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## **CHAMPION TECHNOLOGY HOLDINGS LIMITED**

*(Continued in Bermuda with limited liability)*

**(Stock code: 92)**

### **DISCLOSEABLE TRANSACTION INVOLVING ISSUE OF NEW SHARES UNDER GENERAL MANDATE**

#### **THE ACQUISITION**

The Board is pleased to announce that on 10 December 2016, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendors in relation to the Acquisition. Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to dispose of, the Sale Shares, representing the entire issued share capital of the Target, and the Sale Loan at the Consideration of HK\$141,000,000. The Consideration of HK\$141,000,000 shall be satisfied by the Purchaser procuring the Company to allot and issue 1,101,562,500 Consideration Shares at the Issue Price of HK\$0.128 per Consideration Share to the Vendors upon Completion. The Consideration Shares will be allotted and issued pursuant to the General Mandate.

Upon Completion, the Target will become a wholly-owned subsidiary of the Group and its results and net assets will be consolidated in the consolidated financial statements of the Company after Completion.

#### **LISTING RULES IMPLICATIONS**

As some of the applicable percentage ratios in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. The Consideration Shares will be issued under the General Mandate and therefore the issue of the Consideration Shares will not be subject to Shareholders' approval.

**Completion is subject to the fulfilment of the conditions precedent under the Sale and Purchase Agreement. As the Acquisition may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## **INTRODUCTION**

The Board is pleased to announce that on 10 December 2016, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendors in relation to the Acquisition. Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to dispose of, the Sale Shares, representing the entire issued share capital of the Target, and the Sale Loan at the Consideration of HK\$141,000,000.

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

## **THE SALE AND PURCHASE AGREEMENT**

### **Date**

10 December 2016

### **Parties**

Vendors: (i) Ms. Jiang Di; and  
(ii) Ms. Chan Fong Ieng

Purchaser: Zhuo Chong Investments Limited (卓崇投資有限公司), a wholly-owned subsidiary of the Company

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors is third party independent of the Company and its connected persons.

### **Assets to be acquired**

- (i) the Sale Shares, being 1,000 shares in the capital of the Target (of which 500 shares are held by Ms. Jiang Di and 500 shares are held by Ms. Chan Fong Ieng as at the date of this announcement), representing the entire issued share capital of the Target as at the date of this announcement; and
- (ii) the Sale Loan, being the aggregate sum due and owing by the Target to the Vendors upon Completion.

As at the date of the Sale and Purchase Agreement, the aggregate amount due and owing by the Target to the Vendors was approximately HK\$2,674,000.

## **The Consideration**

The Consideration is HK\$141,000,000, of which the consideration for the Sale Loan is equivalent to its face value and the remaining amount shall be the consideration for the Sale Shares.

The Consideration shall be satisfied by the Purchaser procuring the Company to allot and issue 1,101,562,500 Consideration Shares at the Issue Price of HK\$0.128 per Consideration Share to the Vendors (of which 550,781,250 Consideration Shares are to be allotted and issued to Ms. Jiang Di and 550,781,250 Consideration Shares are to be allotted and issued to Ms. Chan Fong Ieng) upon Completion. The Vendors have authorised the Purchaser to procure the Company to allot and issue the Consideration Shares to Poly Perfect Holdings Limited, a company which is owned as to 50% and as to 50% by Ms. Jiang Di and Ms. Chan Fong Ieng respectively.

The Consideration was determined between the Purchaser and the Vendors after arm's length negotiations taking into account (i) the valuation of the Land at RMB140 million (equivalent to approximately HK\$156,072,000) as at 30 November 2016, of which approximately HK\$148,268,000 is attributable to the 95% effective interest in the land to be acquired pursuant to the Acquisition; (ii) the unaudited consolidated net assets value of the Target Group of HK\$522,854 as at 30 September 2016; and (iii) the shareholders' loan as at the date of the Sale and Purchase Agreement of approximately HK\$2,674,000. The aforesaid valuation was assessed by Norton Appraisals Limited, a firm of independent professional valuers, adopting the market approach.

The Directors consider that the Consideration is fair and reasonable and the terms and conditions of the Sale and Purchase Agreement are fair and reasonable.

## **Conditions precedent**

Completion shall be conditional upon and subject to:

- (a) the Purchaser being solely and absolutely satisfied with the results of the due diligence review on the Target Group;
- (b) the warranties remaining true and accurate and not misleading in any material respect at Completion as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and Completion, and no undertakings contained in the Sale and Purchase Agreement having been materially breached by the Vendors prior to Completion;
- (c) the Stock Exchange having granted the approval for the listing of, and the permission to deal in, the Consideration Shares;
- (d) the Purchaser having obtained a legal opinion issued by a firm of lawyers qualified to practise laws in the PRC in such form and substance to the satisfaction of the Purchaser covering such matters in relation to the transactions contemplated under the Sale and Purchase Agreement, including but not limited to the valid establishment of the WFOE and the JV, the legal ownership of the Land and the legality of the business operation relating to the Project;

- (e) all other necessary consent from third parties (including governmental or official or regulatory authorities) and all other necessary consents and approvals required pursuant to any legal or regulatory requirement in respect of the transactions contemplated under the Sale and Purchase Agreement having been obtained.

None of the conditions specified above could be waived. If any of the conditions has not been satisfied on or before 9 June 2017 (or such other date as may be agreed by the Purchaser in writing) (the “**Long Stop Date**”), or the Purchaser has served a notice to the Vendors stating it is not satisfied with the results of the due diligence review, the Vendors and the Purchaser shall not be bound to proceed with the Acquisition and the Sale and Purchase Agreement shall cease to be of any effect and neither party shall not have any obligations thereunder save for any antecedent breaches of the Sale and Purchase Agreement.

### **Completion**

Completion shall take place at on the fifth Business Day after the fulfilment of the last of the conditions precedent set out in paragraphs (a), (c), (d) and (e), above or such other date as the Vendors and the Purchaser may agree in writing.

Upon Completion, the Target will become a wholly-owned subsidiary of the Group and its results and net assets will be consolidated in the consolidated financial statements of the Company after Completion.

### **CONSIDERATION SHARES**

The Consideration Shares will be allotted and issued at the Issue Price, credited as fully paid. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects of the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The Consideration Shares represent approximately 17.40% of the issued share capital of the Company as at the date of this announcement and approximately 14.82% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there is no other change in the issued share capital of the Company other than the issue of the Consideration Shares from the date of this announcement up to the Completion Date). The aggregate nominal value of the Consideration Shares will be HK\$110,156,250.

### **Issue Price**

The Issue Price represents:

- (a) a discount of approximately 13.51% to the closing price of HK\$0.148 per Share as quoted on the Stock Exchange on 9 December 2016, being the last trading day prior to the date of the Sale and Purchase Agreement;
- (b) a discount of approximately 17.10% to the average closing price of HK\$0.1544 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement; and

- (c) a discount of approximately 18.73% to the average closing price of HK\$0.1575 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the Sale and Purchase Agreement.

The Issue Price of HK\$0.128 per Consideration Share was arrived at after arm's length negotiations among the parties to the Sale and Purchase Agreement after taking into account the prevailing trading price of the Shares and current market conditions. The Directors consider that the Issue Price is fair and reasonable.

### General Mandate

The Consideration Shares will be allotted and issued on the Completion Date pursuant to the General Mandate. By an ordinary resolution of the Shareholders passed at the annual general meeting of the Company held on 26 November 2015, the General Mandate was granted to the Directors to allot and issue up to 20% of the issued share capital of the Company as at the date of passing such resolution, being 1,266,357,730 Shares. As at the date of this announcement, no Shares have been allotted and issued under the General Mandate.

### Application for listing

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

### CHANGES IN SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement and prior to Completion; and (ii) immediately upon Completion and the allotment and issue of the Consideration Shares (assuming there is no other change in the shareholding structure of the Company before the allotment and issue of the Consideration Shares):

Shareholders	As at the date of this announcement and prior to Completion		Immediately upon Completion and the allotment and issue of the Consideration Shares	
	Number of Shares	Approximately %	Number of Shares	Approximately %
Advanced City Investments Limited ( <i>Note 1</i> )	1,766,860,957	27.90%	1,766,860,957	23.77%
Poly Perfect Holdings Limited ( <i>Note 2</i> )	–	–	1,101,562,500	14.82%
Public Shareholders	4,564,927,694	72.10%	4,564,927,694	61.41%
<b>Total</b>	<b>6,331,788,651</b>	<b>100.00%</b>	<b>7,433,351,151</b>	<b>100.00%</b>

*Note 1:* The entire issued share capital of Advanced City Investments Limited is wholly and beneficially owned by Mr. Cheng Yang, an executive Director and chairman of the Company.

*Note 2:* Poly Perfect Holdings Limited is owned as to 50% by Ms. Jiang Di and as to 50% by Ms. Chan Fong Ieng.

## INFORMATION ON THE TARGET GROUP

Based on the information provided by the Vendors, the Target is a company incorporated in the British Virgin Islands on 30 March 2016 with limited liability and is authorised to issue up to a maximum of 50,000 shares of US\$1.00 each, of which 1,000 shares have been allotted and issued and are fully paid or credited as fully paid. As at the date of this announcement, the Target is owned as to 50% and 50% by Ms. Jiang Di and Ms. Chan Fong Ieng respectively. It is engaged in investment holding and its major asset is the entire issued share capital of the HK Co.

The HK Co is a company incorporated in Hong Kong on 10 December 2015 and 10,000 shares have been issued, which are owned by the Target as at the date of this announcement. It is engaged in investment holding and its major asset is the entire equity interests of the WFOE.

The WFOE is a company established in the PRC on 15 December 2009 with the registered capital of RMB2,000,000. It is engaged in investment holding and its major asset is the 95% equity interests in the JV. The JV is a company established in the PRC on 5 December 1995 with the registered capital of RMB10,000,000. The remaining 5% equity interest of the JV is owned by 海南博今文化投資股份有限公司 (Hainan Bojin Cultural Investment Company Ltd.\*), which to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, is a third party independent of the Company and its connected persons. The JV is the current owner of the Land and the Project.

The Land has a total site area of 13,331.12 sq.m. According to the development plan of the Project prepared by Architectural Design & Research Institute of Guangdong Province (廣東省建築設計研究院) provided by the Vendors, the gross floor area of the resort to be constructed on the Land will be approximately 9,217.48 sq.m. Pursuant to the aforesaid development plan, the Land would be developed as a resort consisting of five hotel buildings with an aggregate of 50 guest rooms. The JV had commenced certain preliminary construction planning and minor construction works in the past but as at the date of this announcement, the development of the Project has been put on hold. Subject to Completion, the Company will conduct further review on the development plan with a view to maximizing the returns. It is currently estimated that construction of the Project will resume in 2nd quarter of 2017 and completion of the resort construction would take place in 4th quarter of 2018. Pursuant to the existing development plan, the construction cost to be incurred is estimated to be approximately RMB150 million. Subject to Completion and further revision to, if any, the development plan, the construction cost of the Project will be financed by internal resources of the Group, bank borrowings and/or future equity/debt fund raising.

## FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below are the unaudited consolidated net loss of the WFOE and the JV for the two years ended 31 December 2014 and 2015, and of the Target Group for the nine months ended 30 September 2016:

	For the year ended 31 December 2014 <i>HK\$</i>	For the year ended 31 December 2015 <i>HK\$</i>	For the 9 months ended 30 September 2016 <i>HK\$</i>
Net loss before taxation	6,162	4,459	49,088
Net loss after taxation	6,162	4,459	49,088

As at 30 September 2016, the unaudited consolidated net assets of the Target Group amounted to HK\$522,854.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company, the subsidiaries of which are principally engaged in sale of cultural products, sale of goods and licensing (including sale of system products, software licensing and customisation, as well as provision of services), leasing of system products and holding strategic investments in advanced technology product development companies and e-commerce projects.

As disclosed in the annual report of the Company for the year ended 30 June 2016, the Group recorded (i) revenue of approximately HK\$4,980 million, representing a decrease of approximately 11% compared to the corresponding period ended 30 June 2015; and (ii) loss of approximately HK\$38.7 million, whereas a profit of approximately HK\$13.3 million was recognised for the corresponding period ended 30 June 2015. The aforesaid results were mainly attributable to the soft demand of markets in which the Group operates, the weak currencies in the European countries, the suspension of online e-lottery business in the PRC due to introduction of new measures by regulatory authorities and the delay in the launch of new projects by the Group. In view of the above, the Group has been exploring other business opportunities to generate additional income and to diversify the Group's business in the long run. The Directors consider that the Acquisition will enable the Group to expand its business into the resort industry which is a new line of business in order to diversify the Group's income stream. The Directors also consider that the Acquisition will have a positive impact on the Group's future business development.

The Directors are optimistic on the growth opportunities in the resort industry in Hainan, the PRC. Labelled as the “Oriental Hawaii” and representing the PRC’s tropical province, Hainan has already been developed into a popular travel destination for both domestic and foreign tourists, but still has room to grow in this regard. The island’s natural geographic advantages and tropical scenery have endowed the province with a regional and international edge in tourism development. Furthermore, in order to fully tap into the region’s tourism potential, the Chinese central government ambitiously set up a comprehensive plan in Hainan’s 13th Five-Year-Plan (2016-2020) to develop the province into an international tourist destination by 2020. The Directors consider that the Acquisition represents an attractive investment opportunity of the Group to enter into resort business in the Sanya Yalong Bay area, which is believed to grow continuously into a major tourist destination. The Directors expect the Project under the Acquisition will benefit from this once the construction of resort is completed.

Accordingly, the Directors consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As some of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. The Consideration Shares will be issued under the General Mandate and therefore the issue of the Consideration Shares will not be subject to Shareholders’ approval.

## **GENERAL**

**Completion is subject to the fulfilment of the conditions precedent under the Sale and Purchase Agreement. As the Acquisition may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	the proposed acquisition of the Sale Shares and the Sale Loan by the Purchaser from the Vendors pursuant to the Sale and Purchase Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of the Directors

“Business Day”	a day (other than a Saturday or any day on which a tropical cyclone warning no. 8 or above 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 signal 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 are generally open for business in Hong Kong throughout their normal business hours
“Company”	Champion Technology Holdings Limited, a company continued in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration of HK\$141,000,000 for the sale and purchase of the Sale Shares and the Sale Loan under the Sale and Purchase Agreement
“Consideration Shares”	an aggregate of 1,101,562,500 Shares, of which 550,781,250 Shares are to be issued to Ms. Jiang Di and 550,781,250 Shares are to be issued to Ms. Chan Fong Ieng at an issue price of HK\$0.128 per new Share as settlement of the Consideration
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 26 November 2015
“Group”	the Company and its subsidiaries
“HK Co”	Fullvalue Hong Kong Limited (富華利香港有限公司), a company incorporated in Hong Kong and wholly-owned by the Target as at the date of this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Issue Price”	HK\$0.128 per Consideration Share

“JV”	三亞海神度假村有限公司 (Sanya Paradise Resort Company Limited*), a company established in the PRC and its 95% equity interests is owned by the WFOE as at the date of this announcement
“Land”	the land (Lot 19-08-27) of the site area of 13,331.12 sq. m. located at Yalong Bay National Resort District, Tiandu Town, Sanya City, Hainan Province, PRC (三亞市田獨鎮亞龍灣國家旅遊度假區), which is owned by the JV as at the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Project”	the 三亞海神度假村項目 (Paradise Resort Project) intended to be constructed on the Land
“Purchaser”	Zhuo Chong Investments Limited (卓崇投資有限公司), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“RMB”	Reminbi, the official currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 10 December 2016 entered into between the Purchaser and the Vendors in relation to the Acquisition
“Sale Loan”	the aggregate sum due and owing by the Target to the Vendors immediately prior to Completion
“Sale Shares”	1,000 shares of US\$1.00 each in the capital of the Target (of which 500 shares are held by Ms. Jiang Di and 500 shares are held by Ms. Chan Fong Ieng as at the date of this announcement), being the entire issued share capital of the Target as at the date of this announcement
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Wing Young Global Limited (宏揚國際有限公司), a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target, the HK Co, the WFOE and the JV
“US\$”	United States dollars, the lawful currency of the United States
“Vendors”	Ms. Jiang Di and Ms. Chan Fong Ieng
“WFOE”	海南龍灣晨光投資諮詢有限公司 (Hainan Longwan Chenguan Investment Advisory Company Limited*), a company established in the PRC and wholly-owned by the HK Co as at the date of this announcement
“sq. m.”	square metres
“%”	per cent.

By order of the Board  
**Champion Technology Holdings Limited**  
**CHENG YANG**  
*Chairman*

Hong Kong, 11 December 2016

\* *For identification purpose only*

*The translation of RMB into HK\$ throughout this announcement is based on the exchange rate of RMB1.00 to HK\$1.1148.*

*As at the date of this announcement, the executive Directors are Mr. Cheng Yang and Mr. Liu Ka Lim; the non-executive director is Ms. Shirley Ha Suk Ling; and the independent non-executive Directors are Mr. Terry John Miller, Mr. Frank Bleackley and Mr. Lee Chi Wah.*