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**CHAMPION TECHNOLOGY  
HOLDINGS LIMITED**

*(Continued in Bermuda with limited liability)*  
**(Stock Code: 92)**



**KANTONE HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 1059)**

**JOINT ANNOUNCEMENT**

**MAJOR TRANSACTION –  
DEEMED DISPOSAL OF  
ISSUED SHARE CAPITAL OF  
KANTONE HOLDINGS LIMITED**

**DISCLOSEABLE TRANSACTION –  
ACQUISITION OF ENTIRE ISSUED  
SHARE CAPITAL OF  
GOOD HOLDINGS LIMITED;  
ISSUE OF SHARES**

**AND  
RESUMPTION OF TRADING**

**Financial Adviser to Champion Technology Holdings Limited  
and Kantone Holdings Limited**



**Quam Capital Limited**

**THE TRANSACTION**

Kantone and the Vendors entered into the Agreement on 28 July 2008 after trading hours, pursuant to which Kantone has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the entire issued share capital of GHK for a total Consideration of HK\$390.6 million. The Consideration will be satisfied entirely by the allotment and issue of 620 million Consideration Shares at HK\$0.63 each under the General Mandate.

To the best of the knowledge, information and belief of the directors of each of Champion and Kantone, having made all reasonable enquiries, each of the Vendors and their respective ultimate beneficial owners are third parties independent of and not connected with Champion, Kantone or their respective connected persons.

The Consideration Shares represent (i) approximately 18.2% of the existing issued share capital of Kantone, (ii) approximately 15.4% of the issued share capital of Kantone as enlarged by the Consideration Shares on the basis no outstanding warrants of Kantone were exercised, and (iii) approximately 13.4% of the issued share capital of Kantone as enlarged by the Consideration Shares and full exercise of the outstanding warrants of Kantone.

## **LISTING RULES IMPLICATIONS**

### **Kantone**

The Transaction constitutes a discloseable transaction of Kantone pursuant to Chapter 14 of the Listing Rules.

### **Champion**

The issue of the Consideration Shares constitutes a deemed disposal of Kantone Shares by Champion under the Listing Rules, which is a major transaction of Champion pursuant to Chapter 14 of the Listing Rules.

The SGM will be convened and held for the Champion Shareholders to consider and, if thought fit, to approve the transactions contemplated under the Agreement (including the issue of the Consideration Shares). None of the Champion Shareholders has a material interest in the Transaction. Hence, no Champion Shareholder is required to abstain from voting at the SGM.

A circular containing, among other things, details of the Transaction will be despatched to the shareholders of each of Champion and Kantone, and for information only, holders of warrants of the two companies as soon as practicable.

## **SUSPENSION AND RESUMPTION OF TRADING IN SHARES AND WARRANTS OF CHAMPION AND KANTONE**

At the request of Champion and Kantone, trading in the shares and warrants of each of the two companies on the Stock Exchange was suspended with effect from 9:30 a.m. on 29 July 2008 pending the release of this announcement. Applications have been made to the Stock Exchange for resumption of trading in the shares and warrants of Champion and Kantone with effect from 9:30 a.m. on 31 July 2008.

## **THE AGREEMENT**

### **Date**

28 July 2008 (after trading hours)

### **Parties**

Purchaser: Kantone

Vendors: Hudson Sky, Guan Feng, Westcity and Good Talent

All of the Vendors are investment holding companies. To the best of the knowledge, information and belief of the directors of each of Champion and Kantone, having made all reasonable enquiries, each of the Vendors and their respective ultimate beneficial owners are third parties independent of and not connected with Champion, Kantone or their respective connected persons.

### **Assets to be acquired**

Kantone has conditionally agreed to acquire and each of the Vendors has conditionally agreed to sell 25% equity interest in GHL, representing the entire issued share capital of GHL in aggregate.

### **The Consideration**

The Consideration of HK\$390.6 million will be satisfied entirely by the allotment and issue of 620 million Consideration Shares at HK\$0.63 each under the General Mandate upon Completion. The 620 million Consideration Shares have an aggregate nominal value of HK\$62 million.

The Consideration was arrived at after arm's length negotiations between Kantone and the Vendors. The Consideration represents (i) approximately 13.7% discount to the development costs of websites and various contents owned by CS Network, a subsidiary of GHL, in the amount of US\$58 million (equivalent to approximately HK\$452.4 million) as at 26 July 2008 based on cost approach and opined by Equipnet Valuation Services Pte. Ltd., a qualified independent valuer, as fair and reasonable; and (ii) approximately 2.4% discount to the adjusted unaudited consolidated net asset value of GHL (excluding shareholders' loans owed to the Vendors) in the amount of approximately US\$51.33 million (equivalent to approximately HK\$400.39 million) as at 30 June 2008, details of which are set out in the section headed "Information on the GHL Group" below.

The issue price of HK\$0.63 per Consideration Share represents a premium of about 3.3% over the closing price of HK\$0.61 per Kantone Share as quoted on the Stock Exchange on 28 July 2008, being the last trading day of Kantone Shares prior to the signing of the Agreement, and a discount of about 4.5% to the average closing price of about HK\$0.66 per Kantone Share as quoted on the Stock Exchange for the last five trading days up to and including 28 July 2008.

The Consideration Shares represent (i) approximately 18.2% of the existing issued share capital of Kantone, (ii) approximately 15.4% of the issued share capital of Kantone as enlarged by the Consideration Shares on the basis no outstanding warrants of Kantone were exercised, and (iii) approximately 13.4% of the issued share capital of Kantone as enlarged by the Consideration Shares and full exercise of the outstanding warrants of Kantone. The Consideration Shares will rank pari passu in all respects with the Kantone Shares in issue as at the date of allotment. Application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares. There is no restriction on subsequent disposal of the Consideration Shares by the Vendors under the Agreement.

Based on 3,411,059,678 Kantone Shares in issue as at the date of this announcement and assuming no new Kantone Shares will be issued other than the Consideration Shares until the date of Completion, none of the Vendors will become a shareholder of Kantone holding 5% or more of the issued share capital of Kantone immediately after Completion. Kantone is advised that the Vendors are independent of each other.

As at the date of this announcement, 649,304,407 Kantone Shares are available for issue under the General Mandate. Upon Completion, around 95.5% of the General Mandate will be utilised and 29,304,407 Kantone Shares will remain available for issue under the General Mandate.

The boards of directors of Champion and Kantone consider that the terms of the Agreement, including the terms of the Consideration Shares, are on normal commercial terms, fair and reasonable and the Transaction is in the interests of Champion and Kantone and the shareholders of the two companies respectively as a whole.

### Conditions precedent

Completion is conditional upon the following conditions precedent:

1. the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the Consideration Shares;
2. the passing at the SGM of a resolution to approve the Agreement in accordance with the Listing Rules; and
3. Kantone completing a review of the financial, trading and legal position of GHIL to its absolute satisfaction.

Completion is expected to take place on the second business day after the above conditions precedent have been fulfilled. If the above conditions precedent have not been fulfilled by 19 September 2008 (or such other date as the parties to the Agreement may agree), the Agreement shall lapse and no party thereto shall have any claim against any of the other parties except in respect of any antecedent breach.

### SHAREHOLDING STRUCTURE OF KANTONE

The following table sets out the shareholding structure of Kantone as at the date of this announcement and immediately after Completion (on the basis of (i) the existing shareholding structure and (ii) full exercise of the outstanding warrants of Kantone respectively):

	As at the date of this announcement		Immediately after Completion (Before full exercise of the outstanding warrants of Kantone)		Immediately after Completion (After full exercise of the outstanding warrants of Kantone)	
	<i>Number of Kantone Shares</i>	<i>%</i>	<i>Number of Kantone Shares</i>	<i>%</i>	<i>Number of Kantone Shares</i>	<i>%</i>
Champion	1,740,200,873	51.02%	1,740,200,873	43.17%	2,040,478,900	44.12%
Shanghai Industrial Investment (Holdings) Company Limited	538,470,000	15.79%	538,470,000	13.36%	612,000,013	13.23%
Lawnside International Limited	299,290,629	8.77%	299,290,629	7.42%	381,349,072	8.24%
Existing public shareholders	833,098,176	24.42%	833,098,176	20.65%	971,465,766	21.01%
Vendors:						
Hudson Sky	–	–	155,000,000	3.85%	155,000,000	3.35%
Guan Feng	–	–	155,000,000	3.85%	155,000,000	3.35%
Westcity	–	–	155,000,000	3.85%	155,000,000	3.35%
Good Talent	–	–	155,000,000	3.85%	155,000,000	3.35%
Sub-total of all public shareholders	833,098,176	24.42%	1,453,098,176	36.05%	1,591,465,766	34.41%
Total	3,411,059,678	100.00%	4,031,059,678	100.00%	4,625,293,751	100.00%

On Completion, the public float of Kantone Shares will increase to above 25% in compliance with the Listing Rules.

## INFORMATION ON CHAMPION AND KANTONE

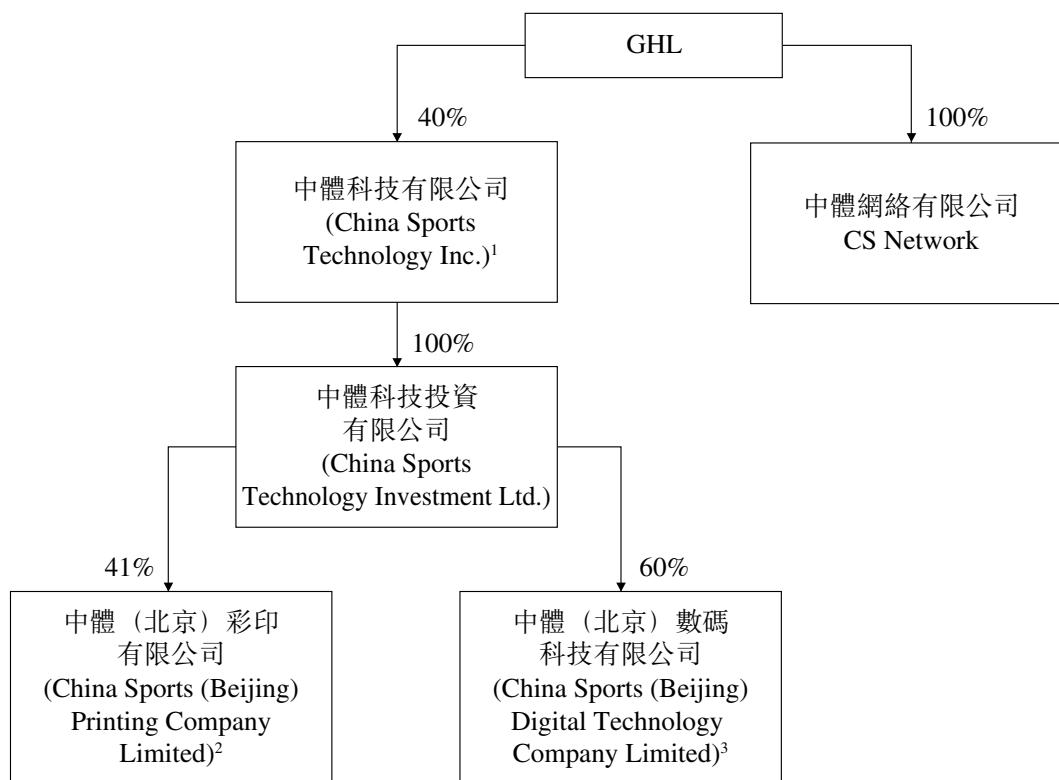
Champion and its subsidiaries are principally engaged in the design, development and manufacture of telecommunication equipment and systems; setting up and development of internet based knowledge systems, networks, software and proprietary technologies; and provision of telecommunication networks.

Kantone and its subsidiaries are principally engaged in the sale of general systems products; provision of services (including software customisation and provision of e-lottery services) and software licensing; leasing of systems products; development and provision of IT solutions for e-gaming, leisure and entertainment; and holding strategic investments in advanced technology product development companies.

## INFORMATION ON THE GHL GROUP

### Overview

GHL is an investment holding company incorporated in the Republic of Seychelles on 3 January 2008. The group structure of the GHL Group is as follows:



### Notes:

1. The remaining 60% equity interest of 中體科技有限公司 (China Sports Technology Inc.) is beneficially owned by 中體聯投資有限公司 (China Sports United Investment Limited), a wholly-owned subsidiary of 中國體育報業總社 (China Sports Publications Corporation) which in turn is wholly-owned by 國家體育總局 (the General Administration of Sport of China). 中體聯投資有限公司 (China Sports United Investment Limited) and its beneficial owners are third parties independent of and not connected with Champion, Kantone or their respective connected persons.

2. The remaining equity interest of 中體(北京)彩印有限公司 (China Sports (Beijing) Printing Company Limited) is owned as to 49% by 中體聯投資有限公司 (China Sports United Investment Limited) and 10% by 北京匯中通產投資有限公司 (Beijing Huizhong Tong Chan Investment Company Ltd.), both being third parties independent of and not connected with Champion, Kantone or their respective connected persons.
3. The remaining equity interest of 中體(北京)數碼科技有限公司 (China Sports (Beijing) Digital Technology Company Limited) is owned as to 30% by 中體聯投資有限公司 (China Sports United Investment Limited) and 10% by 北京匯中通產投資有限公司 (Beijing Huizhong Tong Chan Investment Company Ltd.).

CS Network is a company incorporated in Samoa and is principally engaged in the development of gaming software, sports contents, sports websites and sports network systems. CS Network has developed a multiple entertainment platform which hosts various games. The development costs of websites and various contents owned by CS Network amounted to US\$58 million (equivalent to approximately HK\$452.4 million) as at 26 July 2008 based on cost approach and opined by Equipnet Valuation Services Pte. Ltd., a qualified independent valuer, as fair and reasonable.

中體(北京)彩印有限公司 (China Sports (Beijing) Printing Company Limited) is a sports media company established in the PRC. It is principally engaged in colour printing and currently publishes 5 newspapers and 27 magazines for 中國體育報業總社 (China Sports Publications Corporation). It also provides other printing services to other companies and organisations.

中體(北京)數碼科技有限公司 (China Sports (Beijing) Digital Technology Company Limited) is established in the PRC and is intended to engage in the development of web-based e-commerce and provision of value-added-services for mobile applications and related services in the PRC.

Both 中體科技有限公司 (China Sports Technology Inc.) and 中體科技投資有限公司 (China Sports Technology Investment Ltd.) are investment holding companies and are being accounted for by GHL as associates using equity method. 中體(北京)數碼科技有限公司 (China Sports (Beijing) Digital Technology Company Limited) and 中體(北京)彩印有限公司 (China Sports (Beijing) Printing Company Limited) are accounted for by GHL as investments.

## **Financial information**

Pursuant to the Agreement, the Vendors agreed to waive and to procure the waiver of all amounts due from any member of the GHL Group to the Vendors and/or their respective associates (as defined in the Listing Rules) on the date of Completion so that GHL shall have a net asset value of not less than HK\$400.39 million as at the date of Completion.

Based on the management accounts of GHL (prepared in accordance with International Financial Reporting Standards), amounts due from the GHL Group to the Vendors were approximately US\$51.28 million (equivalent to approximately HK\$400.0 million) in aggregate as at 30 June 2008. Excluding the aforesaid shareholders' loans, the adjusted unaudited consolidated net asset value of GHL was approximately US\$51.33 million (equivalent to approximately HK\$400.39 million) as at 30 June 2008.

GHL has not prepared any management accounts on profit and loss since the internet businesses of the GHL Group are under development stage and revenue has yet to be generated. As advised by the Vendors, loss incurred by GHL since the date of its incorporation is insignificant.

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

In recent years, advances in communications technology and the widespread application of fixed phones, mobile phones, credit cards, and various other emerging electronic devices globally have enriched the media coverage for sports and revitalised lottery operating systems worldwide. The increase in new media such as the internet and mobile channels covering sports activities as well as increase in lottery sales provide evidence of the increasing popularity of sports and the media that provide coverage.

Kantone has been developing horse racing information channels and contents for sports, online telephone call data handling systems and call centre software applications, and has also been developing integrated platforms with secure e-commerce solutions for global gaming and entertainment activities. Building on its expertise in integrated IT solutions and telephone data management, Kantone continues to expand its portfolio of investments in gaming software and sports and entertainment websites.

The Transaction is expected to allow Kantone to leverage its IT solutions, information software expertise, and sports and gaming endeavours for further development of the sports media market. This is expected to provide Kantone an attractive opportunity to expand its business to new horizons and capture new businesses arising from the rising popularity of sports and related activities.

Upon Completion, GHL will become a wholly-owned subsidiary of Kantone and its results will be consolidated into the financial statements of Kantone and its subsidiaries.

## **EFFECT ON CHAMPION**

As at the date of this announcement, Champion owns approximately 51.02% of the issued share capital of Kantone. Upon Completion, Champion's equity interest in Kantone would be diluted to approximately 43.17%, whereby Kantone will cease to be a subsidiary of Champion and Champion's interest in Kantone will be accounted by equity method. The issue of the Consideration Shares by Kantone constitutes a deemed disposal of Kantone Shares by Champion under the Listing Rules.

For the year ended 30 June 2006, profit before and after taxation of Kantone were approximately HK\$331.67 million and HK\$331.56 million respectively. For the year ended 30 June 2007, profit before and after taxation of Kantone were approximately HK\$410.26 million and HK\$410.25 million respectively. Profit attributable to the deemed disposal of 7.85% shareholding interest in Kantone by Champion for the two financial years ended 30 June 2007 were:

- (a) profit before and after taxation of approximately HK\$26.02 million for the financial year ended 30 June 2006; and
- (b) profit before and after taxation of approximately HK\$32.19 million for the financial year ended 30 June 2007.

As at 31 December 2007, the unaudited consolidated net asset value of Kantone was approximately HK\$2,394.39 million. For illustration purpose, based on the unaudited consolidated net asset value of Kantone as at 31 December 2007, it is expected that the deemed disposal of 7.85% shareholding interest

in Kantone by Champion would give rise to an estimated loss for Champion of approximately HK\$15.03 million representing the difference between Champion's 51.02% share of Kantone's consolidated net asset value as at 31 December 2007 and Champion's 43.17% share of Kantone's estimated consolidated net asset value as enlarged by the Transaction.

## **LISTING RULES IMPLICATIONS**

### **Kantone**

The Transaction constitutes a discloseable transaction of Kantone pursuant to Chapter 14 of the Listing Rules. There is no prior transaction which is required to be aggregated with the Agreement under Rule 14.22 of the Listing Rules.

### **Champion**

The issue of the Consideration Shares constitutes a deemed disposal of Kantone Shares by Champion under the Listing Rules, which is a major transaction of Champion pursuant to Chapter 14 of the Listing Rules.

The SGM will be convened and held for the Champion Shareholders to consider and, if thought fit, to approve the transactions contemplated under the Agreement (including the issue of the Consideration Shares). None of the Champion Shareholders has a material interest in the Transaction. Hence, no Champion Shareholder is required to abstain from voting at the SGM.

A circular containing, among other things, details of the Transaction will be despatched to the shareholders of each of Champion and Kantone, and for information only, holders of warrants of the two companies as soon as practicable.

## **SUSPENSION AND RESUMPTION OF TRADING IN SHARES AND WARRANTS OF CHAMPION AND KANTONE**

At the request of Champion and Kantone, trading in the shares and warrants of each of the two companies on the Stock Exchange was suspended with effect from 9:30 a.m. on 29 July 2008 pending the release of this announcement. Applications have been made to the Stock Exchange for resumption of trading in the shares and warrants of Champion and Kantone with effect from 9:30 a.m. on 31 July 2008.

## **DEFINITIONS**

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

“Agreement”	the conditional agreement dated 28 July 2008 entered into between Kantone and the Vendors in respect of the Transaction
“Champion”	Champion Technology Holdings Limited, a company continued in Bermuda with limited liability and whose shares are listed on the Stock Exchange

“Champion Shareholder(s)”	holder(s) of the shares of Champion
“Completion”	completion of the Transaction
“connected person”	has the meaning ascribed to it under the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	the consideration payable by Kantone for the Transaction
“Consideration Share(s)”	Kantone Share(s) to be allotted and issued to the Vendors as consideration for the Transaction
“CS Network”	中體網絡有限公司 (China Sports Network Limited), a company incorporated in Samoa with limited liability and a wholly-owned subsidiary of GHL
“General Mandate”	a general mandate granted to the directors of Kantone at the annual general meeting of Kantone dated 23 November 2007 to allot, issue and deal with Kantone Shares not exceeding 20% of the issued share capital of Kantone as at the date of such approval
“GHL”	Good Holdings Limited, a company incorporated in the Republic of Seychelles
“GHL Group”	GHL, CS Network, 中體科技有限公司 (China Sports Technology Inc.), 中體科技投資有限公司 (China Sports Technology Investment Ltd.), 中體(北京)數碼科技有限公司 (China Sports (Beijing) Digital Technology Company Limited) and 中體(北京)彩印有限公司 (China Sports (Beijing) Printing Company Limited)
“Good Talent”	Good Talent Technology Ltd., a shareholder of GHL and one of the Vendors
“Guan Feng”	Guan Feng Technology Ltd., a shareholder of GHL and one of the Vendors
“HK\$”	Hong Kong dollar(s), the lawful currency in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hudson Sky”	Hudson Sky Limited, a shareholder of GHL and one of the Vendors
“Kantone”	Kantone Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Stock Exchange
“Kantone Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of Kantone

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“SGM”	a special general meeting of Champion to be convened for the purpose of considering and, if thought fit, approving the transactions contemplated under the Agreement by the Champion Shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the acquisition of the entire issued share capital of GHL by Kantone pursuant to the Agreement
“US\$”	United States dollar(s), the lawful currency in the United States of America, and the exchange rate for US\$ into HK\$ for the purpose of this announcement is US\$1.00 = HK\$7.80
“Vendors”	Hudson Sky, Guan Feng, Westcity and Good Talent
“Westcity”	Westcity International Ltd., a shareholder of GHL and one of the Vendors
“%”	per cent

By Order of the board of  
**Champion Technology Holdings Limited**  
**Jennifer Cheung Mei Ha**  
*Company Secretary*

By Order of the board of  
**Kantone Holdings Limited**  
**Jennifer Cheung Mei Ha**  
*Company Secretary*

Hong Kong, 30 July 2008

*As at the date of this announcement, the executive directors of Champion are Mr. Paul Kan Man Lok, Mr. Leo Kan Kin Leung and Mr. Lai Yat Kwong; the non-executive director is Ms. Shirley Ha Suk Ling; and the independent non-executive directors are Mr. Terry John Miller, Mr. Francis Gilbert Knight, Professor Liang Xiong Jian, Professor Ye Pei Da and Mr. Frank Bleackley.*

*As at the date of this announcement, the executive directors of Kantone are Mr. Paul Kan Man Lok and Mr. Lai Yat Kwong; the non-executive directors are Mr. Leo Kan Kin Leung, Ms. Shirley Ha Suk Ling and Mr. Paul Michael James Kirby; and the independent non-executive directors are Professor Liang Xiong Jian, Professor Ye Pei Da, Mr. Frank Bleackley, Professor Julia Tsuei Jo and Ms. Miranda Ho Mo Han.*