CHAMPION TECHNOLOGY HOLDINGS LIMITED

(Continued in Bermuda with limited liability)

(Stock code: 92)

2006/2007 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Turnover increased by 6% to HK$3.2 billion
- Profit attributable to equity holders jumped 14% to HK$627 million
- EBITDA (excluding impairment losses on investments and fair value change of convertible bonds) rose 21% to HK$1,441 million
- Equity grew 17% to HK$6.1 billion
- Earnings per share (excluding impairment losses and fair value change of convertible bonds) went up 3% to HK49.71 cents
- Proposed final dividend of HK3.5 cents per share, with dividend yield of 3.3%. Total dividend for the year HK$97 million, an increase of 32%
- Proposed bonus issue of new warrants approximating 5:1 ratio, with special subscription rate at HK$1.6 per share

The board of directors of Champion Technology Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 30 June 2007 with comparative figures for 2006 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2007

	Notes	**2007** **HK$'000**	2006 HK$'000
Turnover	*3*	**3,164,287**	2,996,668
Direct operating expenses		**(2,033,154)**	(2,027,671)
Gross profit		**1,131,133**	968,997
Other income		**64,542**	61,247
Distribution costs		**(47,902)**	(60,990)
General and administrative expenses		**(215,019)**	(197,004)
Impairment losses recognised for available-for-sale investments		**(80,605)**	(43,801)
Impairment loss recognised for interest in an associate		**(312)**	-
Gain (loss) on disposal of development costs for systems and networks		**23,140**	(1,560)
(Loss) gain on deemed disposal of subsidiaries		**(465)**	37,648
Loss on fair value change of convertible bonds		**(32,829)**	(50,411)
Finance costs	*5*	**(9,614)**	(9,780)
Profit before taxation		**832,069**	704,346
Taxation	*6*	**(9,171)**	(85)
Profit for the year		**822,898**	704,261
Attributable to:			
Equity holders of the Company		**626,818**	549,994
Minority interests		**196,080**	154,267
		822,898	704,261
Earnings per share	*8*		
- Basic		**HK43.70 cents**	HK43.08 cents
- Diluted		**HK43.42 cents**	HK42.24 cents

CONSOLIDATED BALANCE SHEET
At 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment		**67,184**	67,397
Development costs for systems and networks		**2,137,057**	1,694,548
Goodwill		**36,795**	36,795
Intangible assets		**7,670**	10,030
Available-for-sale investments		**1,786,794**	1,468,582
Interest in an associate		**-**	312
Deposits		**2,041,260**	1,330,871
		6,076,760	4,608,535
Current assets			
Inventories		**30,449**	28,056
Trade and other receivables	*9*	**1,202,327**	895,044
Taxation recoverable		**349**	301
Deposits, bank balances and cash		**347,482**	921,264
		1,580,607	1,844,665
Current liabilities			
Trade and other payables	*10*	**87,291**	77,404
Warranty provision		**1,860**	1,683
Customers' deposits		**9,803**	13,940
Taxation payable		**20**	13
Bank borrowings - amount due within one year		**229,408**	154,019
Other borrowings - amount due within one year		**1,861**	2,650
Convertible bonds		**35,880**	18,219
		366,123	267,928
Net current assets		**1,214,484**	1,576,737
Total assets less current liabilities		**7,291,244**	6,185,272
Non-current liabilities			
Bank borrowings - amount due after one year		**373**	1,061
Other borrowings - amount due after one year		**716**	2,349
Retirement benefit obligations		**95,985**	88,014
Deferred taxation		**149**	206
		97,223	91,630
Net assets		**7,194,021**	6,093,642
Capital and reserves			
Share capital		**160,362**	131,420
Reserves		**5,977,310**	5,127,340
Equity attributable to equity holders of the Company		**6,137,672**	5,258,760
Subscription right reserve of a listed subsidiary		**4,639**	1,850
Minority interests		**1,051,710**	833,032
		7,194,021	6,093,642

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies Ordinance in Hong Kong.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new HKFRSs, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 July 2006.

The adoption of the new HKFRSs has had no material effect on how the results of the Group are prepared and presented for the current and prior accounting years. Accordingly, no prior year adjustment has been required.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold and services provided by the Group to outside customers, licensing fees received and receivable and distributions/dividends received and receivable from the Group's investments in telecommunications and e-commerce projects and strategic investments during the year.

(a) Business segments

For management purposes, the Group is currently organised into six main operating businesses – sales of general systems products, provision of services (including software customisation and provision of e-lottery services) and software licensing, leasing of systems products, investments in telecommunications networks and projects and e-commerce projects and holding strategic investments in advanced technology product development companies. These businesses are the basis on which the Group reports its primary segment information.

	Sales of general systems products	Provision of services and software licensing	Leasing of systems products	Investments in telecommunications networks and projects	Investments in e-commerce projects	Strategic investments	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 30 June 2007							
TURNOVER							
External and total revenue	1,560,653	1,441,768	9,537	14,009	16,213	122,107	3,164,287
RESULTS							
Segment result	173,004	622,076	4,055	11,499	14,459	42,376	867,469
Interest income							21,147
Impairment loss recognised for interest in an associate							(312)
Loss on deemed disposal of subsidiaries							(465)
Discount on deemed acquisition of additional interest in a subsidiary							6,463
Loss on fair value change of convertible bonds							(32,829)
Unallocated corporate expenses, net							(19,790)
Finance costs							(9,614)
Profit before taxation							832,069
Taxation							(9,171)
Profit for the year							822,898

	Sales of general systems products *HK$'000*	Provision of services and software licensing *HK$'000*	Leasing of systems products *HK$'000*	Investments in telecommunications networks and projects *HK$'000*	Investments in e-commerce projects *HK$'000*	Strategic investments *HK$'000*	Consolidated *HK$'000*
Year ended 30 June 2006							
TURNOVER							
External and total revenue	1,731,631	1,151,578	10,508	21,533	23,802	57,616	2,996,668
RESULTS							
Segment result	204,290	456,092	4,654	18,662	21,534	10,874	716,106
Interest income							22,291
Gain on deemed disposal of subsidiaries							37,648
Loss on fair value change of convertible bonds							(50,411)
Unallocated corporate expenses, net							(11,508)
Finance costs							(9,780)
Profit before taxation							704,346
Taxation							(85)
Profit for the year							704,261

(b) Geographical segments

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services:

	Revenue by geographical segment Year ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
People's Republic of China including Hong Kong and Macau	**2,313,902**	2,256,569
Europe	**535,796**	486,801
Others	**314,589**	253,298
	3,164,287	2,996,668

4. DEPRECIATION AND AMORTISATION

	2007	2006
	HK$'000	*HK$'000*
Amortisation on:		
Development costs for systems and networks, included in direct operating expenses	**470,654**	369,697
Intangible assets, included in general and administrative expenses	**2,360**	1,770
Depreciation of property, plant and equipment, included in general and administrative expenses	**12,548**	12,970
	485,562	384,437

5. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**7,484**	9,776
Finance charges on finance leases	**-**	4
Issue costs of convertible bonds	**2,130**	-
	9,614	9,780

6. TAXATION

	2007	2006
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
- current year	**-**	-
- underprovision in prior years	**9,169**	36
Taxation in other jurisdictions	**25**	47
	9,194	83
Deferred taxation	**(23)**	2
	9,171	85

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profits 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 exempted or not subject to taxation in any other jurisdictions.

7. DIVIDENDS

	2007	2006
	HK$'000	*HK$'000*
Final dividend proposed in scrip form equivalent to HK3.5 cents (2006: HK3.3 cents) per share, with a cash option	**56,127**	43,369
Interim dividend paid in scrip form equivalent to HK2.4 cents (2006: HK2.2 cents) per share, with a cash option	**38,003**	28,619
Underprovision in prior year	**2,556**	1,108
	96,686	73,096

The proposed final dividend for 2007 is based on 1,603,624,198 shares in issue as at 30 June 2007.

8. EARNINGS PER SHARE

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

	2007	2006
	HK$'000	*HK$'000*
Earnings attributable to equity holders of the Company for the purpose of calculating basic earnings per share	**626,818**	549,994
Effect of dilutive potential ordinary shares:		
Interest and fair value change of convertible bonds *(Note)*	**-**	930
Effect of options attached to convertible bonds of a subsidiary	**(1,045)**	(355)
Earnings for the purpose of calculating diluted earnings per share	**625,773**	550,569

	Number of shares *(In '000)*	
	2007	2006
Weighted average number of shares for the purpose of calculating basic earnings per share	**1,434,430**	1,276,589
Effect of dilutive potential ordinary shares:		
Convertible bonds *(Note)*	**-**	20,312
Warrants *(Note)*	**6,851**	6,495
	6,851	26,807
Weighted average number of shares for the purpose of calculating diluted earnings per share	**1,441,281**	1,303,396

Note: The computation of diluted earnings per share does not assume (1) the exercise of certain of the Company's outstanding warrants as the exercise price of those warrants is higher than the average market price for shares for the period which the warrants were outstanding; and (2) the conversion of convertible bonds issued by a subsidiary as the effect is anti-dilutive.

9. TRADE AND OTHER RECEIVABLES

	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**448,683**	451,857
Guaranteed distribution receivables	**261,050**	187,091
Other receivables	**492,594**	256,096
	1,202,327	895,044

The Group maintains a well-defined credit policy regarding its trade customers dependent on their credit worthiness, nature of services and products, industry practice and condition of the market with credit period ranging from 30 to 180 days. The aged analysis of trade receivables at the reporting date is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 – 60 days	**319,667**	375,820
61 – 90 days	**122,709**	68,214
91 – 180 days	**1,149**	5,996
> 180 days	**5,158**	1,827
	448,683	451,857

10. TRADE AND OTHER PAYABLES

At 30 June 2007, the balance of trade and other payables included trade payables of HK$14,446,000 (2006: HK$11,272,000). The aged analysis of trade payables at the reporting date is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 – 60 days	**10,080**	7,615
61 – 90 days	**644**	630
91 – 180 days	**1,111**	268
> 180 days	**2,611**	2,759
	14,446	11,272

FINAL DIVIDEND, SCRIP DIVIDEND SCHEME AND BONUS ISSUE OF NEW WARRANTS

Subject to the approval of shareholders at the forthcoming annual general meeting, the directors have proposed a final dividend of HK3.5 cents per share for the year ended 30 June 2007 (2006: HK3.3 cents per share) to shareholders whose names appear on the register of members of the Company on 23 November 2007. Taking into account the interim dividend of HK2.4 cents per share paid on 15 June 2007, total annual dividend per share would be HK5.9 cents, an increase of 7 percent over last year; and total dividend for the year would be HK$97 million, an increase of 32 percent as compared with HK$73 million of last year.

The final 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 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 25 January 2008.

The directors of the Company have also proposed a bonus issue of new warrants approximating 5:1 ratio to subscribe for shares of the Company at the special subscription rate of HK$1.6 per share upon the expiry of the existing warrants in March 2008 (the "Bonus Issue"). Details of the Bonus Issue are set out in a separate announcement of the Company of the same date. A circular setting out the details of the Bonus Issue will be sent to the shareholders and, for information only, holders of existing warrants as soon as practicable.

MANAGEMENT DISCUSSION AND ANALYSIS

Earnings of the Group's core business remained on target, and growth was reported in both revenue and profit for the year under review. The key drivers were a stable economy in China which continued to achieve double digit growth; demand in the global markets for the Group's customised products and solutions; and returns from the Group's strategic investment portfolio. The Group's profitability was partially offset by impairment provisions in relation to some of the Group's investments and loss on fair value change of convertible bonds issued by its subsidiary Kantone Holdings Limited.

Financial Results

The Group achieved a turnover of HK$3,164 million for the year ended 30 June 2007 (the "Year"), an increase of 6 percent as compared with HK$2,997 million for the previous year (the "Previous Year"). Gross profit increased by 17 percent to HK$1,131 million, and gross margin improved to 36 percent from 32 percent of the Previous Year. The slower growth in turnover, as compared with the growth of gross profit, reflected the Group's continuing effort to reduce reliance on general systems products where margins continued to come under pressure, and a corresponding increase in focus on services and software solutions with the associated higher margins.

Profit attributable to equity holders of the Company for the Year was HK$627 million, an increase of 14 percent as compared with HK$550 million for the Previous Year. Earnings per share for the Year was HK43.7 cents (2006: HK43.08 cents). The increase is mainly attributable to the improvement in contribution from the Group's subsidiaries and from the increase in turnover as new products and new projects were rolled out.

Excluding the one-off non-cash items of HK$80.6 million impairment losses recognised for available-for-sale investments and HK$32.8 million fair value change of convertible bonds, EBITDA (earnings before interest, taxation, depreciation and amortisation) rose by 21 percent to HK$1,441 million; and adjusted earnings per share went up 3 percent to HK49.71 cents. As a general principle of prudence in anticipation of the increasing volatilities in the global financial markets and operating environments, the Group decided to provide for impairment where the income producing assets may be affected in the coming years. This is made in accordance with the accounting standards requiring annual review of the carrying value of relevant corporate assets as compared with the present value of estimated future cashflows.

The continuing demand for the Group's customised solutions in wireless technologies, communications software, homeland security packages, and Internet-related products and services was a result of ongoing investments in systems and networks which allowed us to significantly improve customer-service metrics while driving industry-leading productivity. The Group continued to maintain a clear competitive edge in providing customised communications solutions for niche markets.

Total operating expenses went up largely in line with the increase in turnover and as a result of a general increase in staff costs on the back of a strengthening economy. Distribution costs came down to HK$48 million (2006: HK$61 million), after continued efforts in expanding clientele in previous years. General and administrative expenses were HK$215 million, up 9 percent (2006: HK$197 million). Depreciation and amortisation expenses, included in direct operating expenses and general and administrative expenses, went up 26 percent to HK$486 million (2006: HK$384 million), attributable to the roll-out of several new projects.

Finance costs for the year decreased slightly to HK$9.6 million (2006: HK$9.8 million) as the Group has benefited from a higher level of liquidity and lower interest rates during the Year.

Business Review

China market maintained its momentum in line with the country's thriving economy, generating an overall increase in capital expenditure by our customers to improve the quality of their networks in order to meet increasing demand. The Group continued to enjoy preferred supplier status among its customers with an established relationship and proven track record as a reliable technology partner. Key areas of focus were innovative communications and security solutions and services customised to achieve high reliability and high integrity. Our top-of-the-line products embrace a comprehensive range of integrated wireless solutions that interface with a broad range of radio networks; web-based monitoring solutions designed for remote management and security applications; as well as command, control and communications applications for use in mission critical assignments involving public safety, personal security and telematics control.

In response to heightened awareness of public safety and enterprise security, we continued to upgrade our solutions with advanced technologies and expand our product range. For example, new versions of **MuteTone** Wireless Solutions for silencing mobile signals, and **PeepTone** Monitoring Solutions featuring real-time digital video monitoring and recording solutions were introduced during the Year.

The macro-economic tightening measures appeared to have only a slight dampening effect on an overheated economy, as such measures were specific to certain sectors, which did not include basic infrastructure projects such as the telecommunications and IT sector. For the year under review, China sales accounted for HK$2,314 million of the Group's turnover (2006: HK$2,257 million).

In Europe, the Group reported satisfactory growth in business, thanks to strong performance in emergency services and fire control projects. Several long-term contracts related to mobilising the communications systems for the fire brigades in England have been secured. The Group has also won and delivered a major system project for the Irish Coast Guard. Elsewhere, the Group has secured a contract for the New South Wales Fire Service in Australia. Turnover attributable to the operations in Europe rose 10 percent to HK$536 million (2006: HK$487 million), partly as a result of the strengthening sterling pound.

Meanwhile, the Group's strategic investment in In-Car Telematics solutions, anti-radiation products to counteract radio emission from mobile phones, and ID card project with related IT security opportunities progressed as planned as we continued our marketing efforts. In May this year, the Group participated at The 2nd China (Beijing) International Exhibition & Symposium on Police Equipment & Anti-Terrorism Technology & Equipment（第二屆中國（北京）國際警用裝備及反恐技術裝備展覽會暨學術研討會）, having been a participant at similar exhibitions in prior years. Partnering with a number of international vendors of advanced security solutions, the Group's new division, Champion Homeland Security, offers comprehensive customised solutions for integrated security systems ranging from access control, video monitoring, alarm processing, internal and external intruder detection, perimeter systems, communications network monitoring, to command, control and communications.

Major investments continued to be made to enable the Group to stay at the forefront of developing integrated platforms and solutions. Meanwhile, the Group's strategic investments are subject to review periodically to determine if progress was in line with original plan and if anticipated benefits could be achieved. Where required, impairment provisions at an appropriate level would be made.

Kantone Holdings Limited ("Kantone")

Kantone continued to sustain growth. It recorded a turnover of HK$1,427 million, an increase of 6 percent over the Previous Year. Profit attributable to equity holders was HK$412 million, representing an improvement of 24 percent compared with HK$333 million of the Previous Year.

Sales in China was in line with the country's economic growth. With China's continued economic prosperity, demand for Kantone's customised solutions and products was maintained. Meanwhile, the scope of possibilities for IT applications has also expanded. Within Europe, UK sales registered steady growth, with strong performance in emergency and fire services sector compensating for the reduced spending by the NHS (National Health Services) due to budget rebalancing. Kantone has secured several long-term contracts in the fire and emergency services sector. It remained well-positioned to capture new contracts as it launched its new wireless technology with applications across a wide range of vertical markets. Key distributors in Europe, North America, and Australia have been signed up.

Under e-Gaming and Online Entertainment, Kantone continued to expand its portfolio of investments in betting software solutions and various gaming and entertainment websites. Its paperless lottery project in China progressed as planned, with new regions signed up and continued enhancement of integrated gaming technology solutions and online payment channels. Kantone has been approached by several industry players for strategic collaboration, and discussions continued. Betting turnover via Kantone's e-platform steadily increased, and the use of websites and SMS on mobile phones for paperless betting was gaining popularity among young people and the more well-off white collar workers.

e-Lottery in China is still at its developing stage, but if it were to follow the trend of the high adoption rate of other technologies such as mobile phones and Internet usage, e-lottery will have a significant impact on China's overall lottery market, and in turn, will impact positively on Kantone's results in the future.

According to a recent report on China's Lottery Market published by renowned international betting and gaming consultants, the key driver to China's lottery market growth could come from the adoption of paperless or electronic betting, taking into consideration of the emergence of new and different lottery games at higher frequencies, and China's increasingly mobile and Internet savvy population. China's mobile users have topped 600 million, and its Internet users are in excess of 160 million. If China decides to introduce lottery through the electronic medium, the infrastructure deploying mobile SMS and web-based betting with seamless payment solutions and proven security is already in place. As such, e-lottery could experience considerable growth.

Directors are fully aware that globally lottery and gaming is one of the fastest growth sectors, and it commands the level of risk commensurate with the higher return. Kantone's endeavours in this area of business are expected to bear fruit after the initial period of investment.

DIGITALHONGKONG.COM ("Digital HK")

Digital HK recorded a small loss of HK$12,000 for the Year under review, with a turnover of HK$6,351,000, compared with a profit of HK$1,362,000 and a turnover of HK$8,015,000 for the Previous Year. Excluding the impact of the development costs and impairment in relation to an investment project, Digital HK recorded a profit of HK$1,158,000. The lower turnover reflected Digital HK's positioning as a premium solutions provider and focus on high-margin customised solutions in e-commerce amidst intense competition and price pressure in the IT sector.

In pursuit of its strategy to target innovative industries such as healthcare and related IT services as the direction for growth, Digital HK has continued to explore business partnerships and collaboration opportunities in health technology and information medicine to leverage its expertise in IT and in providing e-commerce solutions.

OUTLOOK

We are a global technology group offering innovative solutions in the areas of communications software, wireless, public safety, homeland security, telematics, e-commerce, and online gaming in over 50 markets. In particular, we command a dominant position in the sector of command control and communications solutions for the mission critical services, such as public security, emergency, fire, and rescue operations.

With our roots in Hong Kong, which is now part of Mainland China, we are the primary beneficiary of China's continued robust economic growth and diplomatic influence in the global arena. In line with market trends, the Group's business strategy going forward will be driven by a focus on high margin and high growth sectors to pursue margin improvement. In terms of business focus, customised communications solutions and integrated security services for applications in multiple markets and sectors will be our direction for growth and expansion. That will include a comprehensive portfolio that embraces different technologies and wide-ranging applications, covering biometric identification, smartcard solutions, fraud detection systems, and mobile-based applications using video and audio compression technologies in telematics control, public safety, and personal security.

Such strategy, alongside the need to stay at the forefront of developing integrated platforms and applications, naturally entails continued innovations and bigger investments, especially in China which continues to present enormous opportunities, in order to expand our portfolio of compelling solutions and offerings. In particular, the changing scene of the world since the events of 911 has led to new and increasing demand for high security IT solutions in just about any sector and business, giving rise to substantial growth in opportunities and possibilities, sometimes beyond imagination, for IT applications and solutions. This bodes well for our future and that of the industry.

Recent global stock market volatility and tighter credit conditions arising from the housing recession in the United States could pose potential risks to the global economy, but strong economic growth is likely to continue on the Mainland even though some macro-economic measures and monetary tightening remain. Against a very challenging and more complex environment, the directors will continue to exercise prudence in managing investment risks while capturing market opportunities that produce what is in the best interest for the Group and its shareholders in the long term.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position and Gearing

As at 30 June 2007, the Group had HK$347 million made up of deposits, bank balances and cash. Current assets were approximately HK$1,581 million (2006: HK$1,845 million) and current liabilities amounted to approximately HK$366 million (2006: HK$268 million). With net current assets of HK$1,214 million, the Group had 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$268 million (2006: HK$178 million) and equity attributable to equity holders of the Company of HK$6,138 million (2006: HK$5,259 million), was 0.04 (2006: 0.03).

Total borrowings comprised bank borrowings of HK$229.8 million (2006: HK$155.1 million); other borrowings, which represented block discounting loans, of HK$2.6 million (2006: HK$5 million); and convertible bonds of HK$35.9 million (2006: HK$18.2 million). Finance costs for the Year amounted to HK$9.6 million (2006: HK$9.8 million).

The total bank borrowings comprised bank loans of HK$228.6 million (2006: HK$153.3 million), which were repayable on demand; and mortgage loan of HK$1.2 million (2006: HK$1.8 million), with HK$0.8 million repayable within one year and the remaining balance repayable in the second year. The mortgage loan was secured by the Group's land and buildings with a net book value of HK$12.9 million (2006: HK$11.9 million).

The other borrowings of HK$2.6 million were unsecured, with HK$1.9 million repayable within one year, HK$0.5 million repayable in the second year and the remaining balance repayable in the third year.

As at 30 June 2007, Kantone had outstanding convertible bonds with face value of USD2.4 million which will mature on 1 April 2008.

Treasury Policy

The Group is committed to financial prudence and continued to maintain a strong financial position with low gearing and a net cash position. The Group financed its operation and business development with a combination of internally generated resources, capital markets instruments, and banking facilities provided by its principal bankers.

All the borrowings were used by the subsidiaries of the Group, bearing interest at floating rates except for the USD convertible bonds. As all the borrowings were denominated either in local currencies or in USD, the currency risk exposure associated with the Group's borrowings was insignificant.

The Group does not engage in 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 30 June 2007, the Group's capital commitments contracted for but not provided in the financial statements was nil (2006: HK$32,000) and the Group's capital commitments authorised but not contracted for was HK$344 million (2006: HK$489 million). These commitments were set aside for the acquisition of property, plant and equipment, and development of systems and networks.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 November 2007 to 23 November 2007, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the above final dividend, the Scrip Dividend Scheme and the Bonus Issue, all transfers of shares accompanied by the relevant share certificates, and in the case of warrantholders, all duly completed subscription forms accompanied by the relevant warrant certificates and the appropriate subscription moneys, 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 4:00 p.m. on 15 November 2007.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed with the management of the Group the accounting principles and practices adopted by the Group, its internal controls and financial reporting matters and the above annual results.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

None of the directors of the Company is aware of any information which would reasonably indicate that the Company is not, or was not in compliance with the Code on Corporate Governance Practices, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited at any time during the year ended 30 June 2007.

By Order of the Board
Paul KAN Man Lok
Chairman

Hong Kong, 26 October 2007

As at the date of this announcement, the executive directors of the Company are Mr Paul Kan Man Lok, Mr Leo Kan Kin Leung and Mr Lai Yat Kwong; the non-executive director is Ms Shirley Ha Suk Ling; and the independent non-executive directors are Mr Terry John Miller, Mr Francis Gilbert Knight, Prof Liang Xiong Jian, Prof Ye Pei Da and Mr Frank Bleackley.