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KANTONE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1059

2012/2013 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Turnover rose 39% to HK\$912 million
- Profit for the period increased 40% to HK\$77 million
- Adjusted EBITDA (excluding impairment) went up 30% to HK\$367 million
- Profit attributable to owners of the Company rose 40% to HK\$77 million
- Earnings per share was HK1.02 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 Kantone Holdings Limited (the “Company” or “Kantone”) 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	912,376	656,422
Cost of sales		(712,240)	(516,090)
Gross profit		200,136	140,332
Other income		4,775	2,490
Distribution costs		(15,549)	(17,403)
General and administrative expenses		(52,386)	(46,434)
Impairment losses recognised for deposits and prepaid development costs		(54,700)	(15,773)
Research and development costs expensed		(5,312)	(8,169)
Finance costs		(207)	(234)
Profit before taxation		76,757	54,809
Taxation	5	-	-
Profit for the period		76,757	54,809

		Six months ended 31 December	
		2012	2011
		HK\$'000	HK\$'000
	<i>Note</i>		
Other comprehensive (expense) income:			
Exchange difference arising on translation		(779)	1,901
Total comprehensive income for the period		75,978	56,710
Profit for the period attributable to:			
Owners of the Company		76,800	55,014
Non-controlling interests		(43)	(205)
		76,757	54,809
Total comprehensive income for the period attributable to:			
Owners of the Company		75,796	56,714
Non-controlling interests		182	(4)
		75,978	56,710
Earnings per share - Basic	6	HK1.02 cents	HK0.73 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

		As at 31 December 2012	As at 30 June 2012
		HK\$'000	HK\$'000
		(Unaudited)	(Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	8	47,988	46,773
Development costs for systems and networks		1,457,549	1,175,896
Goodwill		36,795	36,795
Intangible assets		-	-
Deposits and prepaid development costs		690,800	1,172,316
		2,233,132	2,431,780
Current assets			
Inventories		24,700	20,608
Trade and other receivables	9	1,012,491	809,020
Taxation recoverable		9	9
Deposits, bank balances and cash		171,021	116,233
		1,208,221	945,870
Current liabilities			
Trade and other payables	10	50,156	66,473
Warranty provision		1,304	1,229
Bank borrowings - amount due within one year		26,665	28,870
Bank overdraft		4,108	-
		82,233	96,572
Net current assets		1,125,988	849,298
Total assets less current liabilities		3,359,120	3,281,078

	As at 31 December 2012 HK\$'000 (Unaudited)	As at 30 June 2012 HK\$'000 (Audited)
Non-current liabilities		
Retirement benefit obligations	52,453	50,389
Net assets	3,306,667	3,230,689
Capital and reserves		
Share capital	750,458	750,458
Reserves	2,534,973	2,459,177
Equity attributable to owners of the Company	3,285,431	3,209,635
Non-controlling interests	21,236	21,054
	3,306,667	3,230,689

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 December 2012

	Attributable to owners of the Company						Non-	Total
	Share capital HK\$'000	Share premium HK\$'000	Dividend reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	controlling interests HK\$'000	equity HK\$'000
At 1 July 2011 (audited)	749,253	799,577	14,985	3,999	1,588,934	3,156,748	3,927	3,160,675
Profit for the period	-	-	-	-	55,014	55,014	(205)	54,809
Exchange difference arising on translation	-	-	-	1,700	-	1,700	201	1,901
Total comprehensive income for the period	-	-	-	1,700	55,014	56,714	(4)	56,710
Interim dividend	-	-	14,985	-	(14,985)	-	-	-
At 31 December 2011	749,253	799,577	29,970	5,699	1,628,963	3,213,462	3,923	3,217,385
At 1 July 2012 (audited)	750,458	799,577	15,009	5,189	1,639,402	3,209,635	21,054	3,230,689
Profit for the period	-	-	-	-	76,800	76,800	(43)	76,757
Exchange difference arising on translation	-	-	-	(1,004)	-	(1,004)	225	(779)
Total comprehensive income for the period	-	-	-	(1,004)	76,800	75,796	182	75,978
Interim dividend	-	-	15,009	-	(15,009)	-	-	-
At 31 December 2012	750,458	799,577	30,018	4,185	1,701,193	3,285,431	21,236	3,306,667

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	140,711	1,097
Net cash used in investing activities	(86,831)	(2,296)
Net cash used in financing activities	(3,472)	(3,197)
Net increase (decrease) in cash and cash equivalents	50,408	(4,396)
Cash and cash equivalents at the beginning of the period	116,233	243,064
Effect of foreign exchange rate changes	272	431
Cash and cash equivalents at the end of the period	166,913	239,099
Represented by:		
Deposits, bank balances and cash	171,021	240,364
Bank overdraft	(4,108)	(1,265)
	166,913	239,099

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. 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 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	578,580	363,611
Software licensing	283,653	238,915
Rendering of services	37,862	42,331
Leasing of systems products	12,281	11,565
	912,376	656,422

(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 HK\$'000	Leasing of systems products HK\$'000	Consolidated HK\$'000
Six months ended 31 December 2012			
TURNOVER			
External and total revenue	900,095	12,281	912,376
RESULTS			
Segment result	78,056	357	78,413
Interest income			2,522
Finance costs			(207)
Unallocated expenses, net			(3,971)
Profit before taxation			76,757
Six months ended 31 December 2011			
TURNOVER			
External and total revenue	644,857	11,565	656,422
RESULTS			
Segment result	63,068	(618)	62,450
Interest income			2,233
Finance costs			(234)
Unallocated expenses, net			(9,640)
Profit before taxation			54,809

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 cost of sales	229,753	206,588
Depreciation of property, plant and equipment, included in general and administrative expenses	5,650	5,079
Total depreciation and amortisation	235,403	211,667

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 earnings per share is based on the profit for the period attributable to owners of the Company of HK\$76,800,000 (2011: HK\$55,014,000) and on the weighted average number of shares of 7,504,576,000 shares (2011: 7,492,523,000 shares) in issue.

No dilutive earnings per share is presented for the six months ended 31 December 2012 and 2011 as there were no potential ordinary shares in issue during the periods.

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: HK0.2 cents) per share, with a cash option	15,009	14,985

The interim dividend declared is calculated on the basis of 7,504,575,951 shares in issue on 31 December 2012.

8. Property, plant and equipment

	Amount HK\$'000
Net book value at 1 July 2012	46,773
Currency realignment	1,908
Additions	4,957
Disposals	-
Depreciation	(5,650)
Net book value at 31 December 2012	47,988

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 other receivables

	As at 31 December 2012 <i>HK\$'000</i> (Unaudited)	As at 30 June 2012 <i>HK\$'000</i> (Audited)
Trade receivables	398,290	374,118
Advances to suppliers	590,808	406,526
Other receivables	23,393	28,376
	1,012,491	809,020

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 <i>HK\$'000</i> (Unaudited)	As at 30 June 2012 <i>HK\$'000</i> (Audited)
0 - 60 days	211,212	157,067
61 - 90 days	82,499	118,731
91 - 180 days	104,424	98,320
> 180 days	155	-
	398,290	374,118

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\$9,737,000). 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 <i>HK\$'000</i> (Unaudited)	As at 30 June 2012 <i>HK\$'000</i> (Audited)
0 - 60 days	7,649	9,454
61 - 90 days	-	90
91 - 180 days	-	73
> 180 days	-	120
	7,649	9,737

The credit period for purchases of goods ranged from 30 days to 60 days. Other payables mainly represent receipt 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	798	2,037	1,742	2,220
In the second to fourth year inclusive	5,731	3,364	57	2,823
	6,529	5,401	1,799	5,043

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 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: HK0.2 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\$912 million for the Period, an increase of 39 percent compared with HK\$656 million for the Previous Period. Both profit for the Period and profit attributable to owners of the Company rose by 40 percent to HK\$77 million, compared with HK\$55 million 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 HK1.02 cents (2011: HK0.73 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 30 percent to HK\$367 million (2011: HK\$282 million). Despite depressed levels of public and private sector spending, the Group had managed to maintain its gross margin at 21.9 percent (2011: 21.4 percent) as a result of the enhancement of product mix. Meanwhile, the Group continues to review and exercise cost control measures. Distribution costs dropped 11 percent to HK\$15.5 million (2011: HK\$17.4 million), while general and administrative expenses increased by 13 percent to HK\$52.4 million (2011: HK\$46.4 million) and research and development costs expensed dropped 35 percent to HK\$5.3 million (2011: HK\$8.2 million). Depreciation and amortisation expenses increased 11 percent to HK\$235 million (2011: HK\$212 million) as a result of rolling out of new systems and networks.

Finance costs for the Period remained low at HK\$0.2 million (2011: HK\$0.2 million). The Group's financial position remains positive with net cash.

Review of Operations

In China, the economy remained stable despite some sectors showing signs of slowing down. Falling export demand and a decline in domestic consumption resulted in a generally cautious investment sentiment, and the pace of market activities remained subdued. The Group continued its marketing and sales activities for customised solutions and products, while the sale of products related to cultural business brought in new revenue. Enhancement of product mix and introduction of new solutions and services contributed to an increase in turnover. For the Period, China sales increased by 38 percent to HK\$607 million, compared with HK\$439 million for the Previous Period.

In Europe, fiscal tightening across the board posed great challenges to Kantone's business operation, but momentum was maintained in the United Kingdom ("UK") and German markets where Kantone's customised solutions had proved competitive and were in demand. In the UK, the Group's business in emergency services, NHS (National Health Services) projects and fire control sectors improved after several quarters of hold-up due to spending cuts. 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. Turnover of the European operations rose 39 percent to HK\$237 million, as compared with HK\$171 million for the Previous Period.

Elsewhere, the Group reported positive performance from the Australasian and Middle East markets, where sales of traditional systems products and personal security solutions recorded satisfactory growth.

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.

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. 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 decade 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 online galleries and digital content with one-stop e-commerce platform and infrastructure for 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\$171 million (30 June 2012: HK\$116 million) liquid assets made up of deposits, bank balances and cash. Current assets were approximately HK\$1,208 million (30 June 2012: HK\$946 million) and current liabilities amounted to approximately HK\$82 million (30 June 2012: HK\$97 million). With net current assets of HK\$1,126 million (30 June 2012: HK\$849 million), the Group maintained a comfortable level of liquidity. The gearing ratio of the Group, defined as the Group's total borrowings of HK\$31 million (30 June 2012: HK\$29 million) to equity attributable to owners of the Company of HK\$3,285 million (30 June 2012: HK\$3,210 million), was 0.009 (30 June 2012: 0.009).

As at 31 December 2012, total borrowings mainly comprised bank loans of HK\$26.7 million (30 June 2012: HK\$28.9 million) and bank overdraft of HK\$4.1 million (30 June 2012: nil). All the borrowings are 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 were stable at HK\$0.2 million.

Treasury Policy

The Group is committed to financial prudence and maintains a positive financial position with low gearing. It 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 the Group's borrowings 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 was approximately HK\$70 million (30 June 2012: HK\$69 million). The Group has set aside sufficient internally generated funds 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 650 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>	54.98%
<i>Securities of Champion Technology Holdings Limited ("Champion", the Company's holding company)</i>			
Dr. Paul Kan Man Lok	Corporate interest	<i>Note 2</i>	27.47%
<i>Securities of DIGITALHONGKONG.COM ("Digital HK", a subsidiary of Champion)</i>			
Dr. Paul Kan Man Lok	Corporate interest	<i>Note 3</i>	74.48%

Notes:

1. 4,125,813,235 shares of the Company were held by Champion. Lawnside International Limited ("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 Champion. Dr. Paul Kan Man Lok was deemed to have corporate interest in the shares of the Company held by Champion.
2. 1,682,281,441 shares of Champion were held by Lawnside. Dr. Paul Kan Man Lok was deemed to have corporate interest in the shares of Champion held by Lawnside.
3. 106,050,000 shares of Digital HK were held by Champion 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 Champion 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, Champion and Digital HK expired on 28 November 2012. On 30 November 2012, each of the Company, Champion and Digital HK adopted a new share option scheme under which eligible persons, including directors of the Company, Champion, Digital HK or any of their subsidiaries may be granted options to subscribe for shares of the Company, Champion and Digital HK respectively.

Other than the share option schemes of the Company, Champion and Digital HK aforementioned, at no time during the Period was the Company, any of its holding company, fellow subsidiaries or 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, Champion and Digital HK aforementioned.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2012, the following persons (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 shareholders	Capacity	Number of shares	Approximate percentage of the issued share capital
Champion <i>(Note 1)</i>	Beneficial owner	4,125,813,235	54.98%
Shanghai Industrial Investment (Holdings) Company Limited <i>(Note 2)</i>	Corporate interest	554,740,000	7.39%

Notes:

1. See Note 1 to the “Directors’ Interests and Short Positions in Securities” Section above.
2. Shanghai Industrial Investment (Holdings) Company Limited had interest in 554,740,000 shares of the Company through control over 100% interest in the shares of Shanghai Industrial Financial (Holdings) Company Limited which had direct interest in 554,740,000 shares of the Company.

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 the above interim results.

By Order of the Board
Paul KAN Man Lok
Chairman

Hong Kong, 27 February 2013

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