



CHAMPION TECHNOLOGY HOLDINGS LIMITED

冠軍科技集團有限公司

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, as well as 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 activities in culture-related technologies and related services, aiming at providing customised solutions for the trading 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 two 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 Group also includes a subsidiary in the United Kingdom 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 2014

Financial Highlights

- Turnover was HK\$2,906 million
- Profit for the period was HK\$84 million
- Impairment charge was HK\$81 million
- Adjusted EBITDA (excluding impairment) was HK\$825 million
- Profit attributable to owners of the Company was HK\$81 million
- Earnings per share was HK1.28 cents
- The Group maintained a positive financial position

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 2014 (the “Period”) with comparative unaudited figures for the corresponding period in 2013 (the “Previous Period”) as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

For the six months ended 31 December 2014

		Six months ended 31 December	
		2014	2013
	Notes	HK\$'000	HK\$'000
Turnover	3	2,905,947	2,747,150
Direct operating expenses		(2,708,708)	(2,425,973)
Gross profit		197,239	321,177
Other income and gain		6,548	6,395
Distribution costs		(20,438)	(18,113)
General and administrative expenses		(178,235)	(124,203)
Impairment losses recognised for deposits and prepaid development costs		(81,023)	(98,534)
Research and development costs expensed		(5,349)	(5,330)
Finance costs		(2,199)	(2,280)
Gain on disposal of subsidiaries	12	167,704	–
Share of loss of a joint venture		(2)	(1)
Profit before taxation		84,245	79,111
Taxation	5	–	(102)
Profit for the period		84,245	79,009

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

For the six months ended 31 December 2014

	Six months ended 31 December	
	2014	2013
Note	HK\$'000	HK\$'000
Other comprehensive (expense) income:		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefits pension plans	<u>(1,211)</u>	7,887
	<u>(1,211)</u>	7,887
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising on translation of foreign operations	<u>6,938</u>	(5,185)
	<u>6,938</u>	(5,185)
Other comprehensive income for the period	<u>5,727</u>	2,702
Total comprehensive income for the period	<u>89,972</u>	<u>81,711</u>
Profit for the period attributable to:		
Owners of the Company	80,924	46,627
Non-controlling interests	<u>3,321</u>	32,382
	<u>84,245</u>	<u>79,009</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	84,145	48,023
Non-controlling interests	<u>5,827</u>	33,688
	<u>89,972</u>	<u>81,711</u>
Earnings per share – Basic	6 <u>HK1.28 cents</u>	<u>HK0.75 cents</u>

Condensed Consolidated Statement of Financial Position

At 31 December 2014

	Notes	As at 31 December 2014 HK\$'000 (Unaudited)	As at 30 June 2014 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	52,248	58,599
Development costs for systems and networks		3,251,332	3,009,138
Goodwill		36,795	36,795
Available-for-sale investments		628,148	628,148
Interest in a joint venture		470	472
Deposits and prepaid development costs		756,139	201,462
		4,725,132	3,934,614
Current assets			
Inventories		19,541	398,796
Trade and other receivables	9	4,747,006	4,945,329
Deposits, bank balances and cash		388,081	78,319
		5,154,628	5,422,444
Current liabilities			
Trade and other payables	10	557,958	127,375
Warranty provision		1,130	1,294
Customers' deposits		3,483	3,483
Bank borrowings – amount due within one year		190,766	170,283
		753,337	302,435
Net current assets		4,401,291	5,120,009
Total assets less current liabilities		9,126,423	9,054,623
Non-current liabilities			
Bank borrowings – amount due after one year		10,666	14,348
Retirement benefit obligations		85,555	99,227
		96,221	113,575
Net assets		9,030,202	8,941,048
Capital and reserves			
Share capital		633,179	633,179
Reserves		6,927,075	6,842,930
Equity attributable to owners of the Company		7,560,254	7,476,109
Non-controlling interests		1,469,948	1,464,939
		9,030,202	8,941,048

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 31 December 2014

	Attributable to owners of the Company										Non-controlling interests HK\$'000	Total equity HK\$'000
	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		
At 1 July 2013 (audited)	624,243	2,092,453	6,242	50	1,366,003	125,036	8,358	4,206	3,253,435	7,480,026	1,477,318	8,957,344
Profit for the period	-	-	-	-	-	-	-	-	46,627	46,627	32,382	79,009
Remeasurement of defined benefits pension plans	-	-	-	-	-	-	-	-	4,330	4,330	3,557	7,887
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	(2,934)	-	(2,934)	(2,251)	(5,185)
Total comprehensive (expense) income for the period	-	-	-	-	-	-	-	(2,934)	50,957	48,023	33,688	81,711
Interim dividend	-	-	12,485	-	-	-	-	-	(12,485)	-	-	-
At 31 December 2013	624,243	2,092,453	18,727	50	1,366,003	125,036	8,358	1,272	3,291,907	7,528,049	1,511,006	9,039,055
At 1 July 2014 (audited)	633,179	2,096,276	-	50	1,366,003	125,036	8,358	(964)	3,248,171	7,476,109	1,464,939	8,941,048
Profit for the period	-	-	-	-	-	-	-	-	80,924	80,924	3,321	84,245
Remeasurement of defined benefits pension plans	-	-	-	-	-	-	-	-	(666)	(666)	(545)	(1,211)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	3,887	-	3,887	3,051	6,938
Total comprehensive income for the period	-	-	-	-	-	-	-	3,887	80,258	84,145	5,827	89,972
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(818)	(818)
At 31 December 2014	633,179	2,096,276	-	50	1,366,003	125,036	8,358	2,923	3,328,429	7,560,254	1,469,948	9,030,202

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 31 December 2014

	Six months ended 31 December	
	2014	2013
	HK\$'000	HK\$'000
Net cash from (used in) operating activities	1,658,439	(41,698)
Net cash used in investing activities	(1,362,796)	(501)
Net cash from (used in) financing activities	16,667	(20,078)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	312,310	(62,277)
Cash and cash equivalents at the beginning of the period	78,319	290,971
Effect of foreign exchange rate changes	(2,548)	1,500
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	388,081	230,194
	<hr/>	<hr/>
Represented by:		
Deposits, bank balances and cash	388,081	264,991
Overdrafts	–	(34,797)
	<hr/>	<hr/>
	388,081	230,194
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Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014

1. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. 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 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 2014.

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 2014. 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.

3. Turnover and segment information

(a) Turnover

Turnover represents the amounts received and receivable for goods sold and services provided by the Group to external 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	
	2014	2013
	HK\$'000	HK\$'000
Sales of cultural products	1,623,804	956,553
Sales of systems and products	740,071	991,548
Licensing fees	427,043	714,754
Rendering of services	95,885	65,640
Leasing of systems products	13,498	13,009
Dividend income	5,646	5,646
	<u>2,905,947</u>	<u>2,747,150</u>

(b) Segment information

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

	Systems sales and licensing HK\$'000	Leasing of systems products HK\$'000	Sale of cultural products HK\$'000	Strategic investments HK\$'000	Consolidated HK\$'000
Six months ended 31 December 2014					
TURNOVER					
External and total revenue	<u>1,262,999</u>	<u>13,498</u>	<u>1,623,804</u>	<u>5,646</u>	<u>2,905,947</u>
RESULTS					
Segment result	<u>(140,910)</u>	<u>1,318</u>	<u>70,990</u>	<u>4,421</u>	<u>(64,181)</u>
Interest income					4,939
Gain on disposal of subsidiaries					167,704
Finance costs					(2,199)
Unallocated expenses, net					(22,016)
Share of loss of a joint venture					(2)
Profit before taxation					<u>84,245</u>
Six months ended 31 December 2013					
TURNOVER					
External and total revenue	<u>1,771,942</u>	<u>13,009</u>	<u>956,553</u>	<u>5,646</u>	<u>2,747,150</u>
RESULTS					
Segment result	<u>37,696</u>	<u>1,045</u>	<u>47,318</u>	<u>4,281</u>	90,340
Interest income					4,584
Finance costs					(2,280)
Unallocated expenses, net					(13,532)
Share of loss of a joint venture					(1)
Profit before taxation					<u>79,111</u>

4. Amortisation and depreciation

	Six months ended 31 December	
	2014	2013
	HK\$'000	HK\$'000
Amortisation on development costs for systems and networks, included in direct operating expenses	650,495	810,341
Depreciation of property, plant and equipment, included in general and administrative expenses	6,625	7,758
	<hr/>	<hr/>
Total amortisation and depreciation	657,120	818,099
	<hr/> <hr/>	<hr/> <hr/>

5. Taxation

	Six months ended 31 December	
	2014	2013
	HK\$'000	HK\$'000
Taxation in other jurisdiction		
– underprovision in prior year	–	102
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Hong Kong Profits Tax is calculated at 16.5% (2013: 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 earnings per share is based on the profit for the period attributable to owners of the Company of HK\$80,924,000 (2013: HK\$46,627,000) and on the weighted average number of shares of 6,331,789,000 shares (2013: 6,242,427,000 shares) in issue.

No dilutive earnings per share is presented for the six month ended 31 December 2014 and 2013 as there were no potential ordinary shares in issue during both periods.

7. Dividend

	Six months ended 31 December	
	2014	2013
	HK\$'000	HK\$'000
Interim dividend for 2013 paid in scrip form equivalent to HK0.2 cents (2014: nil) per share, with a cash option	—	12,485
	<u> </u>	<u> </u>

The interim dividend for 2013 was calculated on the basis of 6,242,427,454 shares in issue on 31 December 2013. The Board has resolved not to pay any interim dividend for the six months ended 31 December 2014.

8. Property, plant and equipment

	Amount HK\$'000
Carrying value at 1 July 2014	58,599
Currency realignment	(5,009)
Additions	5,289
Disposals	(6)
Depreciation	(6,625)
	<u> </u>
Carrying value at 31 December 2014	<u> </u>

At 31 December 2014, certain land and buildings of the Group with a carrying value of HK\$7,307,000 (30 June 2014: HK\$8,794,000) were pledged to a bank as security for banking facilities granted to the Group.

9. Trade and other receivables

	As at 31 December 2014 HK\$'000 (Unaudited)	As at 30 June 2014 HK\$'000 (Audited)
Trade receivables	733,664	1,228,306
Advances to suppliers	3,967,368	3,648,124
Other receivables	45,974	68,899
	<u>4,747,006</u>	<u>4,945,329</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 2014 HK\$'000 (Unaudited)	As at 30 June 2014 HK\$'000 (Audited)
0 – 60 days	330,404	725,783
61 – 90 days	155,714	273,691
91 – 180 days	247,078	228,832
> 180 days	468	–
	<u>733,664</u>	<u>1,228,306</u>

10. Trade and other payables

As at 31 December 2014, the balance of trade and other payables included trade payables of HK\$7,967,000 (30 June 2014: HK\$18,778,000). 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 2014 HK\$'000 (Unaudited)	As at 30 June 2014 HK\$'000 (Audited)
0 – 60 days	5,779	18,493
> 180 days	2,188	285
	<u>7,967</u>	<u>18,778</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 2014		As at 30 June 2014	
	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	2,042	2,328	2,352	2,850
In the second to fourth year inclusive	3,886	2,083	4,673	3,151
	<u>5,928</u>	<u>4,411</u>	<u>7,025</u>	<u>6,001</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 premises and certain equipment which is included in plant and machinery and communications networks, which fall due as follows:

	As at 31 December 2014 HK\$'000 (Unaudited)	As at 30 June 2014 HK\$'000 (Audited)
Within one year	1,642	1,813
In the second to fifth year inclusive	9,371	9,822
Over five years	3,952	4,296
	14,965	15,931

12. Disposal of subsidiaries

On 2 September 2014, the Company disposed of its entire 70.7% interests in DIGITALHONGKONG.COM. The net assets of DIGITALHONGKONG.COM and its subsidiaries at the date of disposal were as follows:

	HK\$'000
Trade and other receivables	127
Bank balances and cash	2,902
Other payables	(235)
Net assets disposed of	2,794
Cash consideration	169,680
Net assets disposed of	(2,794)
Non-controlling interest	818
Gain on disposal of subsidiaries	167,704
Cash consideration	169,680
Bank balance and cash disposed of	(2,902)
Net cash inflow arising on disposal	166,778

Dividend

As a precaution against further economic and financial turbulence, and to strengthen the Group's liquidity position ahead of continuing market uncertainties, the Board does not recommend the payment of any interim dividend for the Period (2013: HK0.2 cents per share).

Management Discussion and Analysis

Financial Results

The Group reported a turnover of HK\$2,906 million for the Period, representing an increase of 6 percent as compared with HK\$2,747 million for the Previous Period. The increase in turnover was mainly contributed by the increase in sales of cultural products of 70 percent to HK\$1,624 million, compared with HK\$957 million for the Previous Period, which compensated the drop in systems sales and licensing income of 29 percent to HK\$1,263 million from HK\$1,772 million for the Previous Period. Higher turnover in cultural sales reflects a continuing contribution of this segment. Lower systems sales and licensing income was mainly due to delay in the development of certain technology projects undertaken by the Group which in turn led to a decline in the expected demands from potential customers. The Group had taken prudent measures to recognise impairment losses of HK\$81 million (2013: HK\$99 million) for deposits and prepaid development costs for systems and networks, which affected the profit for the Period. Excluding the impairment losses, adjusted EBITDA for the Period decreased by 17 percent to HK\$825 million (2013: HK\$998 million). Profit for the Period was helped by the gain on disposal of a former subsidiary DIGITALHONGKONG.COM ("Digital HK") to reach HK\$84 million as compared with HK\$79 million for the Previous Period, while profit attributable to owners of the Company was HK\$81 million as compared with HK\$47 million for the Previous Period. Earnings per share for the Period was HK1.28 cents (2013: HK0.75 cents). The Group's gross margin dropped to 6.8 percent compared with 11.7 percent of the Previous Period, as the increase in sales was mainly contributed from sales of products of a lower gross profit margin.

Meanwhile, the Group continues to review and exercise cost control measures. Distribution costs increased 13 percent to HK\$20 million (2013: HK\$18 million) in order to maintain sales under the tough market conditions. General and administrative expenses increased 44 percent to HK\$178 million (2013: HK\$124 million) as a result of increased expenses for the sales of cultural products. However, research and development costs expensed remained stable at HK\$5.3 million. Amortisation and depreciation expenses decreased 20 percent to HK\$657 million, compared with HK\$818 million of the Previous Period due to delay in the development of certain technology projects. Finance costs for the Period dropped slightly to HK\$2.2 million (2013: HK\$2.3 million).

In September 2014, the Company disposed of its entire 70.7 percent interest in Digital HK to a third party, realising a gain of about HK\$168 million over book value. Digital HK was listed in April 2000 on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Exchange”) and was principally engaged in providing outsourcing services and payment solutions for online commerce.

Review of Operations

The overall business environment had remained challenging for the Group during the Period, with the global economy still sluggish in its recovery. China was experiencing slower GDP growth while uncertainties in the Group’s major markets in Europe persisted. In the markets in which the Group operates, tight controls continued to be exercised in both public and private sector spending, thereby slowing the pace of growth. The slowing downtrend had accelerated during the Period, putting more pressure on the demand for the Group’s products and services. In response to the less than favourable market conditions, the Group had to engage in sales of lower margin products to maintain momentum.

The Group’s strategic investment in In-Car telematics solutions, anti-radiation products to counteract radio transmission from mobile phones, as well as smart logistic solutions were affected by the uncertain economic environment around the world which slowed down the Group’s global business plans for these projects. 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.

In China, the Group continued to focus on innovative communications and security solutions and services customised to achieve high reliability and high integrity. Spending cuts by our customers resulted in lower volume of systems sales and licensing income. The reduction was however compensated by increase in sales of cultural products.

Performance in the UK was ahead of budget following the gradual recovery of its economy, with the public sector (National Health Services and Emergency Services) accounting for much of the growth. The improvement highlighted the success of the Group’s new unified communications product in delivering significant savings for its institutional clients. Elsewhere, sales in Germany were stable. There was continuing demand for the Group’s personal security products which are capable of embracing a broad range of communications devices and are therefore able to command higher gross margins.

Kantone Holdings Limited (“Kantone”)

Turnover for Kantone was HK\$1,299 million, as compared with HK\$1,211 million for the Previous Period. Profit for the Period was HK\$4 million, as compared with HK\$73 million for the Previous Period.

Sales in China where Kantone continued to focus on customised solutions and services were in line with the country’s economic conditions.

In Europe, recovery of the UK market boosted Kantone’s sales performance, while sales in Germany were weaker than expected as Kantone was affected by staff shortage due to the country’s high rate of employment. Kantone’s customised solutions had proved competitive and in demand. Product development, primarily software, remains a focus for Kantone, and as such, investment in this area will continue.

For e-gaming and online entertainment, Kantone continued to provide integrated gaming technology solutions, online payment channels and sales networks. 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.

Outlook

In light of continuing global challenges and market uncertainties, the Group will continue its prudent approach in investing in complementary businesses that have good growth prospects. Investment in innovative solutions continues to hold the key to maintaining the Group’s momentum amid volatile market conditions. In particular, the Group will pursue sectors which are supported by government policies, including healthcare, innovation and technology, cultural and creative industries, energy conservation and green technologies, smart living, and information-based services for the community and consumers. As and when market conditions improve, the Group will endeavour to shift to higher margin services and market segments.

The directors are cautious about the prospect of the major projects undertaken by the Group in view of the uncertain economic environment around the world, which has already affected the global business plans for the Group’s telemetry project. During this difficult period, the Group will place a strong focus on managing risks and its finances.

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 2014, the Group had HK\$388 million (30 June 2014: HK\$78 million) liquid assets made up of deposits, bank balances and cash. Current assets were approximately HK\$5,155 million (30 June 2014: HK\$5,422 million) and current liabilities amounted to approximately HK\$753 million (30 June 2014: HK\$302 million). With net current assets of HK\$4,401 million (30 June 2014: HK\$5,120 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\$201 million (30 June 2014: HK\$185 million) and equity attributable to owners of the Company of HK\$7,560 million (30 June 2014: HK\$7,476 million), was 0.027 (30 June 2014: 0.025).

As at 31 December 2014, the Group's total borrowings mainly comprised bank loans of HK\$201.4 million (30 June 2014: HK\$184.6 million). The bank loans comprised an amount of HK\$190.8 million (30 June 2014: HK\$170.3 million) repayable within one year, HK\$4.3 million (30 June 2014: HK\$4.8 million) repayable in the second year and remaining balance of HK\$6.3 million (30 June 2014: HK\$9.5 million) repayable in the third to fifth year. Bank loans of HK\$14.9 million (30 June 2014: HK\$19.1 million) were secured by the Group's land and buildings with a carrying value of HK\$7.3 million (30 June 2014: HK\$8.8 million). Finance costs for the Period amounted to HK\$2.2 million compared with HK\$2.3 million for Previous Period.

In January 2015, Kantone issued 227,662,506 rights shares of HK\$1 each at a subscription price of HK\$1 per rights share on the basis of three rights shares for every ten existing shares held. Kantone raised approximately HK\$223 million (net of expenses) for general working capital of the Kantone Group.

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. As all the Group's borrowings were denominated in their local currencies, 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 2014, the Group's capital commitments authorised but not contracted were approximately HK\$80 million (30 June 2014: HK\$49 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 2014, 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 2014, 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>			
Prof. Paul Kan Man Lok	Corporate interest	<i>Note 1</i>	27.90%
<i>Securities of Kantone</i>			
Prof. Paul Kan Man Lok	Corporate interest	<i>Note 2</i>	54.91%

Notes:

- 1,766,860,957 shares of the Company were held by Lawnside International Limited ("Lawnside"). Lawnside is beneficially wholly owned by Prof. Paul Kan Man Lok. As at 31 December 2014, Lawnside had interests in approximately 27.90% of the entire issued share capital of the Company. Prof. Paul Kan Man Lok was deemed to have corporate interest in the shares of the Company held by Lawnside.
- 416,707,136 shares of Kantone were held by the Company. Prof. Paul Kan Man Lok was deemed to have corporate interest in the shares of Kantone held by the Company.

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 2014 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

Each of the Company and Kantone has a share option scheme under which eligible persons, including directors of the Company and Kantone or any of their subsidiaries may be granted options to subscribe for shares of the Company and Kantone respectively.

Other than the share option schemes of the Company and Kantone 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 and Kantone aforementioned.

Substantial Shareholder

As at 31 December 2014, 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
Lawsides	Beneficial owner	1,766,860,957*	27.90%

* 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 2014.

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, 26 February 2015

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

二零一四/一五年中期報告

股份代號：92