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CHAMPION TECHNOLOGY HOLDINGS LIMITED

冠軍科技集團有限公司*

(an exempted company in Bermuda with limited liability)

Stock Code: 92

ISSUE OF US\$8,000,000 1.5 PER CENT. UNLISTED AND UNSECURED CONVERTIBLE BONDS DUE 2005 – ADDITIONAL TRANCHE 1

Pursuant to the Subscription Agreement entered into between the Company and CSFB on 22 May 2002 as supplemented by the Supplemental Agreement dated 28 April 2005, the Company issued the Additional Tranche 1 Bonds with the Amended Terms in the aggregate principal amount of US\$8,000,000 (equivalent to approximately HK\$62,400,000) on 28 April 2005.

Reference is made to the announcements issued by the Company dated 23 May 2002 and 26 September 2003 respectively (the “**Announcements**”). Terms defined in the Announcements shall have the same meanings when used herein unless the context otherwise requires or otherwise defined.

ISSUE OF ADDITIONAL TRANCHE 1 BONDS

Subscription Agreement:

The Company entered into the Subscription Agreement with CSFB on 22 May 2002 pursuant to which the Company issued the Original Tranche 1 Bonds in the aggregate principal amount of US\$8,000,000 on 22 May 2002 and the Tranche 2 Bonds in the aggregate principal amount of US\$8,000,000 on 26 September 2003. Details of the terms of the Subscription Agreement, the Original Tranche 1 Bonds and the Tranche 2 Bonds were set out in the Announcements.

Under the Subscription Agreement, the Company has granted an option to CSFB to require the Company to issue the Additional Tranche 1 Bonds subject to the satisfaction of certain conditions (the “**Option**”).

The Subscription Agreement provides that the Additional Tranche 1 Bonds shall be issued upon identical terms as the Original Tranche 1 Bonds save for, among others, the date of issue, the number of Additional Tranche 1 Bonds, and the number of Shares to be issued upon conversion.

Supplemental Agreement

On 28 April 2005, the Company and CSFB entered into a supplemental agreement (the “**Supplemental Agreement**”) to amend the terms of the Subscription Agreement and to change the terms of the Additional Tranche 1 Bonds. A summary of the amended terms of the Additional Tranche 1 Bonds (the “**Amended Terms**”) is set out below:

	New terms of the Additional Tranche 1 Bonds	Terms of the Additional Tranche 1 Bonds as contemplated in the Subscription Agreement
Maturity date	22 November 2005	22 May 2005
Redemption	The Company will redeem each outstanding Additional Tranche 1 Bond at 100% of its principal amount on maturity date	The Company will redeem the Additional Tranche 1 Bonds by delivering such number of Shares as results from dividing 100% of the principal amount of the Additional Tranche 1 Bonds by the lower of the Fixed Conversion Price and the Floating Conversion Price in effect on the maturity date unless the then current market price of the Shares as determined according to the formula provided in the terms and conditions of the Additional Tranche 1 Bonds is below a prescribed figure, in which case the Additional Tranche 1 Bonds will be redeemed at 100% of the principal amount at maturity
Floating Conversion Price	94% of the average of any five consecutive closing prices per Share as selected by CSFB during the 30 consecutive business days immediately prior to the date on which notice of CSFB is received by the Company	94% of the average of any five closing prices per Share as selected by CSFB during the 30 consecutive business days immediately prior to the date on which notice of CSFB is received by the Company
Downside Price (Note 1)	HK\$1.10	HK\$1.1345
Put Price (Note 2)	HK\$1.00	HK\$0.9454

* For identification purposes only

Notes :

- (1) The Company may redeem any Additional Tranche 1 Bonds presented for conversion if the closing price per Share is less than or equal to the Downside Price on a business day during the relevant conversion period. Further details have been set out in the paragraph "Early Redemption" in this announcement.
- (2) CSFB shall have the right to require the Company to redeem the Additional Tranche 1 Bonds if the closing price per Share is less than or equal to the Put Price for 10 consecutive business days during the relevant conversion period. However, the Company shall not be required to redeem the Additional Tranche 1 Bonds of principal amount of more than US\$2,000,000 in any calendar month. Further details have been set out in the paragraph "Early Redemption" in this announcement.

The terms of the Supplemental Agreement were negotiated on an arm's length basis and the Directors are of the view that they are fair and reasonable so far as the Company and its shareholders are concerned.

On 28 April 2005 (the "**Additional Tranche 1 Bonds Closing Date**"), the Company issued, and CSFB subscribed for, the Additional Tranche 1 Bonds with the Amended Terms in an aggregate principal amount of US\$8,000,000 (equivalent to approximately HK\$62,400,000) pursuant to the exercise of the Option and the Supplemental Agreement. The Additional Tranche 1 Bonds were paid in cash by CSFB on the Additional Tranche 1 Bonds Closing Date.

Principal terms:

Save for, among other things, the Amended Terms, the Additional Tranche 1 Bonds were issued on substantially the same terms as the Original Tranche 1 Bonds and the Tranche 2 Bonds as set out in the Announcements.

The principal terms of the Additional Tranche 1 Bonds with the Amended Terms are as follows:

Interest

The Additional Tranche 1 Bonds bear interest from the Additional Tranche 1 Bonds Closing Date at the rate of 1.5 per cent. per annum. Interest is payable semi-annually in arrears.

Conversion price:

At the election of CSFB, the Additional Tranche 1 Bonds may be converted either at (i) their Fixed Conversion Price; or (ii) their Floating Conversion Price, provided that the conversion price shall not be less than the par value of the Shares on the date of conversion unless permitted by law and in compliance with the Listing Rules. Such Shares which fall to be issued on conversion of the Additional Tranche 1 Bonds shall rank *pari passu* in all respects with Shares in issue on the date of issue of such Shares pursuant to the conversion.

The Fixed Conversion Price of the Additional Tranche 1 Bonds shall be HK\$2.3635, subject to adjustment. The Fixed Conversion Price of the Additional Tranche 1 Bonds represents a premium of approximately 100.3 per cent. over the closing price of HK\$1.18 per Share as at the Additional Tranche 1 Bonds Closing Date and a premium of approximately 100.0 per cent. over the average daily closing price of approximately HK\$1.182 per Share for the five consecutive trading days up to and including the Additional Tranche 1 Bonds Closing Date.

The Floating Conversion Price of the Additional Tranche 1 Bonds shall be 94% of the average of any five consecutive closing prices per Share as selected by CSFB during the 30 consecutive business days immediately prior to the date on which notice of CSFB is received by the Company.

Conversion period:

The Additional Tranche 1 Bonds may be converted, at the election of CSFB, at any time from and including the Additional Tranche 1 Bonds Closing Date up to the close of business on the day falling one week prior to the Maturity Date by serving a conversion notice on the Company.

Maturity:

22 November 2005.

Unless previously redeemed, converted or purchased and cancelled, each outstanding Additional Tranche 1 Bond will be redeemed by the Company at 100% of its principal amount on the Maturity Date.

Early Redemption:

If at any time during the relevant conversion period (as set out above), the closing price per Share is less than or equal to the Downside Price on a business day, the Company may redeem any Additional Tranche 1 Bonds presented for conversion on the immediate following date in cash in an amount determined according to the formula provided in the terms and conditions of the Additional Tranche 1 Bonds (the "**Downside Option**"). In determining whether the Company will exercise such right, the Directors will consider, among others, the market condition and the interests of the Company and its shareholders as a whole including any dilution effect on the shareholders.

If at any time during the relevant conversion period (as set out above), the closing price per Share is less than or equal to the Put Price for 10 consecutive business days, CSFB shall not have the right at such time to require the Company to convert any Additional Tranche 1 Bond at conversion price less than or equal to the Put Price and CSFB may, by giving not less than 5 business days' notice to the Company, require the Company to redeem the Additional Tranche 1 Bonds in cash in an amount equal to 110% of the principal amount of the Additional Tranche 1 Bonds plus accrued interests, provided that the Company shall not be required to redeem Additional Tranche 1 Bonds of principal amount of more than US\$2,000,000 in any calendar month.

Subscription right:

Pursuant to the Subscription Agreement, the Company also granted to CSFB an option in respect of the Additional Tranche 1 Bonds on the following terms:—

- (1) Exercise period: from and including the Additional Tranche 1 Bonds Closing Date up to and including the Maturity Date
- (2) Exercise price: HK\$2.3635, being the Fixed Conversion Price of the Additional Tranche 1 Bonds

- (3) Maximum amount of Shares to be subscribed: applying the exchange rate of US\$1.00 to HK\$7.7986 as prescribed under the Subscription Agreement (the “Relevant Exchange Rate”), up to 4,949,397 new Shares (representing approximately 0.40 per cent. of the existing issued share capital of the Company).

Conditions:

The obligation of CSFB to subscribe the Additional Tranche 1 Bonds is conditional on, among other things, the satisfaction of certain conditions, including:

- (i) if required, the obtaining of the approval from the shareholders of the Company for the issue of the Additional Tranche 1 Bonds and/or the issue and allotment of the new Shares and/or the conversion of the Additional Tranche 1 Bonds into Shares not less than one business day prior to the closing date for the Additional Tranche 1 Bonds; and
- (ii) the delivery by the Company to CSFB of certain documents specified in the Subscription Agreement by the closing date for the Additional Tranche 1 Bonds. These documents include legal opinions and a comfort letter from the auditors of the Company.

The above conditions have been satisfied on or before the Additional Tranche 1 Bonds Closing Date.

Failure to obtain listing approval:

If the Company has not obtained approval from the Stock Exchange for the listing on the Stock Exchange of the new Shares to be issued upon conversion of the Additional Tranche 1 Bonds and the number of Shares that could be required to be issued under the terms of the Additional Tranche 1 Bonds by no later than 14 calendar days after the Additional Tranche 1 Bonds Closing Date, then upon not less than 2 business days’ written notice, CSFB may require the Company to repurchase all of the Additional Tranche 1 Bonds held by it at 110 per cent. of their principal amount plus accrued interest.

Mandate:

The maximum number of new Shares which may be issued upon conversion of the Additional Tranche 1 Bonds based on the Fixed Conversion Price is 26,396,784 (applying the Relevant Exchange Rate) representing approximately 2.14 per cent. and approximately 2.10 per cent. of the existing issued share capital and the enlarged issued share capital respectively. Upon exercise of the Subscription Right in respect of the Additional Tranche 1 Bonds in full (applying the Relevant Exchange Rate), 4,949,397 new Shares, representing approximately 0.40 per cent. and approximately 0.40 per cent. of the existing issued share capital and enlarged issued share capital respectively, will be issued by the Company. The total number of Shares which may be issued upon full conversion of the Additional Tranche 1 Bonds and the exercise in full of the Subscription Right in respect of the Additional Tranche 1 Bonds based on the Fixed Conversion Price is 31,346,181 Shares, representing approximately 2.54 per cent. and approximately 2.48 per cent. of the existing issued share capital and the enlarged issued share capital respectively, which Shares, will be issued pursuant to the general mandate granted to the Directors by the shareholders of the Company pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 26 November 2004, under which a maximum of 239,676,177 Shares may be issued (the “Existing General Mandate”).

The maximum number of new Shares which may be issued upon conversion of the Additional Tranche 1 Bonds based on the Floating Conversion Price cannot be ascertained at present because the Floating Conversion Price can only be determined when the notice of conversion is issued by CSFB. In any event, the total number of Shares to be issued pursuant to the conversion of the Additional Tranche 1 Bonds and the exercise of the Subscription Right in respect of the Additional Tranche 1 Bonds will not exceed 239,676,177 Shares, i.e. the threshold of the Existing General Mandate. CSFB has been informed by the Company that it will exercise the Downside Option to redeem the Additional Tranche 1 Bonds if the number of Shares to be issued pursuant to the conversion of the Additional Tranche 1 Bonds and the exercise of the Subscription Right in respect of the Additional Tranche 1 Bonds will exceed 239,676,177 Shares.

USE OF PROCEEDS AND REASON FOR THE ADDITIONAL TRANCHE 1 BONDS ISSUE

The net proceeds of approximately US\$7,727,000 (equivalent to approximately HK\$60,271,000) derived from the issue of the Additional Tranche 1 Bonds, together with the approximate amount of HK\$11,698,000 which would be received subject to and upon exercise in full of the Subscription Right in respect of the Additional Tranche 1 Bonds (subject to adjustment as set out in the Subscription Agreement as supplemented by the Supplemental Agreement), will be used for general working capital purposes provided that such proceeds shall not be used to pay dividends to shareholders of the Company, for the purposes of or in relation to any repayment to or reduction of the debt of a related party or to repurchase Shares. The Company does not have any specific plan as regards the use of these proceeds other than as general working capital.

The Directors consider that the terms of the Additional Tranche 1 Bonds with the Amended Terms are favourable and the issue of the Additional Tranche 1 Bonds with the Amended Terms provides an opportunity to raise extra funds for the Company.

SHAREHOLDING STRUCTURE

As at the date of this announcement, the issued share capital of the Company is HK\$123,259,725.10 comprising 1,232,597,251 Shares. Lawnside International Limited (“**Lawnside**”) is currently the single largest shareholder of the Company, holding 350,601,078 Shares, representing approximately 28.44 per cent. of the existing issued share capital. As at the date of this announcement, CSFB has converted part of the Original Tranche 1 Bonds in the aggregate principal amount of US\$7,900,000 and part of the Tranche 2 Bonds in the aggregate principal amount of US\$6,600,000. Accordingly, the aggregate principal amount of the remaining Original Tranche 1 Bonds is US\$100,000 and the aggregate principal amount of the remaining Tranche 2 Bonds is US\$1,400,000. If the maximum possible number of Shares are issued pursuant to the conversion of the remaining Original Tranche 1 Bonds, the remaining Tranche 2 Bonds and the Additional Tranche 1 Bonds and the Subscription Right in respect of the Original Tranche 1 Bonds, the Tranche 2 Bonds and the Additional Tranche 1 Bonds is exercised in full, 48,021,721 new Shares will be issued based on the Fixed Conversion Prices of the Tranche 1 Bonds and the Tranche 2 Bonds respectively, representing approximately 3.90 per cent. and approximately 3.75 per cent. of the existing issued share capital and the enlarged

issued share capital respectively. The shareholding interests of all the shareholders of the Company will be proportionately diluted by approximately 3.75 per cent. and the shareholding interest of Lawnside in the Company will be diluted correspondingly from approximately 28.44 per cent. to approximately 27.38 per cent..

The shareholding structure of the Company before and after the conversion of the Original Tranche 1 Bonds, the Tranche 2 Bonds and the Additional Tranche 1 Bonds and the exercise of Subscription Right in respect of the Original Tranche 1 Bonds, the Tranche 2 Bonds and the Additional Tranche 1 Bonds based on their respective Fixed Conversion Prices and the Relevant Exchange Rate will be as follows:

	Total no. of issued Shares (assuming no further Shares are issued)	No. of Shares held by Lawnside (assuming Lawnside will not acquire further Shares and no further Shares are issued) and approximate percentage of shareholding	No. of Shares held by CSFB (assuming CSFB has not disposed of any Shares received pursuant to such conversion or exercise of such Subscription Right) and approximate percentage of shareholding	No. of Shares held by public excluding CSFB (assuming no further Shares are issued) and approximate percentage of shareholding
As at the date of this announcement	1,232,597,251	350,601,078 (28.44%)	21,432,067 (1.74%)	860,564,106 (69.82%)
Upon full conversion of the remaining Original Tranche 1 Bonds and the remaining Tranche 2 Bonds (assuming no Shares are issued pursuant to the conversion of the Additional Tranche 1 Bonds or the exercise of the Subscription Right in respect of the Original Tranche 1 Bonds, the Tranche 2 Bonds or the Additional Tranche 1 Bonds)	1,238,441,371	350,601,078 (28.31%)	27,276,187 (2.20%)	860,564,106 (69.49%)
Upon full conversion of the remaining Original Tranche 1 Bonds, the remaining Tranche 2 Bonds and the exercise in full of the Subscription Right in respect of the Original Tranche 1 Bonds and the Tranche 2 Bonds (assuming no Shares are issued pursuant to the conversion of the Additional Tranche 1 Bonds or the exercise of the Subscription Right in respect of the Additional Tranche 1 Bonds)	1,249,272,791	350,601,078 (28.06%)	38,107,607 (3.05%)	860,564,106 (68.89%)
Upon full conversion of the remaining Original Tranche 1 Bonds, the remaining Tranche 2 Bonds and the Additional Tranche 1 Bonds (assuming no Shares are issued pursuant to the exercise of the Subscription Right in respect of the Original Tranche 1 Bonds, the Tranche 2 Bonds or the Additional Tranche 1 Bonds)	1,264,838,155	350,601,078 (27.72%)	53,672,971 (4.24%)	860,564,106 (68.04%)
Upon full conversion of the remaining Original Tranche 1 Bonds, the remaining Tranche 2 Bonds and the Additional Tranche 1 Bonds and the exercise in full of the Subscription Right in respect of the Original Tranche 1 Bonds, the Tranche 2 Bonds and the Additional Tranche 1 Bonds	1,280,618,972	350,601,078 (27.38%)	69,453,788 (5.42%)	860,564,106 (67.20%)

The change in shareholding structure of the Company before and after the conversion of the Additional Tranche 1 Bonds and the exercise of the relevant Subscription Right based on the Floating Conversion Price cannot be ascertained at present because the Floating Conversion Price can only be determined when the notice of conversion is issued by CSFB. In any event, the total number of Shares to be issued pursuant to the conversion of the Additional Tranche 1 Bonds and the exercise of the Subscription Right in respect of the Additional Tranche 1 Bonds will not exceed 239,676,177 Shares, i.e. the threshold of the Existing General Mandate. CSFB has been informed by the Company that it will exercise the Downside Option to redeem the Additional Tranche 1 Bonds if the number of Shares to be issued pursuant to the conversion of the Additional Tranche 1 Bonds and the exercise of the Subscription Right in respect of the Additional Tranche 1 Bonds will exceed 239,676,177 Shares.

The maximum dilution effect of the full conversion of the Original Tranche 1 Bonds and the Tranche 2 Bonds and the exercise in full of Subscription Right in respect of the Original Tranche 1 Bonds and the Tranche 2 Bonds based on their respective Fixed Conversion Prices, and the full conversion of the Additional Tranche 1 Bonds and the exercise in full of the Subscription Right in respect of the Additional Tranche 1 Bonds with reference to the maximum number of Shares that may be issued under the Existing General Mandate as mentioned above will be as follows:

	Total no. of issued Shares (assuming no further Shares are issued)	No. of Shares held by Lawside (assuming Lawside will not acquire further Shares and no further Shares are issued) and approximate percentage of shareholding	No. of Shares held by CSFB (assuming CSFB has not disposed of any Shares received pursuant to such conversion or exercise of such Subscription Right) and approximate percentage of shareholding	No. of Shares held by public excluding CSFB (assuming no further Shares are issued) and approximate percentage of shareholding
As at the date of this announcement	1,232,597,251	350,601,078 (28.44%)	21,432,067 (1.74%)	860,564,106 (69.82%)
Upon full conversion of the remaining Original Tranche 1 Bonds (based on the respective Fixed Conversion Price), the remaining Tranche 2 Bonds (based on the respective Fixed Conversion Price) and the Additional Tranche 1 Bonds (assuming no Shares are issued pursuant to the exercise of the Subscription Right in respect of the Original Tranche 1 Bonds, the Tranche 2 Bonds or the Additional Tranche 1 Bonds)	1,473,168,151	350,601,078 (23.80%)	262,002,967 (17.78%)	860,564,106 (58.42%)
Upon full conversion of the remaining Original Tranche 1 Bonds (based on the respective Fixed Conversion Price), the remaining Tranche 2 Bonds (based on the respective Fixed Conversion Price) and the Additional Tranche 1 Bonds and the exercise in full of the Subscription Right in respect of the Original Tranche 1 Bonds, the Tranche 2 Bonds and the Additional Tranche 1 Bonds	1,488,948,968	350,601,078 (23.55%)	277,783,784 (18.65%)	860,564,106 (57.80%)

LISTING

No application will be made for the listing of, or permission to deal in, the Additional Tranche 1 Bonds and the Subscription Right on the Stock Exchange or any other stock exchange. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued upon conversion of the Additional Tranche 1 Bonds or upon exercise of the Subscription Right in respect of the Additional Tranche 1 Bonds.

DILUTION EFFECT ON SHAREHOLDERS

As the Company foresees the future dilution effect on its shareholders resulting from the exercise of the conversion rights attaching to the Additional Tranche 1 Bonds and the Subscription Right in respect of the Additional Tranche 1 Bonds, the Company will keep its shareholders informed of the level of dilution effect and all relevant details of any conversion and/or exercise of the relevant Subscription Right in the following manner:

- (a) the Company will make a monthly announcement (the “Monthly Announcement”) on the website of the Stock Exchange. Such announcement will be made on or before the fifth business day following the end of each calendar month and will include the following details in a table form:
 - (i) whether there is any conversion of the Additional Tranche 1 Bonds during the relevant month. If yes, details of the conversion(s), including the conversion date, number of new Shares issued, conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;
 - (ii) the number of outstanding Additional Tranche 1 Bonds after the conversion, if any;
 - (iii) the total number of Shares issued pursuant to other transactions, including Shares issued pursuant to exercise of options under any share option scheme(s) of the Company; and
 - (iv) the total issued share capital of the Company as at the commencement and the last day of the relevant month; and
- (b) in addition to the Monthly Announcement, if the cumulative amount of new Shares issued pursuant to the conversion of the Additional Tranche 1 Bonds reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Additional Tranche 1 Bonds (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the website of the Stock Exchange including details as stated in (a) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Additional Tranche 1 Bonds (as the case may be) up to the date on which the total amount of Shares issued pursuant to the conversion amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Additional Tranche 1 Bonds (as the case may be).

GENERAL

The Company will comply with all applicable Listing Rules in respect of any alterations in the terms of the Subscription Right after issue, except where the alterations take effect automatically under the existing terms of the Subscription Right. A separate announcement in respect of such change will be issued by the Company.

The Company will ensure that each of the connected persons of the Company (as defined in the Listing Rules) will not subscribe for any of the Additional Tranche 1 Bonds at the issue of such securities and that, after the issue of the Additional Tranche 1 Bonds, the Company will disclose to the Stock Exchange any dealings by any of the connected persons of the Company from time to time in the Additional Tranche 1 Bonds immediately upon the Company becoming aware of such dealings.

Save the transactions as disclosed in this announcement, the Company has not carried out any fund raising activities during the 12-month period immediately preceding the date of this announcement.

Unless otherwise specified in this announcement, US\$1.00 = HK\$7.80. No representation is made that any amounts in US\$ or HK\$ could have been or could be converted at such a rate or at any other rates or at all.

By Order of the Board
Paul Kan Man Lok
Chairman

Hong Kong, 28 April 2005

As at the date of this announcement, the executive directors of the Company 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.

“Please also refer to the published version of this announcement in The Standard.”