



冠軍科技集團有限公司
CHAMPION TECHNOLOGY
HOLDINGS LIMITED

Stock Code: 92

www.championtechnology.com



Champion Technology Holdings Limited (www.championtechnology.com) (stock code: 92) is a global technology group offering innovative solutions in communications software, wireless, telematics, e-commerce, security, online entertainment and e-gaming. The Group's solutions are dedicated to bettering and enriching the lives and lifestyles of people, promoting health consciousness, accident prevention and life safety, and additionally promoting probity and responsibility in the conduct of the online industry.

Throughout the years, the Group has focused on industries supported by government policies. In line with China's national policy to promote its culture industry, the Group has expanded its activities in culture-related technologies and related services, and has developed a portfolio of customised solutions and comprehensive e-commerce capabilities in the sales, marketing and promotion of art, antiques, cultural products and collectibles for the consumer market.

With total assets of over HK\$9 billion and a global presence in over 50 markets, the Group serves its customers through its network of regional offices and distributors, and three Hong Kong listed companies, namely Champion Technology Holdings Limited and Kantone Holdings Limited, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Exchange"), and DIGITALHONGKONG.COM, whose shares are listed on the Growth Enterprise Market of the Exchange. The Group also includes a UK subsidiary previously listed on the London Stock Exchange.



CHAMPION TECHNOLOGY HOLDINGS LIMITED

(Continued in Bermuda with limited liability)

INTERIM REPORT

For the six months ended 31 December 2012

Financial Highlights

- Turnover increased 33% to HK\$2,009 million
- Profit for the period rose 11% to HK\$71 million
- Adjusted EBITDA (excluding impairment) went up 22% to HK\$852 million
- Profit attributable to owners of the Company dropped by 6% to HK\$37 million
- Earnings per share was HK0.6 cents
- Interim dividend of HK0.2 cents per share
- The Group maintained a positive financial position with net cash

The board of directors (the “Board”) of Champion Technology Holdings Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2012 (the “Period”) with comparative unaudited figures for the corresponding period in 2011 (the “Previous Period”) as follows:

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 31 December 2012

		Six months ended 31 December	
		2012	2011
	Notes	HK\$'000	HK\$'000
Turnover	3	2,009,314	1,510,522
Direct operating expenses		(1,766,168)	(1,324,940)
Gross profit		243,146	185,582
Other income		8,487	6,570
Distribution costs		(17,209)	(18,934)
General and administrative expenses		(101,065)	(83,259)
Impairment losses recognised for deposits and prepaid development costs		(54,700)	(15,773)
Research and development costs expensed		(6,046)	(8,930)
Finance costs		(1,579)	(1,496)
Share of loss of a jointly controlled entity		(1)	-
Profit before taxation		71,033	63,760
Taxation	5	-	-
Profit for the period		71,033	63,760
Other comprehensive (expense) income:			
Exchange difference arising on translation		(779)	1,901
Total comprehensive income for the period		70,254	65,661
Profit for the period attributable to:			
Owners of the Company		36,930	39,290
Non-controlling interests		34,103	24,470
		71,033	63,760
Total comprehensive income for the period attributable to:			
Owners of the Company		36,378	40,217
Non-controlling interests		33,876	25,444
		70,254	65,661
Earnings per share	6		
- Basic		HK0.60 cents	HK0.65 cents
- Diluted		N/A	HK0.65 cents

Condensed Consolidated Statement of Financial Position

At 31 December 2012

		As at 31 December 2012 HK\$'000 (Unaudited)	As at 30 June 2012 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	62,830	62,565
Development costs for systems and networks		4,137,840	3,911,482
Goodwill		36,795	36,795
Intangible assets		–	–
Available-for-sale investments		628,148	628,148
Interest in an associate		–	–
Interest in a jointly controlled entity		478	479
Deposits and prepaid development costs		1,785,992	2,574,430
		6,652,083	7,213,899
Current assets			
Inventories		24,714	20,621
Trade and other receivables	9	2,331,448	1,812,878
Taxation recoverable		9	10
Deposits, bank balances and cash		369,702	280,101
		2,725,873	2,113,610
Current liabilities			
Trade and other payables	10	76,222	94,633
Warranty provision		1,304	1,229
Customers' deposits		3,483	3,483
Bank borrowings – amount due within one year		212,665	215,870
Overdrafts		39,834	40,164
		333,508	355,379
Net current assets		2,392,365	1,758,231
Total assets less current liabilities		9,044,448	8,972,130
Non-current liabilities			
Retirement benefit obligations		52,453	50,389
Net assets		8,991,995	8,921,741
Capital and reserves			
Share capital		612,502	612,502
Reserves		6,874,592	6,838,214
Equity attributable to owners of the Company		7,487,094	7,450,716
Non-controlling interests		1,504,901	1,471,025
		8,991,995	8,921,741

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 31 December 2012

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Dividend reserve HK\$'000	Capital redemption reserve HK\$'000	General reserve HK\$'000	Capital reserve HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2011 (audited)	601,411	2,091,866	6,014	50	1,366,003	125,036	8,358	1,533	3,181,961	7,382,232	1,453,420	8,835,652
Profit for the period	-	-	-	-	-	-	-	-	39,290	39,290	24,470	63,760
Exchange difference arising from translation	-	-	-	-	-	-	-	927	-	927	974	1,901
Total comprehensive income for the period	-	-	-	-	-	-	-	927	39,290	40,217	25,444	65,661
Interim dividend	-	-	18,042	-	-	-	-	-	(18,042)	-	-	-
Acquisition of additional interests in a subsidiary	-	-	-	-	-	-	-	-	20,639	20,639	(25,709)	(5,070)
	-	-	18,042	-	-	-	-	-	2,597	20,639	(25,709)	(5,070)
At 31 December 2011	601,411	2,091,866	24,056	50	1,366,003	125,036	8,358	2,460	3,223,848	7,443,088	1,453,155	8,896,243
At 1 July 2012 (audited)	612,502	2,091,866	6,125	50	1,366,003	125,036	8,358	2,180	3,238,596	7,450,716	1,471,025	8,921,741
Profit for the period	-	-	-	-	-	-	-	-	36,930	36,930	34,103	71,033
Exchange difference arising from translation	-	-	-	-	-	-	-	(552)	-	(552)	(227)	(779)
Total comprehensive income for the period	-	-	-	-	-	-	-	(552)	36,930	36,378	33,876	70,254
Interim dividend	-	-	12,250	-	-	-	-	-	(12,250)	-	-	-
At 31 December 2012	612,502	2,091,866	18,375	50	1,366,003	125,036	8,358	1,628	3,263,276	7,487,094	1,504,901	8,991,995

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 31 December 2012

	Six months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
Net cash from operating activities	325,136	200,729
Net cash used in investing activities	(229,803)	(88,625)
Net cash used in financing activities	(5,674)	(74,800)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	89,659	37,304
Cash and cash equivalents at the beginning of the period	239,937	411,187
Effect of foreign exchange rate changes	272	431
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	329,868	448,922
	<hr/> <hr/>	<hr/> <hr/>
Represented by:		
Deposits, bank balances and cash	369,702	504,248
Overdrafts	(39,834)	(55,326)
	<hr/>	<hr/>
	329,868	448,922
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2012

1. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies adopted are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 30 June 2012.

2. Application of new and revised Hong Kong Financial Reporting Standards

In the current period, the Group has applied a number of amendments issued by the HKICPA that are mandatorily effective for accounting periods beginning on 1 July 2012. The adoption of the amendments in the current period has had no material effect on the unaudited consolidated financial statements of the Group for the current and prior periods.

The Group has not early applied those new and revised standards, amendments and interpretation that have been issued but are not yet effective. The directors of the Company anticipate that the application of the new and revised standards, amendments and interpretation will have no material impact on the unaudited consolidated financial statements of the Group.

3. Turnover and segment information

(a) Turnover

Turnover represents the amounts received and receivable for goods sold and services provided by the Group to outside customers, licensing fees and leasing income received and receivable, and dividends received and receivable from the Group's strategic investments during the period.

The turnover of the Group comprises the following:

	Six months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
Sales of systems and products	1,340,570	912,188
Software licensing	582,675	507,113
Rendering of services	38,629	44,497
Leasing of systems products	12,281	11,565
Dividend income	35,159	35,159
	<u>2,009,314</u>	<u>1,510,522</u>

(b) Segment information

Information regarding the Group's reportable segments for the purpose of resources allocation and performance assessment for the period is set out below:

	Systems sales, licensing and others	Leasing of systems products	Strategic investments	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 31 December 2012				
TURNOVER				
External and total revenue	<u>1,961,874</u>	<u>12,281</u>	<u>35,159</u>	<u>2,009,314</u>
RESULTS				
Segment result	<u>47,240</u>	<u>357</u>	<u>27,719</u>	<u>75,316</u>
Interest income				4,536
Finance costs				(1,579)
Unallocated expenses, net				(7,239)
Share of loss of a jointly controlled entity				<u>(1)</u>
Profit before taxation				<u>71,033</u>
Six months ended 31 December 2011				
TURNOVER				
External and total revenue	<u>1,463,798</u>	<u>11,565</u>	<u>35,159</u>	<u>1,510,522</u>
RESULTS				
Segment result	<u>46,399</u>	<u>(618)</u>	<u>29,189</u>	74,970
Interest income				2,944
Finance costs				(1,496)
Unallocated expenses, net				<u>(12,658)</u>
Profit before taxation				<u>63,760</u>

4. Depreciation and amortisation

	Six months ended	
	31 December	
	2012	2011
	HK\$'000	HK\$'000
Amortisation on development costs for systems and networks, included in direct operating expenses	718,533	611,111
Depreciation of property, plant and equipment, included in general and administrative expenses	6,650	6,144
	<hr/>	<hr/>
Total depreciation and amortisation	725,183	617,255
	<hr/>	<hr/>

5. Taxation

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits derived from Hong Kong. No provision for taxation has been made as the Group's income neither arises in, nor is derived from Hong Kong. Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The low effective tax rate is attributable to the fact that a substantial portion of the Group's profit neither arises in, nor is derived from, Hong Kong and is accordingly not subject to Hong Kong Profits Tax and such profit is either exempt from Macau income tax or not subject to taxation in any other jurisdictions.

6. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended	
	31 December	
	2012	2011
	HK\$'000	HK\$'000
Earnings attributable to owners of the Company for the purpose of calculating basic earnings per share	<u>36,930</u>	39,290
Interest on convertible bond		<u>140</u>
Earnings for the purpose of calculating diluted earnings per share		<u><u>39,430</u></u>
	Number of shares ('000)	
Weighted average number of shares for the purpose of calculating basic earnings per share	<u>6,125,016</u>	6,014,110
Effect of dilutive potential ordinary shares: Convertible bond		<u>40,443</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share		<u><u>6,054,553</u></u>

No dilutive earnings per share is presented for the six month ended 31 December 2012 as there were no potential ordinary shares in issue during the period. The convertible bond was fully redeemed by the Company on 19 September 2011.

7. Dividend

	Six months ended	
	31 December	
	2012	2011
	HK\$'000	HK\$'000
Interim dividend declared in scrip form equivalent to HK0.2 cents (2011: HK0.3 cents) per share, with a cash option	<u>12,250</u>	<u>18,042</u>

The interim dividend declared is calculated on the basis of 6,125,016,308 shares in issue on 31 December 2012.

8. Property, plant and equipment

	Amount HK\$'000
Net book value at 1 July 2012	62,565
Currency realignment	1,908
Additions	5,007
Disposals	–
Depreciation	<u>(6,650)</u>
Net book value at 31 December 2012	<u>62,830</u>

At 31 December 2012, certain land and buildings of the Group with a carrying value of HK\$8,428,000 (30 June 2012: HK\$8,128,000) were pledged to a bank as security for banking facilities granted to the Group.

9. Trade and others receivables

	As at 31 December 2012 HK\$'000 (Unaudited)	As at 30 June 2012 HK\$'000 (Audited)
Trade receivables	963,002	1,017,291
Advances to suppliers	1,342,055	765,084
Other receivables	<u>26,391</u>	<u>30,503</u>
	<u>2,331,448</u>	<u>1,812,878</u>

The Group maintains a well-defined credit policy regarding its trade customers depending on their credit worthiness, nature of services and products, industry practice and condition of the market with credit period ranging from 30 days to 180 days. The advances to suppliers and other receivables are unsecured, non-interest bearing and refundable, and are expected to be realised in the next twelve months from the end of the reporting period. The aged analysis of trade receivables presented based on the invoice date at the end of the reporting period is as follows:

	As at 31 December 2012 HK\$'000 (Unaudited)	As at 30 June 2012 HK\$'000 (Audited)
0 – 60 days	460,635	514,204
61 – 90 days	305,409	331,875
91 – 180 days	196,803	171,195
> 180 days	<u>155</u>	<u>17</u>
	<u>963,002</u>	<u>1,017,291</u>

10. Trade and other payables

As at 31 December 2012, the balance of trade and other payables included trade payables of HK\$7,649,000 (30 June 2012: HK\$11,855,000). The aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	As at 31 December 2012 HK\$'000 (Unaudited)	As at 30 June 2012 HK\$'000 (Audited)
0 – 60 days	7,649	9,461
61 – 90 days	–	90
91 – 180 days	–	2,182
> 180 days	–	122
	<u>7,649</u>	<u>11,855</u>

The credit period for purchases of goods ranged from 30 days to 60 days. Other payables mainly represented receipts in advance and accruals.

11. Operating lease arrangements

The Group as lessee

At the end of the reporting period, the Group had future minimum lease payments payable under non-cancellable operating leases in respect of rented premises and motor vehicles which fall due as follows:

	As at 31 December 2012		As at 30 June 2012	
	Land and buildings HK\$'000 (Unaudited)	Motor vehicles HK\$'000 (Unaudited)	Land and buildings HK\$'000 (Audited)	Motor vehicles HK\$'000 (Audited)
Operating leases which expire:				
Within one year	2,778	2,037	5,152	2,220
In the second to fourth year inclusive	6,738	3,364	2,725	2,823
	<u>9,516</u>	<u>5,401</u>	<u>7,877</u>	<u>5,043</u>

Leases are negotiated for terms of one to four years and rentals are fixed for terms of one to four years.

The Group as lessor

At the end of the reporting period, the Group contracted with lessees in respect of leasing of certain equipment which is included in plant and machinery and telecommunications networks, which fall due as follows:

	As at 31 December 2012 HK\$'000 (Unaudited)	As at 30 June 2012 HK\$'000 (Audited)
Within one year	1,306	1,276
In the second to fifth year inclusive	13,283	15,840
	14,589	17,116

Interim Dividend and Scrip Dividend Scheme

The Board has resolved to pay an interim dividend of HK0.2 cents per share for the Period (2011: HK0.3 cents per share) to shareholders whose names appear on the register of members of the Company on 19 March 2013. The interim dividend will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to the shareholders to elect to receive such dividend (or part thereof) in cash in lieu of such allotment (the "Scrip Dividend Scheme").

The Scrip Dividend Scheme is subject to the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Exchange") of a listing of and permission to deal in the shares to be issued pursuant thereto. A circular setting out the details of the Scrip Dividend Scheme together with the form of election will be sent to the shareholders of the Company as soon as practicable.

It is expected that certificates for shares to be issued under the Scrip Dividend Scheme and dividend warrants will be despatched to those entitled thereto on or before 16 May 2013.

Closure of Register of Members

The register of members of the Company will be closed from 18 March 2013 to 19 March 2013, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the above interim dividend and the Scrip Dividend Scheme, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 15 March 2013.

Management Discussion and Analysis

Financial Results

The Group reported a turnover of HK\$2,009 million for the Period, representing an increase of 33 percent as compared with HK\$1,511 million for the Previous Period. Profit for the Period was HK\$71 million and profit attributable to owners of the Company was HK\$37 million as compared with HK\$64 million and HK\$39 million respectively for the Previous Period. The increase in turnover and profit was attributable to the Group's continued effort in developing new products and markets which brought in new income streams. Earnings per share for the Period was HK0.60 cents (2011: HK0.65 cents). The Group had taken prudent measures to recognise an impairment loss of HK\$55 million (2011: HK\$16 million) for deposits and prepaid development costs for systems and networks, which affected the profit for the Period. Excluding the impairment loss, adjusted EBITDA for the Period increased by 22 percent to HK\$852 million (2011: HK\$698 million). The Group's gross margin remained stable at 12.1 percent compared with 12.3 percent of Previous Period. Cost control measures continued to be exercised. For the Period, distribution costs dropped 9 percent to HK\$17.2 million (2011: HK\$18.9 million), while general and administrative expenses increased 21 percent to HK\$101 million (2011: HK\$83.3 million) and research and development costs expensed decreased by 32 percent to HK\$6.0 million (2011: HK\$8.9 million). Depreciation and amortisation expenses increased 17 percent to HK\$725 million (2011: HK\$617 million) as a result of rolling out of new systems and networks.

Finance costs for the Period remained low at HK\$1.6 million (2011: HK\$1.5 million) as a result of the low gearing of the Group.

Review of Operations

For the Period, China's economy remained stable despite some sectors showing signs of slowing down. Exports were affected by the uncertain state of many western economies, while weaker than expected imports indicated a decline in consumption. Amid concerns over slowing growth, investment sentiment had turned cautious and the pace of market activities subdued. The Group continued to focus on innovative communications and security solutions and services customised to achieve high reliability and high integrity. Enhancement of product mix, introduction of new solutions and services, and revenue generated from the sale of products related to cultural business contributed to an increase in sales.

The Group's strategic investment in In-Car telematics solutions, anti-radiation products to counteract radio transmission from mobile phones, as well as smart logistics solutions, continued. Meanwhile, in an effort to boost its offerings of security solutions, the Group has been working with international partners to offer comprehensive customised solutions for integrated security systems.

For the Period, China sales increased by 33 percent to HK\$1,582 million as compared with HK\$1,191 million for the Previous Period.

In Europe, the unstable economic climate continued to affect the Group's trading position. The austerity measures adopted by governments across Europe slowed spending and delayed project rollout. In the United Kingdom ("UK"), the Group's business in emergency services, NHS (National Health Services) projects and fire control sectors improved after several quarters of slowdown due to spending cuts. Elsewhere, sales in Germany were stable, and there was continuing demand for the Group's products in some European markets despite the weak economic fundamentals.

Turnover of the European operations was HK\$304 million, an increase of 32 percent as compared with HK\$230 million for the Previous Period.

Kantone Holdings Limited ("Kantone")

Kantone's turnover was HK\$912 million and profit for the Period was HK\$77 million, representing corresponding increases of 39 percent and 40 percent as compared with HK\$656 million and HK\$55 million respectively for the Previous Period. Sales in China were in line with the country's economic development where Kantone continued to focus on customised solutions and services. Sale of products related to cultural business recorded an encouraging start. In Europe, fiscal tightening across the board posed great challenges to Kantone's business operation, but momentum was maintained in the UK and German markets where Kantone's customised solutions had proved competitive and were in demand. During the Period, Kantone launched its new messaging product which embraces smart phones and traditional devices deployed over existing Wi-Fi networks, providing a unified communications platform targeted primarily at its core markets of healthcare and emergency services. New business has been secured in the UK healthcare sector. Elsewhere, Kantone recorded satisfactory growth from the Australasian and Middle East markets in sales of traditional systems products and personal security solutions.

For e-gaming and online entertainment, Kantone continued to invest in the enhancement of integrated gaming technology solutions, online payment channels and sales networks in line with the new regulations covering the administration of lottery in China. The gradual opening up of the China lottery market in an orderly manner is expected to bode well for Kantone as an innovative service provider to expand its activities into various parts of the lottery value chain. Investments in the e-lottery project were subject to periodic review to determine if progress was in line with original plans, and if the anticipated benefits could be achieved.

Digital HK

Digital HK recorded a loss of HK\$1,473,000 on turnover of HK\$1,537,000 for the Period, compared with a loss of HK\$1,446,000 on turnover of HK\$1,474,000 in the Previous Period. It continues to seek investments to broaden its income streams. In particular, it plans to leverage its expertise and e-commerce capabilities to engage in a number of sectors, including those of health and culture via the promotion and trading of products and provision of related services, which are in line with China's national policy to promote its culture and health industries.

Outlook

The global economic environment remains challenging. While the Group's business fundamentals are positive, the continuing global uncertain market conditions may further dampen consumer and business confidence and so affect purchases and the Group's performance. The Group also has to bear rising operating costs brought about by inflation, higher wages and social security contributions due to national policies. In response, the Group will strive to maintain its margins and momentum by focusing on the continued enhancement of its product mix and maintaining strict control over its costs.

Going forward, the Group will continue its prudent approach in investing in complementary businesses that have good growth prospects. In particular, the Group will continue its efforts in pursuing business in the culture sector, which is in line with China's national policy to promote its culture industry alongside its rise as an economic power. The Group's participation and sponsorship in the past two decades of various cultural events, including the popular exhibitions under the **Peace and Harmony** series hosted by Chinese World Cultural Heritage Foundation with thousands of rare antiques and relics on display, has enabled it to accumulate related knowledge and business connections, both overseas and on the Mainland, in the field of culture and related activities. Ongoing engagement in international and regional cultural exchange activities also helps to enhance the Group's experience in the culture business and other new market endeavours.

Combining technology, creativity and art, and in collaboration with niche partners, the Group has developed a portfolio of comprehensive customised solutions for integrated security and monitoring systems safeguarding precious exhibits. The Group has also enhanced its e-commerce capabilities to include data-mining and knowledge management in the sales, marketing and promotion of art, antiques, cultural products and collectibles for the consumer market. With the further opening up of China's culture market, as well as the rising interest in Chinese culture and heritage among consumers around the world, the Group is well-positioned to capitalise on its extensive customer bases and global distribution networks to develop income streams for a wide range of culture-related topics within the ambit of the creative and information industry.

Liquidity and Financial Resources

Financial Position and Gearing

The Group's financial position remained positive with a low gearing throughout the Period. As at 31 December 2012, the Group had HK\$370 million liquid assets made up of deposits, bank balances and cash. Current assets were approximately HK\$2,726 million (30 June 2012: HK\$2,114 million) and current liabilities amounted to approximately HK\$334 million (30 June 2012: HK\$355 million). With net current assets of HK\$2,392 million (30 June 2012: HK\$1,758 million), the Group maintained a high level of financial liquidity. The gearing ratio of the Group, which calculation was based on the Group's total borrowings of HK\$253 million (30 June 2012: HK\$256 million) and equity attributable to owners of the Company of HK\$7,487 million (30 June 2012: HK\$7,451 million), was 0.034 (30 June 2012: 0.034).

As at 31 December 2012, total borrowings mainly comprised bank loans of HK\$213 million (30 June 2012: HK\$216 million) and overdrafts of HK\$40 million (30 June 2012: HK\$40 million). All the borrowings were repayable either on demand or within one year. Bank borrowings of HK\$28.8 million (30 June 2012: HK\$25.9 million) were secured by the Group's land and buildings with a carrying value of HK\$8.4 million (30 June 2012: HK\$8.1 million). Finance costs for the Period amounted to HK\$1.6 million compared with HK\$1.5 million for Previous Period.

Treasury Policy

The Group is committed to financial prudence and maintains a positive financial position with low gearing. The Group finances its operation and business development by a combination of internally generated resources, capital markets instruments and banking facilities.

All the borrowings were used by subsidiaries of the Company bearing interest at floating rates and were denominated in their local currencies. As such, the currency risk exposure associated with them was insignificant.

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

Capital Commitments

As at 31 December 2012, the Group's capital commitments authorised but not contracted for amounted to approximately HK\$178 million (30 June 2012: HK\$191 million). These commitments were set aside for the acquisition of property, plant and equipment, and development of systems and networks.

Human Resources and Remuneration Policy

As at 31 December 2012, the Group employed about 1,200 staff around the globe. Remuneration is determined with reference to market terms and the performance, qualifications and experience of the individual employee. Remuneration includes monthly salaries, performance-linked bonuses, retirement benefits schemes and other benefits such as medical scheme.

Directors' Interests and Short Positions in Securities

As at 31 December 2012, the interests of the directors of the Company in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Exchange (the "Listing Rules") were as follows:

Name of director	Capacity	Number of shares	Approximate percentage of the issued share capital
<i>Securities of the Company</i>			
Dr. Paul Kan Man Lok	Corporate interest	<i>Note 1</i>	27.47%
<i>Securities of Kantone</i>			
Dr. Paul Kan Man Lok	Corporate interest	<i>Note 2</i>	54.98%
<i>Securities of Digital HK</i>			
Dr. Paul Kan Man Lok	Corporate interest	<i>Note 3</i>	74.48%

Notes:

- 1,682,281,441 shares of the Company were held by Lawnside International Limited ("Lawnside"). Lawnside is beneficially wholly owned by Dr. Paul Kan Man Lok. As at 31 December 2012, Lawnside had interest in approximately 27.47% of the entire issued share capital of the Company. Dr. Paul Kan Man Lok was deemed to have corporate interest in the shares of the Company held by Lawnside.

2. 4,125,813,235 shares of Kantone were held by the Company. Dr. Paul Kan Man Lok was deemed to have corporate interest in the shares of Kantone held by the Company.
3. 106,050,000 shares of Digital HK were held by the Company and 5,670,520 shares of Digital HK were held by Lawnside. Dr. Paul Kan Man Lok was deemed to have corporate interest in the shares of Digital HK held by the Company and Lawnside.

Save as disclosed above, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) as at 31 December 2012 as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to the Model Code.

Share Options and Directors' Rights to Acquire Shares or Debentures

The respective share option schemes adopted on 29 November 2002 by each of the Company, Kantone and Digital HK expired on 28 November 2012. On 30 November 2012, each of the Company, Kantone and Digital HK adopted a new share option scheme under which eligible persons, including directors of the Company, Kantone, Digital HK or any of their subsidiaries may be granted options to subscribe for shares of the Company, Kantone and Digital HK respectively.

Other than the share option schemes of the Company, Kantone and Digital HK aforementioned, at no time during the Period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

During the Period, no option had been granted, exercised, cancelled, lapsed or outstanding under the share option schemes of the Company, Kantone and Digital HK aforementioned.

Substantial Shareholder

As at 31 December 2012, the following person (other than the directors or chief executive of the Company) had interests in the share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares	Approximate percentage of the issued share capital
Lawnside	Beneficial owner	1,682,281,441*	27.47%

* See Note 1 to the "Directors' Interests and Short Positions in Securities" Section above.

Save as disclosed above, no person had any interest or short position in the shares or underlying shares of the Company according to the register required to be kept by the Company under Section 336 of the SFO as at 31 December 2012.

Purchase, Sale or Redemption of the Company's Listed Securities

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance Code

During the Period, the Company complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding directors' securities transactions on the terms of the Model Code. The Company has made specific enquiry of all directors of the Company, result of which indicates that the directors had complied with such code of conduct throughout the Period.

Audit Committee

The audit committee of the Company has reviewed with the management of the Group the financial and accounting policies and practices adopted by the Group, its internal controls and financial reporting matters and this interim report.

By Order of the Board

Paul KAN Man Lok

Chairman

Hong Kong, 27 February 2013

冠軍科技集團有限公司

股份代號：92

二
零
一
三
年
中
期
報
告