. The forecast figures are based on current level of revenue generated from study tour service. Based on the current information, the management expects the revenue in 2024 to be 4% lower than the previous year. The revenue for 2023 is higher because it includes the deferred revenue which was received during the year of 2022. The management also expects the revenue to remain at the same level until 2027 without any significant changes as the management of the Target Group does not plan to expand this business considering it is not the main focus of the Target Group. As such, the study tour service will continue to operate at the same level as before.
5. The forecast figures are based on the expected revenue from the existing projects. The revenue is generated from the provision and installation of the smart education software.
6. The forecast figure for 2023 are projected using the enrollment figures for the first half of 2023.

The forecast figure for 2024 are projected based on (i) the expected utilization rate; (ii) the theoretical maximum number of students to be enrolled; and (iii) the average price per class for each individual school.

Utilization rate is the ratio calculated by (i) the actual number of students enrolled; divided by (ii) the theoretical maximum number of students to be enrolled.

The theoretical maximum number of students is calculated based on (i) the number of classrooms; multiplied by (ii) the maximum number of students per classroom; and further multiplied by (iii) the maximum number of classes per day. The utilization rate measures how efficiently the school/ learning centre uses its resources and space.

The forecast figure for 2025 to 2028 are expected to increase at annual rate as follows:

<b>Year</b>	<b>Annual increment %</b>	<b>Note</b>
2025	8%	The increment can be achieved by the combination of improved utilization and increase in price.
2026	7%	
2027	6%	
2028	5%	

7. The Target Group used the historical relationship between labor costs and revenue to estimate the forecast figures.
8. The Target Group estimated the forecast figures using the historical relationship between material cost and revenue.
9. The Target Group used the rental contracts to estimate the forecast figures.
10. The Target Group estimated the forecast figures using the historical relationship between marketing and advertising expense and revenue.
11. The Target Group used the historical figures and management's projection of future R&D spending on the current projects to estimate the forecast figures. The R&D costs will decrease in the future as the projects reach their final stages.
12. The Target Group estimated the administrative expenses based on the historical figures.
13. The Target Group estimated the depreciation and amortization based on the historical figures and future capital expenditures.
14. The components of other operating expenses include other taxes, interest expenses and miscellaneous expenses. Other taxes consist of Urban construction and maintenance tax, Educational surtax and Local educational surtax, and they are projected to be 0.36-0.48% of revenue. Interest expense is determined by the interest rate and the repayment schedule of the debt. Miscellaneous expenses are expected to range from RMB2.5 million to RMB3.5 million per year.



## **Experts and consents**

The qualifications of the experts who have given their opinion and advice in this announcement are as follows:

<b>Name</b>	<b>Qualification</b>
Cheng & Cheng Limited	Certified Public Accountants
Donvex Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Stirling Appraisals Limited	Independent professional valuation firm

Each of the experts has given and has not withdrawn its respective written consent to the issue of this announcement with inclusion of its report, letter or statement and all references to its name (including its qualifications) in the form and context in which they are included.

To the best knowledge, information and belief of the Board, having made all reasonable enquiries, each of the experts is a third party independent of the Group and its connected person(s). As at the date of this announcement, none of the experts has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

As at the date of this announcement, none of the experts had any direct or indirect interests in any assets which have been, since 30 June 2023 (the date to which the latest published annual results of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## **INFORMATION OF THE GROUP**

The Company is a company continued in Bermuda with limited liability and is an investment holding company operating its business through its subsidiaries. The Group is principally engaged in the trading of gasoil and trading of cultural products, strategic investment, system sales including renewable energy systems and the related engineering work, software development, licensing and customization, of system products including IoT which, in turn, includes smart construction site and smart city.

## **INFORMATION OF THE PURCHASER**

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the date of this announcement, the Purchaser is a wholly-owned subsidiary of the Company.

## **INFORMATION OF THE VENDORS**

Ms. Wong Man Winny is a Hong Kong resident. As at the date of this announcement, she is an executive Director, a substantial shareholder of the Company and thus a connected person of the Company.

Mr. Gan Shanghua is a PRC resident and a merchant. To the best of knowledge, information and belief of the Directors, after having made all reasonable enquiries, Mr. Gan Shanghua is an Independent Third Party.

Mr. Yeung Chi Hang is a Hong Kong resident. As at the date of this announcement, he is a director of a subsidiary of the Company. As such, he is a connected person of the Company at the subsidiary level.

Elite Plan Investments Limited is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. As at the date of this announcement, Elite Plan Investments Limited is wholly owned by Ms. Ho Wai Chun Priscilla and Ms. Yeung Man Ching Adrin. To the best of knowledge, information and belief of the Directors, after having made all reasonable enquiries, Elite Plan Investments Limited and its ultimate beneficial owner are Independent Third Parties.

### *Sequence of events leading to the entering into of the Sale and Purchase Agreement*

The Group has been focusing on the development of IoT technology related businesses which mainly include smart city solution business and internet data center business. The management of the Company has continued to actively explore business opportunities in order to expand the sales channel of its IoT products. Through the introduction of Ms. Wong Man Winny, an executive Director who holds approximately 23.46% of the issued shares of the Target Company as at the date of the Sale and Purchase Agreement, the management of the Company understood the operation of the training centers of the Target Group which provides extracurricular courses with the application of IoT Learning Products. In view of the factor that extracurricular courses provided by the Target Group will be popular among students and parents after the release of Opinions on Further Reducing the Burdens of Compulsory Education Students' Homework and After-school Tutoring\* (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》), the management of the Company considered it a good business opportunity to make use of the Target Company's business and to broaden the sales channel of its IoT products.

In order to make full use of the training centers, the management of the Company intends to become the exclusive supplier of IoT Learning Products of the Target Group. As such, the Company expected to secure the control of the Target Company. In May 2023, the management of the Company was introduced through Ms. Wong Man Winny to Mr. Gan Shanghua and the ultimate shareholders of Elite Plan Investments Limited, who are Independent Third Parties and are interested in approximately 1.54% and 11.54%, respectively, of the issued shares of the Target Company. At the same time, the management also approached Mr. Yeung Chi Hang, the director of a subsidiary of the Company, who also holds approximately 32.69% of the issued shares in the Target Company. After the negotiation between the Company and the Target Company, the Company proposed Power Favour Holdings Limited (i.e. the Purchaser), a wholly-owned subsidiary of the Company, to secure the Acquisition through the acquisition of the issued shares of the Target Company held by Mr. Gan Shanghua, Elite Plan Investments Limited and Mr. Yeung Chi Hang. As such, the Purchaser entered into the Sale and Purchase Agreement with the Vendors on 8 June 2023.

## **INFORMATION OF THE TARGET GROUP**

The Target Company is a company incorporated on 15 October 2014 in British Virgin Islands with limited liability. It is an investment holding company and holds 100% of equity interest in Guangdong Hongyin.

The Target Group was established on 15 October 2014 when the Target Company was incorporated. The Target Group is principally engaged in the provision of extracurricular activities to the children through IoT Learning Products and classes in person. It owns and operates more than 20 training centers in several cities in the PRC with over 600 teachers, including but not limited to Guangzhou, Shenzhen, Foshan, Qingyuan, Dongguan, Xiamen and Putian. Since the incorporation of the Target Group and up to the date of this announcement, a total of approximately 84,000 students have enrolled the courses provided by the training centers.

As at the date of the Sale and Purchase Agreement, Mr. Cheung Chun Kwan, Mr. Mo Yake and Artwork Garden Limited are interested in, respectively, approximately 3.85%, 3.85% and 23.07% of the issued shares of the Target Company.

Mr. Cheung Chun Kwan is a Hong Kong resident and one of the founders of a company principally engaged in the provision of financial services. To the best of knowledge, information and belief of the Directors, after having made all reasonable enquiries, Mr. Cheung Chun Kwan is an Independent Third Party.

Mr. Mo Yake is a PRC resident and one of the founders of a company principally engaged in property development. To the best of knowledge, information and belief of the Directors, after having made all reasonable enquiries, Mr. Mo Yake is an Independent Third Party.

Artwork Garden Limited is a company incorporated in Hong Kong with limited liability and is principally engaged in the investment and operation in relation to education services. As at the date of the Sale and Purchase Agreement, Mr. Chen Yuyang is interested in 58% of the issued shares of Artwork Garden Limited. Mr. Chen Yuyang is a PRC resident and a certified public accountant in the PRC. Mr. Chen Yuyang is a relative of Ms. Wong Man Winny. As such, Artwork Garden Limited and Mr. Chen Yuyang are connected persons of the Company. By virtue of Mr. Chen Yuyang being a deemed connected person of the Company under Rule 14A.21 of the Listing Rules, the Target Company and its subsidiaries would become connected subsidiaries of the Company under Rule 14A.16(1) upon Completion. Hence, the provision of the IoT Learning Products to Intelligent Children's Palace (a subsidiary of the Target Company) will, depending on the size and nature of the transactions to be entered into between the Group and the Target Group, constitute a connected or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Company will comply with the applicable disclosure and/or independent shareholders' approval requirements under the Listing Rules upon the entering of any such transaction(s) with the Target Group.

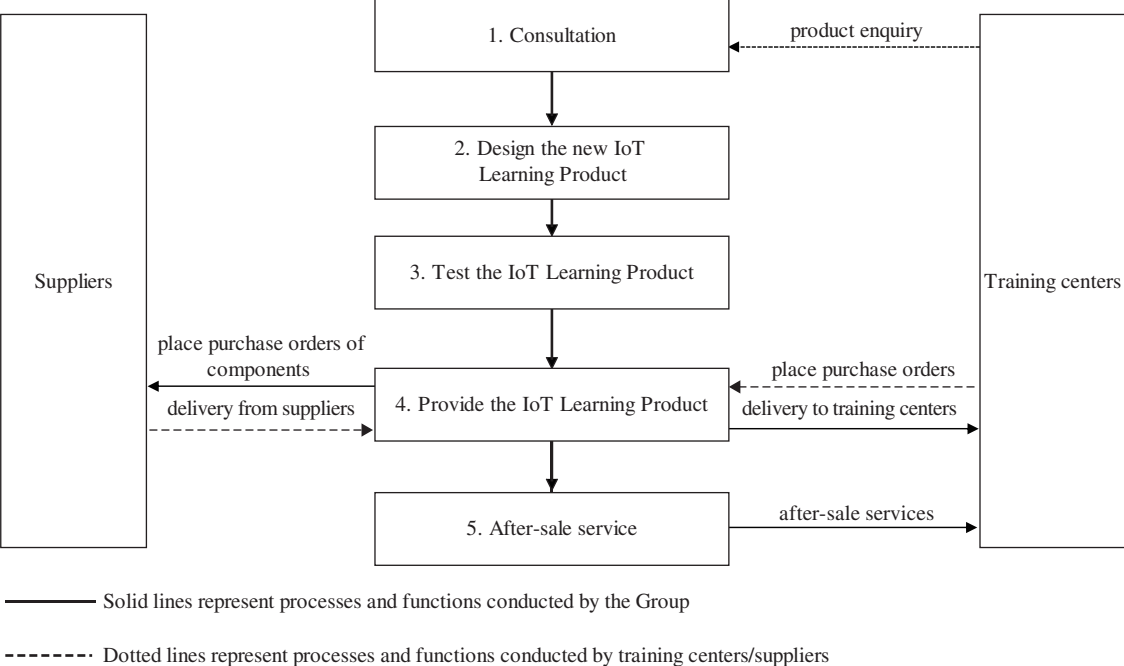




**Business model**

Intelligent Children’s Palace is principally engaged in the provision of extracurricular activities through IoT Learning Products. The Group is principally engaged in the software development, licensing and customization of system products including IoT products. Since the Group has the technology and experience in the development of IoT products, the management of the Company is of the view that it would be able to provide its current and/or modified IoT Learning Products to the training centers of Intelligent Children’s Palace after the Acquisition. In addition, the Company could develop new IoT Learning Products to Intelligent Children’s Palace based on their specification.

The flowchart below sets out the business model in relation to the provision of IoT Learning Products by the Company to Intelligent Children’s Palace after the Acquisition.



*Consultation*

When Intelligent Children’s Palace requires a new kind of IoT Learning Product for the improvement of its existing extracurricular activities or the provision of new extracurricular activities to students, Intelligent Children’s Palace could set out the specifications of the IoT Learning Products and consult the Company as to whether its existing IoT Learning Products are applicable or further modification on those current IoT Learning Products is required. In the event that new IoT Learning Product is required, the Company would develop new IoT Learning Product in accordance with the procedures stated below.

### *Design the new IoT Learning Product*

Based on the requirement for the IoT Product of Intelligent Children's Palace, the Company would assess whether the development of the new IoT Learning Product is feasible and whether the profitability on the new IoT Learning Product is commercially viable to the Company. In the event that the development of the new IoT Learning Products is feasible, the Company would design the IoT Learning Product leveraging on the experience and technology of the development of IoT Learning Products.

### *Test the IoT Learning Product*

Once the prototype of IoT Learning Product is completed, the Company would test the prototype and obtain the feedback from Intelligent Children's Palace in order to identify the system defects by comparing with the specifications of Intelligent Children's Palace and make rectification to the IoT Learning Product accordingly.

### *Provide the IoT Learning Product*

When the new IoT Learning Product satisfies the requirement of Intelligent Children's Palace, the Company would provide the IoT Learning Products to Intelligent Children's Palace based on the orders placed by the training centers and provide the relevant installation services.

### *After-sale services*

The Company would provide after-sale services in relation to the IoT Learning Products, including software upgrading, component replacement and emergency support, to the training centers of Intelligent Children's Palace. Timely technical support to the training centers would be provided to resolve the issues when the IoT Learning Products fail.

### **Pricing arrangement regarding the IoT Learning Products**

The price of the IoT Learning Products to be charged by the Group will be determined based on the production costs, which include the cost of design, development and material cost, incurred by the Group plus a markup of 15%. The markup of 15% is determined with reference to the profit margin of the IoT products provided by the Company to the Independent Third Parties for the year ended 30 June 2023.

### **Synergy effect after the Acquisition**

In July 2021, the State Council of the PRC (中華人民共和國國務院) issued the Opinions on Further Reducing the Burdens of Compulsory Education Students' Homework and After-school Tutoring, which is aimed at reducing the pressure brought by formal education and after-school tutoring on students. Under such



circumstances, the extracurricular courses provided by Intelligent Children’s Palace are popular among students and parents because these extracurricular courses fueled the students with additional fun and motivation in learning through IoT Learning Products and supplement the formal education at school.

Leveraging the experience and technology in IoT products, the Company will be able to develop the IoT Learning Products which focus on education functions and can be used in the extracurricular courses provided by Intelligent Children’s Palace. For example, the Company may be able to apply its IoT products to the current courses relating to face processing by modifying one of its IoT system, which combines sensors and electronic monitor and is used for facial recognition, and changing it into an IoT Learning Product to be used in the course to demonstrate to students how such technology can be applied in reality. It is expected that the popularity of such courses with IoT techniques will increase because it will facilitate the students to understand the principle of such technology and stipulate their interest in the research and development of the current IoT mechanism. In this way, the Company will be able to promote its current or modified IoT Learning products to the market, in particular when conducting courses in the public and private school, and increase the revenue stream.

### **Financial information**

Set out below is the financial information of the Target Group for the years ended 31 December 2021 and 2022:

	<b>For the year ended</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Revenue	110,246	125,876
Gross loss	25,129	21,939
Loss before income tax	45,665	52,968
Loss after income tax	45,668	52,975

The total asset and net liability of the Target Group as at 31 December 2022 was approximately RMB155 million and RMB102 million, respectively.

The Target Group incurred gross loss and loss after income tax for the years ended 31 December 2021 and 2022, which is mainly due to the decrease in the revenue generated from the provision of extracurricular courses. Such decrease was attributable to the frequent intermittent suspension of the provision of in-class courses to the students by the training centers of Intelligent Children’s Palace as a result of the

lockdown arrangement of COVID-19 implemented by the local government of various cities in the PRC. The lockdown arrangement hindered students from attending the courses in the classroom. Teachers were unable to return to training centers under the prevention measures of COVID-19. As such, the revenue generated from the provision of courses decreased significantly for the two years ended 31 December 2021 and 2022, which led to the gross loss and loss after income tax of the Target Group.

The Target Group was in net liability position as at 31 December 2022, which is due to fact that the Target Group incurred loss after income tax for the two years ended 31 December 2022.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

### **Expansion of sales channel of IoT products**

The Group is principally engaged in the software development, licensing and customization of system products including IoT products. As one of the core development strategies, the Company has been exploring suitable opportunities to develop its IoT business. Since (i) Ms. Wong Man Winny, a substantial Shareholder, holds approximately 23.46% of the issued shares of the Target Company which in turn is interested in 100% of equity interest in Intelligent Children’s Palace; and (ii) Intelligent Children’s Palace needs IoT Learning Products for the provision of intelligent learning experience to students, the management of the Company is of the view that they could enhance its IoT business development through (i) the provision of its current and/or modified IoT Learning Products; and/or (ii) the development of new IoT Learning Products; to the training centers of Intelligent Children’s Palace as described under the paragraphs headed “INFORMATION OF THE TARGET GROUP — Business model” in this announcement.

Considering that (i) Intelligent Children’s Palace has established more than 20 training centers and continues to establish new training centers in different cities in the PRC, and (ii) public schools in the PRC have invited Intelligent Children’s Palace to provide, which did provide since June 2023, extracurricular activities to their students due to the good reputation on the courses designed by Intelligent Children’s Palace prior to the pandemic, the management of the Company is of the view that the customer base of these training centers is expected to be enlarged in the future and the demand for IoT Learning Products of the training centers will increase. As such, these training centers of Intelligent Children’s Palace located at various provinces in China are good platforms to promote and demonstrate the impact of IoT Learning Products of the Group to the public. The Company targets to broaden its client portfolio by promoting its IoT Learning Products to the public schools and private schools in the PRC given that public schools in the PRC have invited Intelligent Children’s Palace to provide extracurricular activities to their students.

### **Mere collaboration with the Target Group is insufficient**

The Company has explored the collaboration with the Target Group by just providing IoT products to the training centers of Intelligent Children’s Palace instead of acquiring the Target Group. However, without acquiring any interest in the Target Group, the Company could not become the exclusive supplier of IoT Learning Products to the Target Group in accordance with the policy for procurement of products of the Target Group. As compared with the sales to the Target Group by the Company as the exclusive supplier, the sales volume of the IoT Learning Products to the Target Group will be much lower under mere collaboration with Target Group.

In view of (i) the prospect of the Target Group, in particular the invitation offered by the private and public schools in different provinces; (ii) the expected turnaround of the profitability of the Target Group after COVID-19 pandemic; (iii) the Opinions on Further Reducing the Burdens of Compulsory Education Students’ Homework and After-school Tutoring released in July 2021; and (iv) the substantial demand on the extracurricular activities after the relaxation of “One Child Policy” in the PRC, the demand on the IoT Learning Products required in curriculum activities is expected to increase. As such, the Company decided to acquire the Target Group and become its sole IoT Learning Products supplier. Upon the Acquisition, the revenue generated from the provision of the IoT Learning Products is expected to be much larger than the revenue generated from the same under mere collaboration with the Target Group.

### **Manpower, experience and technology of the Group in IoT products**

The Company has a team of ten experts located in Shenzhen who have the expertise in IoT technology and the development of IoT products. They are experienced in the design of hardware stack, development of software and provision of technical support and maintenance for machine learning system stack. They have been focusing on the development of smart city solution system for the Company and will be able to apply the IoT technology in the development of IoT Learning Products to be used in the training centers of Intelligent Children’s Palace.

Since the Group has accumulated comprehensive experience and technology in the development of IoT hardware and software from its smart city solution business, it can easily apply such experience, technology and techniques to the development of IoT Learning Products, including but not limited to the application of sensor, technology of integrated circuit, wireless transmission and automatic identification. As such, the Group will be able to design and develop the customized IoT Learning Products for the needs of the Target Group.

## **Synergy effect of the Acquisition**

Leveraging on (i) the Group's experience, know-how and technology in the development of IoT products; and (ii) the venues and customer base of the training centers, the Company considers the Acquisition will create synergy effect by the provision of IoT Learning Products to the training centers of Intelligent Children's Palace. As such, the Acquisition will provide an excellent opportunity for expanding the sales channel through the abovementioned training centers, public schools and private schools for the IoT products of the Group in the PRC. Accordingly, the Acquisition will improve the revenue stream and profitability of the Group.

Besides, the Acquisition provides the Company with (a) a platform (namely, captive markets in the form of local youth palaces) to train young people on IoT related technologies; (b) connections with partners for the co-development of IoT curricula programmes that target youths; (c) a pool of prospective customers, marketing personnel, ambassadors and advocates for the Company's IoT products, technologies and solutions; and (d) immediate sales opportunities to the Company's partners under the smart city solution business of the Company.

Through the Company's contracts under the smart city solution business, the Company will be deriving revenue from the supply of infrastructure hardware systems, including IoT enabling and enabled devices, web and internet interfaces, analytics and customised software solutions. The systems will train youths to learn to use IoT technologies, robotics and automation AI technologies, computer programming and applications interface with internet and mobile communication and information technologies. This, in turn, will transform the youths into prospective customers, marketing and product design personnel, and ambassadors and advocates for IoT technologies in general, and the Company's smart city solution business products and services in particular, because these youths would be most familiar with those of the Company.

The Acquisition is, in substance, the Company's investment in the creation of a significant training and business promotion and development programs for its smart city solution business, an extension of this business segment, through the setting up of a platform for the acquisition of future customers and technical personnel for an even greater expansion of the Company's business. In short, the Acquisition is in line with business development strategies that are commonly adopted by the companies listed on the Stock Exchange.

## **Assessment by the Board**

Considering that (i) the training centers and public and private schools will serve as good sales channels of the IoT Learning Products of the Group; (ii) mere collaboration with the Target Group is insufficient; (iii) the Group has the manpower, experience and technology in IoT products; and (iv) the Acquisition will create significant synergy effect on the Group, the Directors (other than Ms. Wong Man Winny who is required to abstain from voting at the relevant Board meeting under the requirements of the Listing Rules and the independent non-executive Directors whose view will be set out in the circular to be issued by the Company) consider that the terms of the Sale and Purchase Agreement, including the consideration, are fair and reasonable and on normal commercial terms and the Acquisition is in the interest of the Company and the Shareholders as a whole.

Other than the Acquisition and the major disposal as disclosed in the Company's circular dated 27 June 2023, as at the date of this announcement, the Company does not have any intention and has not entered into any memorandum or agreements to acquire any other new businesses or dispose of its existing business.

## **BUSINESS UPDATE OF THE SMART CITY SOLUTION BUSINESS OF THE GROUP**

The Group has been actively developing its smart city solution business. The latest development of the smart city solution business of the Group mainly covers (i) internet data center project; (ii) smart construction site projects; and (iii) Lanzhou projects.

### **Internet data center project**

In March 2023, the Group entered into a service contract with a customer located in Gansu Province, the PRC, pursuant to which the Group would establish an intelligent computing platform for the end customer. The Company expects that this project would generate a total revenue of approximately HK\$1.6 million for the year ending 30 June 2024. The Group has completed the installation work of hardware in May 2023 and the installation work of software was already completed in August 2023. Thereafter testing and trial run are conducted for 180 days. The platform is expected to generate revenue for the Group from March 2024 once the platform is put into use.

### **Smart construction projects**

In November and December 2022, the Group entered into two service contracts with two customers which are engaged in property development and located in Guangdong and Guangxi Provinces, the PRC, pursuant to which the Group would (i) design the smart construction site system for the customer which will be applied towards the monitoring of daily activities in the construction sites; (ii) establish an intelligent management system for the construction site to monitor the construction works within

the predefined parameters and safety measures; and (iii) provide aftersale service for the smart construction site system. These two projects have been completed and generated a total revenue of approximately RMB10.8 million for the year ended 30 June 2023.

In June and July 2023, the Group entered into two service contracts with two customers located in Guangdong Province, the PRC, pursuant to which the Group will (i) design and install the hardware and software of the smart system which is used to monitor the on-site construction progress of buildings; and (ii) provide after-sale services for the smart construction site system. The Company expects that these two projects would generate a total revenue of approximately RMB11.3 million for the year ending 30 June 2024. On-site work has commenced in August 2023 and the project is expected to be completed in November 2023.

### **Lanzhou projects**

In July 2023, the Group entered into two service contracts with two customers which are state-owned enterprise located in Gansu Province, the PRC, pursuant to which the Group will design and install the training computing platform with the application of AI model, an education cloud platform and the related infrastructure including the hardware and facilities for education purpose for the customers. The Company expects that these two projects would generate a total revenue of approximately RMB139 million for the year ending 30 June 2024. On-site work is expected to commence in October 2023 and the project is expected to be completed in February 2024.

### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder is more than 100% under the Listing Rules, the Acquisition constitutes a very substantial acquisition of the Company and is therefore subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, as (i) Ms. Wong Man Winny is an executive Director and a substantial Shareholder of the Company, and (ii) Mr. Yeung Chi Hang is the director of a subsidiary of the Company, Ms. Wong Man Winny and Mr. Yeung Chi Hang are connected persons of the Company. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As more than one applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5%, the Acquisition is therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

Subject to the approval of the Stock Exchange, an SGM will be convened to consider and, if thought fit, to pass the resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. For this purpose, a circular containing, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing the view of the Independent Board Committee on the Sale and Purchase Agreement and the transactions contemplated thereunder; (iii) a letter of advice from an independent financial adviser to the Independent Shareholders; and (iv) a notice of the SGM, will be despatched by the Company to the Shareholders on or before 29 December 2023 as additional time is required by the Company for the preparation of relevant information for the inclusion in the circular.

## **DECISION OF THE LISTING DIVISION ON THE ACQUISITION**

On 29 September 2023, the Company received the decision letter relating to the Acquisition from the Listing Division, pursuant to which the Listing Division decided that the Acquisition constitutes a reverse takeover under Rule 14.06B of the Listing Rules. In arriving at the Decision, the Listing Division had considered the following:

- (i) The renewable energy business of the Group has a limited operating scale since its commencement, and the smart city solution business of the Group had short track record and its revenue for the year ended 30 June 2023 was not significant;
- (ii) The Acquisition is significant to the Company in light of the revenue ratio as calculated in accordance with the Listing Rules;
- (iii) The Acquisition would result in a fundamental change in the Company's existing businesses; and
- (iv) The Target Group was loss making in the past two years and would not have met the new listing requirements under Rule 8.05 of the Listing Rules had it been treated as a new listing applicant.

Under Chapter 2B of the Listing Rules, the Company has the right to have the Decision referred to the Listing Committee for review within seven Business Days from the date of issue of the Decision (i.e., on or before 11 October 2023).

## **REQUEST TO REVIEW THE DECISION BY THE LISTING COMMITTEE**

On 4 October 2023, the Company submitted an application requesting the Listing Committee to review the Decision pursuant to Chapter 2B of the Listing Rules. The Company hereby reminds the Shareholders and potential investors of the Company that

the outcome of the Review is uncertain. Subject to the results of the Review, the Acquisition may or may not proceed. Further announcement(s) will be made by the Company in respect thereof as and when appropriate.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on Friday, 9 June 2023 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Monday, 9 October 2023.

**Shareholders and potential investors of the Company should note that the Completion is subject to the fulfilment or waiver of the conditions precedent (as the case may be). Therefore, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are therefore reminded to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and Sunday and any day on which a tropical cyclone warning signal no. 8 or above or “extreme conditions” caused by super typhoons is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“Company”	Champion Technology Holdings Limited (stock code: 92), a company continued in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement



“Completion Date”	the date of the Completion. Being the fifth “Business Day” after the fulfilment or waiver (as the case may be) of the conditions precedent as set out in the Sale and Purchase Agreement, or such other date as the parties may agree in writing
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration of the Acquisition of HK\$33,676,616.90, including cash of HK\$20 million and the value of the Consideration Shares
“Consideration Shares”	136,766,169 new Shares at the issue price of HK\$0.10 each to be issued by the Company to the Vendors pursuant to the Sale and Purchase Agreement as part of the Consideration
“COVID-19”	Novel Coronavirus (COVID-19) or Novel Coronavirus Pneumonia, a respiratory illness
“Decision”	the decision made by the Listing Division that the Acquisition constitutes a reverse takeover under Rule 14.06B of the Listing Rules as stated in the decision letter issued on 29 September 2023 by the Listing Division
“Director(s)”	the director(s) of the Company
“Financial Adviser”	Donvex Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser of the Company
“Group”	the Company and its subsidiaries
“Guaranteed Period”	the five (5) consecutive years commencing on 1 January 2024 and ending on 31 December 2028
“Guangdong Hongyin”	Guangdong Hongyin Investment Consulting Limited* (廣東紅印投資諮詢有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Target Company

“Guangzhou Huizhi”	Guangdong Wisdom Youth Palace Education Development Co., Ltd.* (廣州慧智信息科技有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Guangdong Hongyin
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, which will be established under the Listing Rules to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transaction contemplated thereunder
“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the SGM under the Listing Rules
“Independent Third Party(ies)”	person(s) which is a third party independent of the Company and its connected person(s)
“Independent Valuer”	Stirling Appraisals Limited, an independent professional valuer
“Intelligent Children’s Palace”	Intelligent Children’s Palace Education Development Limited* (廣東智慧青少年宮教育發展有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Guangdong Hongyin
“IoT”	Internet of Things
“IoT Learning Product(s)”	smart learning devices and intelligent learning software in relation to the provision of extracurricular activities by Intelligent Children’s Palace
“Last Trading Day”	7 June 2023, being the last trading day on which the Shares were traded on the Stock Exchange immediately prior to the date of the Sale and Purchase Agreement
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Division”	has the meaning ascribed to it under the Listing Rules

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Profit Guarantee”	the profit guarantee which the Vendor and the Vendor’s Guarantor jointly and severally undertake to the Purchaser in relation to the Acquisition
“PRC”	the People’s Republic of China, but for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Power Favour Holdings Limited, a wholly-owned subsidiary of the Company
“Reporting Accountant”	Cheng & Cheng Limited, a certified public accountant in Hong Kong
“Review”	the review of the Decision by the Listing Committee, whose application has been made by the Company to the Listing Committee on 4 October 2023
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 8 June 2023 entered into between the Vendors and Purchaser in relation to the Acquisition
“Sale Shares”	133 shares of the Target Company, representing approximately 51.15% of the issued shares of the Target Company held by the Vendors as at the date of the Sale and Purchase Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter. 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held to approve, <i>inter alia</i> , the Sale and Purchase Agreement and the transactions contemplated thereunder
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Wise Win Holdings Limited, a limited company incorporated in the British Virgin Islands
“Target Group”	the Target Company and its subsidiaries
“United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“US\$”	United States dollars, the lawful currency of the United States
“Valuation”	the valuation on approximately 51.15% issued shares in the Target Company performed by the Independent Valuer
“Valuation Report”	the valuation report of the Valuation prepared by the Independent Valuer
“Vendor’s Guarantor”	Ms. Ho Wai Chun Priscilla, as guarantor for the obligations of Elite Plan Investments Limited under the Sale and Purchase Agreement
“Vendors”	Ms. Wong Man Winny, Mr. Gan Shanghua, Mr. Yeung Chi Hang and Elite Plan Investments Limited
“%”	per cent

By Order of the Board  
**CHAMPION TECHNOLOGY HOLDINGS LIMITED**  
**Wong Man Winny**  
*Chairperson*

Hong Kong, 6 October 2023

*As at the date of this announcement, the executive Director is Ms. Wong Man Winny; the non-executive Directors are Mr. Liu Ka Lim and Ms. To Yin Fong Cecilia; and the independent non-executive Directors are Mr. Leung Man Fai, Mr. Chan Yik Hei and Mr. Wong Yuk Man Edmand.*

\* *For identification purposes only*

**APPENDIX I — REPORT FROM REPORTING ACCOUNTANTS  
ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION  
WITH THE VALUATION OF APPROXIMATELY 51.15% ISSUED SHARES  
IN WISE WIN HOLDINGS LIMITED**

*The following is the text of the report from Cheng & Cheng Limited, Certified Public Accountants, Hong Kong, for inclusion in this announcement.*

**TO THE DIRECTORS OF CHAMPION TECHNOLOGY HOLDINGS LIMITED**

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation dated 8 June 2023 prepared by Stirling Appraisals Limited in respect of Wise Win Holdings Limited and its subsidiaries (the “**Target Group**”) as at 31 December 2022 is based. The valuation is set out in the announcement of Champion Technology Holdings Limited (the “**Company**”) dated Friday, 6 October 2023 (the “**Announcement**”) in connection with acquisition of approximately 51.15% issued shares in the Target Group. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

**Directors’ responsibility for the discounted future estimated cash flows**

The directors of the Company (the “**Directors**”) are solely responsible for the preparation of the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in the Announcement.

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits and Reviews of Financial Statements, or Other Assurance or Related Services Engagements”, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## **Reporting Accountants' responsibilities**

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target Group. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under Rule 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

### **Opinion**

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions adopted by the Directors.

**Cheng & Cheng Limited**

*Certified Public Accountants*

Hong Kong

## APPENDIX II — LETTER FROM THE FINANCIAL ADVISER RELATING TO THE PROFIT FORECAST

*The following is the text of a letter from Donvex Capital Limited, the Financial Adviser, for the purpose of incorporation in this announcement.*

8 June 2023

The Board of Directors  
Champion Technology Holdings Limited (the “**Company**”)  
42/F, Hong Kong Plaza  
188 Connaught Road West  
Hong Kong

Dear Sirs,

We refer to the announcement in relation to the Acquisition (the “**Announcement**”), of which this letter forms part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Announcement.

The Announcement refers to the Valuation Report dated 8 June 2023 prepared by Stirling Appraisals Limited in respect of the valuation of approximately 51.15% issued shares in Wise Win Holdings Limited. We note that the Valuation has been arrived at using the income approach and as such it is regarded as a profit forecast (the “**Forecast**”) under Rule 14.61 of the Listing Rules.

For the purpose of issuing this letter, we have (i) reviewed the Forecast disclosed in the Announcement, for which you as the Directors are solely responsible; (ii) conducted enquiries with you or the representative(s) designated by you, the management of Wise Win Holdings Limited or the representative(s) designated by the management of Wise Win Holdings Limited, and the Independent Valuer regarding the qualifications, basis and assumptions upon which the Forecast has been made; and (iii) considered the report addressed to you from Cheng & Cheng Limited, the Reporting Accountant dated 8 June 2023, as set out in the Announcement, regarding the calculations of the Forecast on which the Valuation is based, which does not involve adoption of accounting policies. We noted that in the opinion of Cheng & Cheng Limited, so far as the calculations of the profit forecast on which the Valuation is based, the Forecast has been properly compiled in all material aspects in accordance with the assumptions adopted by the Directors as set out in the Announcement.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, basis and assumptions adopted by the Independent Valuer and the Company for which the Independent Valuer and the Company are solely responsible, we are of the opinion that the Forecast, for which you as the Directors are

solely responsible, have been made by you after due and careful enquiry. For the avoidance of doubt, this letter does not constitute an independent valuation or fairness opinion and is expressly limited to the matters described herein.

Having regard to the information made available to us as at the date of this letter, without giving any other opinion or expressing any other view on the Valuation Report, for which the Independent Valuer and the Company are responsible, we are satisfied that the Forecast disclosed in the Announcement, for which you as the Directors are solely responsible, have been made by you after due and careful enquiry.

The work undertaken by us is for the sole purpose of reporting to you under Rule 14.62(3) of the Listing Rules. We accept no responsibility to any other person in respect of, arising out, or in connection with such work.

Yours faithfully,  
For and on behalf of  
**Donvex Capital Limited**

**Doris Sy**  
*Director*