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KANTONE HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1059)



CHAMPION TECHNOLOGY HOLDINGS LIMITED
(Continued in Bermuda with limited liability)
(Stock code: 92)

**PROPOSED RIGHTS ISSUE OF
227,662,508 RIGHTS SHARES
AT HK\$1 EACH
ON THE BASIS OF
THREE RIGHTS SHARES FOR
EVERY TEN CONSOLIDATED SHARES
HELD ON THE RECORD DATE**

**DISCLOSEABLE TRANSACTION AND
CONNECTED TRANSACTION –
UNDERWRITING OF AND
FULL ACCEPTANCE OF
PROVISIONAL ENTITLEMENT
UNDER THE RIGHTS ISSUE OF
KANTONE HOLDINGS LIMITED**

Financial adviser to Kantone Holdings Limited



PROPOSED RIGHTS ISSUE

Kantone proposes to raise approximately HK\$227.7 million before expenses by issuing 227,662,508 Rights Shares at the Subscription Price of HK\$1 per Rights Share on the basis of three Rights Shares for every ten Consolidated Shares in issue on the Record Date. Rights Shares will not be issued to the Excluded Shareholders. Fractional entitlements will not be allotted but will be aggregated and sold for the benefit of Kantone.

Based on the 227,662,508 Rights Shares proposed to be issued, the net proceeds from the Rights Issue after deducting the expenses are estimated to be approximately HK\$223.2 million, which will be used as general working capital of the Kantone Group.

Champion has irrevocably undertaken to Kantone that (i) it will remain the beneficial owner of at least 416,707,136 Consolidated Shares until the Acceptance Date; and (ii) it will take up and accept (or procure that the registered holders thereof shall take up and accept) its rights entitlement in full under the Rights Issue in respect of 416,707,136 Consolidated Shares prior to 4:00 p.m. on the Acceptance Date.

Champion has conditionally agreed to fully underwrite all the Rights Shares other than those agreed to be taken up by itself pursuant to its Irrevocable Undertaking. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed “Underwriting arrangements for the Rights Issue” in this announcement.

The Rights Issue is conditional upon the fulfillment of the conditions set out in the paragraph headed “Conditions of the Rights Issue” under the section headed “Proposed Rights Issue” in this announcement. In particular, it is subject to the Underwriting Agreement not being terminated in accordance with its terms (set out in the paragraph headed “Termination of the Underwriting Agreement” under the section headed “Underwriting arrangements for the Rights Issue” in this announcement).

If Champion terminates the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed.

To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of Kantone on the Record Date. In order to be registered as members of Kantone on the Record Date, all transfers of Shares must be lodged (together with the relevant share certificate(s)) with Kantone’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong by 4:30 p.m. on Monday, 15 December 2014. It is expected that the last day of dealings in the Shares on a cum-rights basis is Thursday, 11 December 2014 and the Shares will be dealt with on an ex-rights basis from Friday, 12 December 2014.

Any persons contemplating buying or selling Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form bear the risk that the Rights Issue may not become unconditional or may not proceed.

LISTING RULES IMPLICATIONS FOR CHAMPION

Discloseable transaction

Under the Underwriting Agreement, Champion as the controlling shareholder of Kantone has undertaken to subscribe for 125,012,140 Rights Shares and underwrite up to 102,650,368 Rights Shares. The commitment of Champion under the Underwriting Agreement, together with any application for excess Rights Shares, will exceed 5% but will be less than 25% of certain applicable percentage ratios, and constitutes a discloseable transaction for Champion under Chapter 14 of the Listing Rules.

Connected transaction

As Champion is the controlling shareholder of Kantone, it is a connected person of Kantone under the Listing Rules. Accordingly, the payment of the underwriting commission pursuant to the Underwriting Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules. The underwriting commission to be received by Champion pursuant to the Underwriting Agreement is approximately HK\$2,566,000. As the relevant percentage ratios as defined in the Listing Rules are less than 5%, the payment of the underwriting commission is subject to announcement requirement but exempt from the independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

GENERAL

Kantone has applied to the Listing Committee for the listings of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

Kantone will despatch the Rights Issue Documents to the Qualifying Shareholders and, for information only, the Prospectus to the Excluded Shareholders (if any) on or about Thursday, 18 December 2014.

PROPOSED RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue:	Three Rights Shares for every ten Consolidated Shares held on the Record Date
Number of existing Shares in issue as at the date of this announcement:	7,588,750,276 Shares
Number of Consolidated Shares in issue on the Share Consolidation becoming effective:	758,875,027 whole Consolidated Shares (assuming no further issue of new Shares or repurchase of Shares up to the effective date of the Share Consolidation)
Number of Rights Shares:	227,662,508 Rights Shares
Aggregate nominal value of Rights Shares to be issued:	HK\$227,662,508
Subscription Price:	HK\$1 per Rights Share

The 227,662,508 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 30% of the existing issued share capital of Kantone (assuming the Share Consolidation has been effective) and approximately 23.1% of the enlarged issued share capital of Kantone immediately upon completion of the Rights Issue.

As at the date of this announcement, Kantone has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares.

Subscription Price

The Subscription Price of HK\$1 per Rights Share is payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a premium of approximately 14.9% over the theoretical closing price of HK\$0.87 per Consolidated Share, based on the closing price of HK\$0.087 per Share as quoted on the Stock Exchange on 28 November 2014, being the last trading day prior to the publication of this announcement, and adjusted taking into account the effect of the Share Consolidation;
- (ii) a premium of approximately 13.6% over the average theoretical closing price of HK\$0.88 per Consolidated Share (based on the average closing price of HK\$0.088 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 28 November 2014, and adjusted taking into account the effect of the Share Consolidation);
- (iii) a premium of approximately 12.0% over the average theoretical closing price of approximately HK\$0.89 per Consolidated Share (based on the average closing price of approximately HK\$0.089 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including 28 November 2014, and adjusted taking into account the effect of the Share Consolidation);
- (iv) a premium of approximately 11.1% over the theoretical ex-rights price of approximately HK\$0.9 per Consolidated Share (based on the closing price of HK\$0.087 per Share as quoted on the Stock Exchange on 28 November 2014, and adjusted taking into account the effect of the Share Consolidation); and
- (v) a discount of approximately 76.3% to the unaudited consolidated net tangible asset value per Consolidated Share of approximately HK\$4.21 (based on the latest published unaudited net tangible asset value of the Kantone Group as at 30 June 2014, 7,588,750,276 Shares in issue as at the date of this announcement, and adjusted taking into account the effect of the Share Consolidation).

The Subscription Price was arrived at after arm's length negotiation between Kantone and Champion, taking into account (i) the market price of Shares under the prevailing market conditions; (ii) Kantone is prohibited to issue any Consolidated Share at a price below its par value, being HK\$1 under the law of the Cayman Islands; and (iii) each Qualifying Shareholder being entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in Kantone held on the Record Date. The Kantone Directors consider the Subscription Price to be fair and reasonable and in the interests of Kantone and its shareholders as a whole.

Status of the Rights Shares

Save as disclosed below, the Rights Shares, when allotted, issued and fully paid, will rank pari passu with the then existing Consolidated Shares in issue on the date of allotment of the Rights Shares in all respects. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared after the date of allotment and issue of the Rights Shares.

Qualifying Shareholders

To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of Kantone on the Record Date. In order to be registered as members of Kantone on the Record Date, all transfers of Shares must be lodged (together with the relevant share certificate(s)) with Kantone's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Monday, 15 December 2014. It is expected that the last day of dealings in Shares on a cum-rights basis is Thursday, 11 December 2014 and Shares will be dealt with on an ex-rights basis from Friday, 12 December 2014.

Kantone will send the Rights Issue Documents to the Qualifying Shareholders on the Posting Date. Kantone will send only the Prospectus to the Excluded Shareholders (if any) for information purposes on the same date.

Excluded Shareholders

The Rights Issue Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Kantone will exclude from the Rights Issue those Overseas Shareholders whom the Kantone Directors, after making enquiry regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges, consider it necessary or expedient to do so.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form to be sold as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of HK\$100 or more will be paid pro rata to the relevant Excluded Shareholders in Hong Kong dollars. Kantone will retain individual amounts of less than HK\$100 for its own benefit.

Closure of register of members

The register of members of Kantone will be closed from Tuesday, 16 December 2014 to Wednesday, 17 December 2014, both dates inclusive. No transfers of Shares or Consolidated Shares will be registered during this period.

Fractional entitlement to the Rights Shares

Kantone will not provisionally allot fractions of Rights Shares. All fractions of Rights Shares will be aggregated and sold in the market and, if a premium (net of expenses) can be achieved, and Kantone will keep the net proceeds for its own benefit. Any unsold fractions of Rights Shares will be available for excess application.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders, any unsold Rights Shares created by adding together fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders.

Application may be made by completing the form of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares. The Kantone Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (1) excess Rights Shares will be allocated to applicants with reference to their respective shareholdings of Kantone as at the Record Date; and
- (2) subject to availability of excess Rights Shares after allocation under principal (1) above, any remaining excess Rights Shares will be allotted to applicants in proportion to the number of excess Rights Shares being applied for under each application and rounded up to the nearest board lot.

The Rights Issue provides an opportunity for the shareholders of Kantone to subscribe for new Consolidated Shares that allows them to maintain their respective shareholding interests in Kantone. The allotment of excess Rights Shares to applicants with reference to their respective shareholdings in Kantone as at the Record Date is a measure for the shareholders of Kantone who subscribe for excess Rights Shares to largely maintain their respective shareholdings after completion of the Rights Issue. However, no preference will be given to applications for topping up odd lots to whole lots. The Kantone Directors consider that the allocation method is fair and equitable and in the interests of the shareholders of Kantone as a whole as all Qualifying Shareholders are entitled to apply for excess Rights Shares and no shareholder of Kantone is guaranteed any allocation of excess Rights Shares.

Shareholders of Kantone with their Shares held by a nominee company should note that the Kantone Board will regard the nominee company as a single shareholder of Kantone according to the register of members of Kantone. Shareholders of Kantone with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. If so, they must lodge all necessary transfer documents with Kantone's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, for completion of the relevant registration by 4:30 p.m. on Monday, 15 December 2014.

Application for listings

Kantone has applied to the Listing Committee for the listings of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. The nil-paid Rights Shares shall have the same board lot size as the Consolidated Shares, i.e. 3,000 Consolidated Shares in one board lot.

Dealings in Rights Shares in their nil-paid and fully-paid forms will be subject to the payment of stamp duty in Hong Kong.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listings of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day after the date of the transaction.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Share certificates for the Rights Shares

Subject to the fulfillment of the conditions of the Rights Issue, certificates for fully-paid Rights Shares are expected to be posted to those entitled thereto by Thursday, 15 January 2015 at their own risk.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following being fulfilled on or before 5:00 p.m. on Monday, 12 January 2015 (or such later time and/or date as Kantone and Champion may determine in writing):

- (1) the Share Consolidation becoming effective;
- (2) the Listing Committee granting or agreeing to grant (subject only to allotment) listing of and permission to deal in the Rights Shares, in nil-paid and fully-paid forms; and
- (3) the obligations of Champion under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms or otherwise.

The Rights Issue is not subject to the approval of the shareholders of Kantone. The Rights Issue will lapse if any of the above conditions is not satisfied.

UNDERWRITING ARRANGEMENTS FOR THE RIGHTS ISSUE

Underwriting Agreement dated 28 November 2014

Issuer:	Kantone
Underwriter:	Champion
Number of Underwritten Shares:	102,650,368 Rights Shares, being the total number of Rights Shares under the Rights Issue excluding 125,012,140 Rights Shares undertaken to be subscribed by Champion pursuant to its Irrevocable Undertaking
Underwriting commission:	2.5% of the aggregate Subscription Price of the Underwritten Shares
Subscription price:	HK\$1 per Rights Share

Champion does not underwrite issues of securities in its ordinary course of business.

Irrevocable Undertaking from Champion

As at the date of this announcement, Champion is interested in an aggregate of 4,167,071,367 Shares, representing approximately 54.91% of the existing issued share capital of Kantone. Upon the Share Consolidation becoming effective, Champion will be interested in an aggregate of 416,707,136 Consolidated Shares, representing approximately 54.91% of the then issued share capital of Kantone.

Champion has irrevocably undertaken to Kantone that (i) it will remain the beneficial owner of at least 416,707,136 Consolidated Shares until the Acceptance Date; and (ii) it will take up and accept (or procure that the registered holders thereof shall take up and accept) its rights entitlement in full under the Rights Issue in respect of 416,707,136 Consolidated Shares prior to 4:00 p.m. on the Acceptance Date.

Termination of the Underwriting Agreement

Champion may rescind the Underwriting Agreement (after consultation with Kantone and/or its adviser as the circumstances shall admit) by notice in writing given to Kantone on or before 5:00 p.m. on the third Business Day immediately prior to the date of despatch of certificates for fully-paid Rights Shares if:

- (1) there develops, occurs or comes into force:**
 - (a) any new law or government regulation or other occurrence of any nature whatsoever which in the absolute opinion of Champion adversely affects or may adversely affect the business of the Kantone Group or any part thereof to a material extent or is materially adverse in the context of the Rights Issue; or**
 - (b) any change in local, national, international, financial, political or economic conditions which in the absolute opinion of Champion is materially adverse in the context of the Rights Issue; or**
 - (c) any adverse change in market conditions which in the absolute opinion of Champion materially prejudicially affects the Rights Issue and makes it inadvisable or inexpedient to proceed therewith, or**
- (2) there comes to the notice of Champion any matter or event showing any of the representations and warranties of Kantone contained in the Underwriting Agreement to be untrue or inaccurate in any respect which Champion considers to be material.**

Upon the delivery of the notice of termination, all obligations of Champion under the Underwriting Agreement shall cease and determine and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that Kantone shall remain liable to pay to Champion all out of pocket expenses in connection with the Rights Issue. If Champion exercises such right, the Rights Issue will not proceed.

WARNING OF THE RISK OF DEALING IN SHARES AND NIL-PAID RIGHTS SHARES

The Shares will be dealt in on an ex-rights basis from Friday, 12 December 2014 and dealings in the Rights Shares in the nil-paid form will take place from Monday, 22 December 2014 to Friday, 2 January 2015 (both days inclusive). If the conditions of the Rights Issue is not fulfilled on or before 5:00 p.m. Monday, 12 January 2015 (or such later time and/or date as Kantone and Champion may determine in writing), or the Underwriting Agreement is terminated by Champion, the Rights Issue will not proceed and the Rights Issue will lapse.

Any persons contemplating buying or selling Shares or Consolidated Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any shareholders of Kantone or other persons contemplating dealing in Shares or Consolidated Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

CHANGES IN THE SHAREHOLDING STRUCTURE OF KANTONE

Set out below is the shareholding structure of Kantone (i) as at the date of this announcement; (ii) immediately after the Share Consolidation; (iii) immediately after completion of the Rights Issue and assuming nil acceptance by Qualifying Shareholders other than Champion and all Underwritten Shares are taken up by Champion; and (iv) immediately after completion of the Rights Issue and assuming all Qualifying Shareholders have taken up their respective entitlements to the Rights Shares:

	As at the date of this announcement		Immediately after the Share Consolidation		Immediately after completion of the Rights Issue			
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Consolidated Shares (Approximate)</i>	<i>%</i>	Nil acceptance by Qualifying Shareholders other than Champion		100% acceptance by Qualifying Shareholders	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Consolidated Shares (Approximate)</i>	<i>%</i>	<i>Number of Consolidated Shares (Approximate)</i>	<i>%</i>	<i>Number of Consolidated Shares (Approximate)</i>	<i>%</i>
Champion, the underwriter of the Rights Issue	4,167,071,367	54.91	416,707,136	54.91	644,369,644	65.32	541,719,276	54.91
Public	<u>3,421,678,909</u>	<u>45.09</u>	<u>342,167,891</u>	<u>45.09</u>	<u>342,167,891</u>	<u>34.68</u>	<u>444,818,259</u>	<u>45.09</u>
Total	<u>7,588,750,276</u>	<u>100.00</u>	<u>758,875,027</u>	<u>100.00</u>	<u>986,537,535</u>	<u>100.00</u>	<u>986,537,535</u>	<u>100.00</u>

EXPECTED TIMETABLE FOR THE RIGHTS ISSUE AND SHARE CONSOLIDATION

Please refer to the circular of Kantone dated 28 November 2014 in relation to the timetable for the Share Consolidation. The expected timetable for the Rights Issue is set out below:

2014

Last day of dealing in Shares on a cum-rights basis	Thursday, 11 December
First day of dealing in Shares on an ex-rights basis	Friday, 12 December
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. on Monday, 15 December
Effective date for the Share Consolidation	Tuesday, 16 December
First day for free exchange of existing share certificates for new share certificates	Tuesday, 16 December
Closure of original counter for trading the existing Shares (in the form of existing share certificates) in board lot of 30,000 Shares temporarily	9:00 a.m. on Tuesday, 16 December
Commencement of trading in Consolidated Shares in board lot of 3,000 Consolidated Shares in temporary counter (in the form of existing share certificates)	9:00 a.m. on Tuesday, 16 December
Register of members of Kantone closes (both days inclusive)	Tuesday, 16 December to Wednesday, 17 December
Record Date	Wednesday, 17 December
Despatch of the Rights Issue Documents	Thursday, 18 December
First day of dealings in nil-paid Rights Shares	Monday, 22 December
Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Monday, 29 December

Last day of dealings in nil-paid Rights Shares	Friday, 2 January
Commencement of trading in Shares in board lot of 3,000 Consolidated Shares in original counter (in the form of new share certificates)	9:00 a.m. on Friday, 2 January
Commencement of parallel trading of Consolidated Shares in the form of existing share certificates and new share certificates	9:00 a.m. on Friday, 2 January
Latest time for acceptance of, and payment of the Rights Shares and for application and payment for excess Rights Shares	4:00 p.m. on Wednesday, 7 January
Latest time for the Rights Issue to become unconditional on or before	5:00 p.m. on Monday, 12 January
Announcement of results of acceptance of and excess applications for the Rights Issue	Wednesday, 14 January
Despatch of refund cheques in respect of unsuccessful or partially unsuccessful excess applications for excess Rights Shares on or before	Thursday, 15 January
Despatch of certificates for fully-paid Rights Shares on or before	Thursday, 15 January
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Friday, 16 January
Cessation of parallel trading of Consolidated Shares in the form of existing share certificates and new share certificates	4:00 p.m. on Thursday, 22 January
Closure of temporary counter for trading in Shares (in the form of existing share certificates) in board lot of 3,000 Consolidated Shares	4:00 p.m. on Thursday, 22 January
Last day for free exchange of existing share certificates for new share certificates	Tuesday, 27 January

All times in this announcement refer to Hong Kong time. Dates or deadlines specified in this announcement for events in the above timetable for (or otherwise in relation to) the Rights Issue are indicative only and may be extended or varied by Kantone and Champion. Further announcement(s) will be made in the event of any change to the above timetable for the Rights Issue.

FUND RAISING EXERCISE OF KANTONE DURING THE PAST 12 MONTHS

Kantone has not conducted other equity fund raising exercise in the 12 months immediately preceding the date of this announcement.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Rights Issue will enhance the financial position and enlarge the capital base of Kantone, thereby facilitating the long-term development of Kantone Group. Thus, the Kantone Directors are of the view that the Rights Issue is in the interests of the Kantone Group and the shareholders of Kantone as a whole.

The gross proceeds from the Rights Issue are approximately HK\$227.7 million. The net proceeds from the Rights Issue after deducting the expenses are estimated to be approximately HK\$223.2 million. The net subscription price per Rights Share is expected to be approximately HK\$0.98. Kantone intends to use the net proceeds of the Rights Issue as additional general working capital of the Kantone Group.

REASONS FOR THE IRREVOCABLE UNDERTAKING AND THE UNDERWRITING OF THE RIGHTS ISSUE BY CHAMPION

The Champion Board believes that it is in the interests of Kantone to implement the Rights Issue in view of the reasons for the Rights Issue mentioned above. The Irrevocable Undertaking is given in order to support and maintain the value of Champion's investment in Kantone whilst the application for excess Rights Shares (if any) and the underwriting of the Underwritten Shares may enable Champion to increase its shareholding in Kantone and ensure the Rights Issue will be fully subscribed. Accordingly, the Champion Board believes that Champion's entering into the Underwriting Agreement (including the Irrevocable Undertaking) is in the best interests of Champion and its shareholders as a whole.

LISTING RULES IMPLICATIONS FOR CHAMPION

Discloseable transaction

Under the Underwriting Agreement, Champion has irrevocably undertaken to subscribe in full 125,012,140 Rights Shares pursuant to its entitlement under the Rights Issue and to underwrite the balance of 102,650,368 Rights Shares. Champion will be required to pay a maximum of approximately HK\$227.7 million for 227,662,508 Rights Shares in cash, which will be satisfied by the internal resources of Champion. Pursuant to the Underwriting Agreement, Champion's interest in Kantone may increase by a maximum of approximately 10.41% (the "Maximum Interest") from approximately 54.91% to approximately 65.32% immediately

upon completion of the Rights Issue (assuming that all the Qualifying Shareholders (except Champion) do not subscribe for the Rights Shares). The commitment of Champion under the Underwriting Agreement, together with any application for excess Rights Shares, will exceed 5% but will be less than 25% of certain applicable percentage ratios, and therefore constitutes a discloseable transaction for Champion under Chapter 14 of the Listing Rules.

The following table set out the selected audited financial information for the two years ended 30 June 2014 attributable to the Maximum Interest of Kantone and is prepared according to Hong Kong Financial Reporting Standards:

	For the year ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	283,182	203,348
Profit before taxation	496	8,134
Profit after taxation attributable to owners	224	8,038

The audited net asset value of Kantone attributable to the Maximum Interest was approximately HK\$332.7 million as at 30 June 2014.

Connected transaction

As Champion is the controlling shareholder of Kantone, it is a connected person of Kantone under the Listing Rules. Accordingly, the payment of the underwriting commission pursuant to the Underwriting Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules. The underwriting commission to be received by Champion pursuant to the Underwriting Agreement is approximately HK\$2,566,000. As the relevant percentage ratios as defined in the Listing Rules are less than 5%, the payment of the underwriting commission is subject to announcement requirement but exempt from independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

INFORMATION ON THE CHAMPION GROUP

Champion is an investment holding company. Its subsidiaries are principally engaged in sales of goods and licensing (including sales of systems products, software licensing and customisation, provision of services and leasing of systems products, provision of e-lottery services and sales of cultural goods) and holding strategic investments in advanced technology product development companies and e-commerce projects.

INFORMATION ON THE KANTONE GROUP

Kantone is an investment holding company. Its subsidiaries are principally engaged in sales of systems and licensing (including sales of systems products, software licensing and customisation, provision of services and leasing of systems products, provision of e-lottery services and development and provision of IT solutions for e-gaming, leisure and entertainment), sales of cultural products, and holding strategic investments in advanced technology product development companies and e-commerce projects.

GENERAL

Kantone will despatch the Rights Issue Documents to the Qualifying Shareholders and, for information only, the Prospectus to the Excluded Shareholders (if any) on or about Thursday, 18 December 2014.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Acceptance Date”	Wednesday, 7 January 2015, being the last day for acceptance and payment of the Rights Shares, or such other date as Kantone and Champion may agree in writing
“Business Day”	a day (excluding Saturdays) on which banks are generally open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Champion”	Champion Technology Holdings Limited, a company continued in Bermuda with limited liability and whose securities are listed on the Main Board of the Stock Exchange
“Champion Board”	the board of directors of Champion
“Champion Group”	Champion and its subsidiaries
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$1 each in the share capital of Kantone immediately after the Share Consolidation becoming effective, which is expected to take place on Tuesday, 16 December 2014
“Excluded Shareholder(s)”	Overseas Shareholder(s) who the Kantone Directors, after making enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange, consider it necessary or expedient to exclude them from the Rights Issue
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Irrevocable Undertaking”	the irrevocable undertaking in the Underwriting Agreement given by Champion in favour of Kantone
“Kantone”	Kantone Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange
“Kantone Board”	the board of Kantone Directors
“Kantone Directors”	directors of Kantone
“Kantone Group”	Kantone and its subsidiaries
“Listing Committee”	has the meaning ascribed thereto in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholder(s)”	shareholder(s) of Kantone whose name(s) appear on the register of members of Kantone on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“Posting Date”	Thursday, 18 December 2014 or such other date as Champion may agree in writing with Kantone for the despatch of the Rights Issue Documents
“Prospectus”	the prospectus to be issued by Kantone in relation to the Rights Issue
“Qualifying Shareholder(s)”	shareholder(s) of Kantone whose name(s) appear on the register of members of Kantone on the Record Date, other than the Excluded Shareholders
“Record Date”	Wednesday, 17 December 2014, the record date to determine entitlements to the Rights Issue
“Rights Documents”	the Prospectus, the provisional allotment letters and the form of application for excess Rights Shares to be issued by Kantone in respect of the Rights Issue
“Rights Issue”	the issue of 227,662,508 Rights Shares at the Subscription Price on the basis of three Rights Shares for every ten Consolidated Shares held on the Record Date payable in full on acceptance

“Rights Share(s)”	new Consolidated Share(s) to be allotted and issued under the Rights Issue
“Share(s)”	ordinary share(s) of HK\$0.1 each in the existing share capital of Kantone
“Share Consolidation”	the consolidation of every ten issued and unissued Shares of HK\$0.1 each into one Consolidation Share with par value of HK\$1 each, details of which were disclosed in the announcement of Kantone dated 17 November 2014 and the circular of Kantone dated 28 November 2014
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$1 per Rights Share
“Underwriting Agreement”	the underwriting agreement entered into between Kantone and Champion dated 28 November 2014 in relation to the Rights Issue
“Underwritten Shares”	102,650,368 Rights Shares
“%”	per cent

By order of the directors of
KANTONE HOLDINGS LIMITED
Jennifer Cheung Mei Ha
Company Secretary

By order of the directors of
CHAMPION TECHNOLOGY HOLDINGS LIMITED
Jennifer Cheung Mei Ha
Company Secretary

Hong Kong, 28 November 2014

As at the date of this announcement, the executive directors of Kantone are Prof. Paul Kan Man Lok and Mr. Lai Yat Kwong; the non-executive directors are Mr. Leo Kan Kin Leung and Ms. Shirley Ha Suk Ling; and the independent non-executive directors are Mr. Frank Bleackley, Prof. Julia Tsuei Jo and Ms. Miranda Ho Mo Han.

As at the date of this announcement, the executive directors of Champion are Prof. 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. Frank Bleackley and Mr. Lee Chi Wah.