

In view of the prolonged economic and geopolitical uncertainties, the Group is also studying a number of possibilities to further improve its organization structure and operational efficiency through better information management systems and realignment of corporate assets. Barring unforeseen circumstances, the Directors are confident that the Group is well-placed to meet the challenges in the years ahead.

LIQUIDITY AND FINANCIAL RESOURCES

Throughout the period, the Group had maintained a net cash position. As at 31 December 2002, the Group had HK\$628 million made up of deposits, bank balances and cash. The gearing ratio at the period-end was 0.15 (30 June 2002: 0.16 restated), which calculation was based on the Group's total borrowings of HK\$482 million (30 June 2002: HK\$465 million) and shareholders' funds of HK\$3,132 million (30 June 2002: HK\$2,954 million restated).

Total borrowings comprise bank borrowings of HK\$451 million (30 June 2002: HK\$433 million); other borrowings, which represent block discounting loans, of HK\$30 million (30 June 2002: HK\$30 million); and obligations under finance leases of HK\$1 million (30 June 2002: HK\$2 million). The bank borrowings are mainly used as working capital for the Group. Finance costs for the six months ended 31 December 2002 amounted to HK\$14 million (2001: HK\$15 million).

As at 31 December 2002, certain land and buildings owned by subsidiaries of the Group with a net book value of HK\$9 million (30 June 2002: HK\$9 million) were pledged to a bank as security for banking facilities granted to the Group.

The Group does not engage in interest rate or foreign exchange speculative activities. It is the Group's policy to manage foreign exchange risk directly through matching foreign exchange income with expense, and where exposure to foreign exchange is anticipated, appropriate hedging instrument will be used.

Save as disclosed above, the information relating to matters set out in paragraph 32 of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") has not been changed materially from that disclosed in the annual report of the Company for the year ended 30 June 2002.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2002, the interests of the directors and their associates in the securities of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name	Number of securities
<i>Securities of the Company</i>	
Paul KAN Man Lok	<i>Note 1</i>
<i>Securities of Kantone</i>	
Paul KAN Man Lok	<i>Note 2</i>
<i>Securities of Digital HK</i>	
Paul KAN Man Lok	<i>Note 3</i>

Notes:

1. 228,421,601 shares and 1,043,056,835 warrants were held by Lawnside International Limited (“Lawnside”). Lawnside is wholly owned by Lanchester Limited, which is a company beneficially owned by a discretionary trust, the eligible discretionary objects of which include Mr. Paul Kan Man Lok and his family members and staff of Champion and its subsidiaries. Currently, only Mr. Paul Kan Man Lok and his family members are discretionary objects of the trust. As at 31 December 2002, Lawnside held approximately 36% of the entire issued share capital of the Company. These warrants expired on 6 January 2003. The interests in these shares and warrants are classified as other interests under the Listing Rules.
2. 1,265,940,702 shares were held by the Company and 399,084,420 shares were held by Lawnside. These are classified as other interests under the Listing Rules.
3. 117,300,000 shares were held by the Company and 2,669,171 shares were held by Lawnside. These are classified as other interests under the Listing Rules.

Save as disclosed above and other than certain nominee shares in subsidiaries held by directors in trust for the Company or its subsidiaries, none of the directors or any of their associates had any interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance as at 31 December 2002.

SHARE OPTIONS AND DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Each of the Company, Kantone, a 57% owned subsidiary of the Company, and Digital HK, a 78% owned subsidiary of the Company, has adopted a share option scheme on 29 November 2002 for the purpose of attracting and retaining quality personnel and other persons to provide incentive to them to contribute to their respective businesses and operations. Under the share option scheme, each company may grant options to eligible persons, including directors and employees of the relevant company, its subsidiaries and companies in which it holds a direct or indirect equity interest, to subscribe for its shares. The options may be granted without any initial payment at an exercise price equal to the highest of (i) the nominal value of the shares; (ii) the closing price per share as stated in the Stock Exchange’s daily quotations sheet on the date of the grant of the option, which must be a business day; and (iii) the average closing price per share as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of the grant of the option. The option may be exercised during such period as may be determined by the directors, which shall be less than ten years from the date of grant. The maximum number of shares in respect of which options may be granted under the share option scheme and any other share option scheme(s) of the relevant company shall not exceed 10 percent of its issued share capital at 29 November 2002. The maximum number of shares in respect of which options may be granted to any one grantee in any 12-month period shall not exceed 1 percent of the issued share capital of the relevant company on the last date of such 12-month period unless approval of its shareholders has been obtained in accordance with the Listing Rules. Each share option scheme will remain in force for a period of 10 years from 29 November 2002.