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KANTONE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1059

2014/2015 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Turnover was HK\$1,299 million
- Profit for the period was HK\$4 million
- EBITDA was HK\$231 million
- Profit attributable to owners of the Company was HK\$1 million
- Earnings per share was HK0.12 cents
- The Group maintained a positive financial position

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 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	1,299,292	1,210,844
Cost of sales		(1,183,148)	(1,015,919)
Gross profit		116,144	194,925
Other income		3,289	3,774
Distribution costs		(19,277)	(16,627)
General and administrative expenses		(91,223)	(64,516)
Impairment losses recognised for deposits and prepaid development costs		-	(39,504)
Research and development costs expensed		(4,525)	(4,988)
Finance costs		(353)	(287)
Profit before taxation		4,055	72,777
Taxation	5	-	(102)
Profit for the period		4,055	72,675

		Six months ended	
		31 December	
		2014	2013
<i>Note</i>		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>	<u>7,887</u>
		<u>(1,211)</u>	<u>7,887</u>
Items that may be reclassified subsequently to profit or loss:			
	Exchange difference arising on translation of foreign operations	<u>6,938</u>	<u>(5,185)</u>
		<u>6,938</u>	<u>(5,185)</u>
	Other comprehensive income for the period	<u>5,727</u>	<u>2,702</u>
	Total comprehensive income for the period	<u>9,782</u>	<u>75,377</u>
Profit for the period attributable to:			
	Owners of the Company	<u>896</u>	<u>72,806</u>
	Non-controlling interests	<u>3,159</u>	<u>(131)</u>
		<u>4,055</u>	<u>72,675</u>
Total comprehensive income for the period attributable to:			
	Owners of the Company	<u>6,747</u>	<u>75,349</u>
	Non-controlling interests	<u>3,035</u>	<u>28</u>
		<u>9,782</u>	<u>75,377</u>
	Earnings per share - Basic	<u>6 HK0.12 cents</u>	<u>HK9.69 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

		As at	As at
		31 December	30 June
		2014	2014
<i>Notes</i>		HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current assets			
	Property, plant and equipment	<u>40,427</u>	<u>46,284</u>
	Development costs for systems and networks	<u>1,212,738</u>	<u>1,062,346</u>
	Goodwill	<u>36,795</u>	<u>36,795</u>
	Deposits and prepaid development costs	<u>312,780</u>	<u>-</u>
		<u>1,602,740</u>	<u>1,145,425</u>
Current assets			
	Inventories	<u>19,527</u>	<u>207,535</u>
	Trade and other receivables	<u>1,922,573</u>	<u>2,024,028</u>
	Deposits, bank balances and cash	<u>79,268</u>	<u>66,648</u>
		<u>2,021,368</u>	<u>2,298,211</u>

		As at 31 December 2014 <i>HK\$'000</i> (Unaudited)	As at 30 June 2014 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
Current liabilities			
Trade and other payables	10	282,466	91,741
Warranty provision		1,130	1,294
Bank borrowings - amount due within one year		14,766	17,283
		<u>298,362</u>	<u>110,318</u>
Net current assets		<u>1,723,006</u>	<u>2,187,893</u>
Total assets less current liabilities		<u>3,325,746</u>	<u>3,333,318</u>
Non-current liabilities			
Bank borrowings - amount due after one year		10,666	14,348
Retirement benefit obligations		85,555	99,227
		<u>96,221</u>	<u>113,575</u>
Net assets		<u>3,229,525</u>	<u>3,219,743</u>
Capital and reserves			
Share capital		758,875	758,875
Reserves		<u>2,443,419</u>	<u>2,436,672</u>
Equity attributable to owners of the Company		<u>3,202,294</u>	<u>3,195,547</u>
Non-controlling interests		<u>27,231</u>	<u>24,196</u>
		<u>3,229,525</u>	<u>3,219,743</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 December 2014

	Attributable to owners of the Company					Non-	
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 July 2013 (audited)	751,603	799,577	7,516	8,880	1,649,529	3,217,105	3,238,866
Profit for the period	-	-	-	-	72,806	72,806	72,675
Remeasurement of defined benefits pension plans	-	-	-	-	7,887	7,887	7,887
Exchange difference arising on translation of foreign operations	-	-	-	(5,344)	-	(5,344)	(5,185)
Total comprehensive (expense) income for the period	-	-	-	(5,344)	80,693	75,349	75,377
Interim dividend	-	-	15,032	-	(15,032)	-	-
At 31 December 2013	751,603	799,577	22,548	3,536	1,715,190	3,292,454	3,314,243

	Attributable to owners of the Company						Non-	Total equity
	Share capital	Share premium	Dividend reserve	Translation reserve	Retained profits	Total	controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2014 (audited)	758,875	799,577	-	(528)	1,637,623	3,195,547	24,196	3,219,743
Profit for the period	-	-	-	-	896	896	3,159	4,055
Remeasurement of defined benefits pension plans	-	-	-	-	(1,211)	(1,211)	-	(1,211)
Exchange difference arising on translation of foreign operations	-	-	-	7,062	-	7,062	(124)	6,938
Total comprehensive income (expense) for the period	-	-	-	7,062	(315)	6,747	3,035	9,782
At 31 December 2014	758,875	799,577	-	6,534	1,637,308	3,202,294	27,231	3,229,525

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	706,992	(8,039)
Net cash used in investing activities	(687,337)	(2,560)
Net cash used in financing activities	(4,487)	(6,085)
Net increase (decrease) in cash and cash equivalents	15,168	(16,684)
Cash and cash equivalents at the beginning of the period	66,648	84,193
Effect of foreign exchange rate changes	(2,548)	1,500
Cash and cash equivalents at the end of the period	79,268	69,009
Represented by:		
Deposits, bank balances and cash	79,268	69,009

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 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	753,402	436,839
Sales of systems and products	289,618	389,468
Licensing fees	147,337	306,471
Rendering of services	95,437	65,057
Leasing of systems products	13,498	13,009
	<u>1,299,292</u>	<u>1,210,844</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	Consolidated HK\$'000
Six months ended 31 December 2014				
TURNOVER				
External and total revenue	<u>532,392</u>	<u>13,498</u>	<u>753,402</u>	<u>1,299,292</u>
RESULTS				
Segment result	<u>(23,976)</u>	<u>1,318</u>	<u>30,095</u>	7,437
Interest income				1,841
Finance costs				(353)
Unallocated expenses, net				<u>(4,870)</u>
Profit before taxation				<u>4,055</u>

	Systems sales and licensing HK\$'000	Leasing of systems products HK\$'000	Sale of cultural products HK\$'000	Consolidated HK\$'000
<u>Six months ended 31 December 2013</u>				
TURNOVER				
External and total revenue	760,996	13,009	436,839	1,210,844
RESULTS				
Segment result	50,168	1,045	22,500	73,713
Interest income				2,341
Finance costs				(287)
Unallocated expenses, net				(2,990)
Profit before taxation				72,777

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 cost of sales	220,790	284,356
Depreciation of property, plant and equipment, included in general and administrative expenses	6,044	6,796
Total amortisation and depreciation	226,834	291,152

5. Taxation

	Six months ended 31 December	
	2014	2013
	HK\$'000	HK\$'000
Taxation in other jurisdiction		
– underprovision in prior year	-	102

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\$896,000 (2013: HK\$72,806,000) and on the weighted average number of shares of 758,875,000 shares (2013: 751,603,000 shares) in issue. The weighted average number of shares for the purpose of calculating the earnings per share have been adjusted for the consolidation of ten shares of HK\$0.1 each into one share of HK\$1 each of the Company with effect on 16 December 2014.

No dilutive earnings per share is presented for the six months 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	-	15,032

The interim dividend for 2013 was calculated on the basis of 7,516,029,531 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	46,284
Currency realignment	(5,009)
Additions	5,202
Disposals	(6)
Depreciation	(6,044)
Carrying value at 31 December 2014	40,427

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	248,540	484,222
Advances to suppliers	1,636,746	1,495,057
Other receivables	37,287	44,749
	1,922,573	2,024,028

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	115,167	301,817
61 - 90 days	41,820	52,633
91 - 180 days	91,085	129,772
> 180 days	468	-
	248,540	484,222

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
	7,967	18,778

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 Land and buildings HK\$'000 (Unaudited)	Motor vehicles HK\$'000 (Unaudited)	As at 30 June 2014 Land and buildings HK\$'000 (Audited)	Motor vehicles HK\$'000 (Audited)
Operating leases which expire:				
Within one year	639	2,328	934	2,850
In the second to fourth year inclusive	2,538	2,083	4,167	3,151
	3,177	4,411	5,101	6,001

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 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	1,098	1,620
In the second to fifth year inclusive	9,332	9,822
Over five years	3,952	4,296
	14,382	15,738

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\$1,299 million for the Period, an increase of 7 percent compared with HK\$1,211 million for the Previous Period. The increase in turnover was mainly contributed by the increase in sales of cultural products of 72 percent to HK\$753 million, compared with HK\$437 million for the Previous Period, which compensated the drop in systems sales and licensing income of 30 percent to HK\$532 million from HK\$761 million of 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. Higher operating costs and general expenses, as described below, led to a drop in profit for the Period of 94 percent to HK\$4 million compared with HK\$73 million for the Previous Period, and profit attributable to owners of the Company was less than HK\$1 million as compared with HK\$73 million for the Previous Period. Earnings per share for the Period was HK0.12 cents (2013: HK9.69 cents). The weighted average number of shares for the purpose of calculating the earnings per share have been adjusted for the consolidation of ten shares of HK\$0.1 each into one share of HK\$1 each of the Company with effect on 16 December 2014. Excluding the impairment losses, adjusted EBITDA for the Period dropped by 43 percent to HK\$231 million (2013: HK\$404 million). The gross margin of the Group dropped to 9 percent (2013: 16 percent) as the increase in sales was mainly contributed from sales of a lower gross profit margin products.

Meanwhile, the Group continues to review and exercise cost control measures. Distribution costs increased 16 percent to HK\$19 million from HK\$17 million of Previous Period in order to maintain sales under the tough market conditions. General and administrative expenses increased by 41 percent to HK\$91 million (2013: HK\$65 million) as a result of increased expenses for sales of cultural products. Research and development costs expensed remained relatively stable at HK\$5 million. Amortisation and depreciation expenses decreased 22 percent to HK\$227 million (2013: HK\$291 million) due to delay in the development of certain technology projects.

Finance costs for the Period was HK\$0.4 million (2013: HK\$0.3 million). The Group's gearing remained low with a net cash position.

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.

In China, the Group kept up its marketing and sales activities for customised solutions and products. Its product portfolio embraces a wide range of integrated wireless solutions and web-based monitoring systems mainly designed for remote management and security applications, as well as customised solutions for the trading and promotion of cultural products. 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 in Europe, sales in Germany which were dominated by customised personal security products with higher gross margins were however weaker than expected as the Group was affected by staff shortage due to the country's high rate of employment. Its customised solutions had proved competitive and in demand. Product development, primarily software, remains a focus for the Group, and as such, investment in this area will continue.

For e-gaming and online entertainment, the Group 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\$79 million (30 June 2014: HK\$67 million) liquid assets made up of deposits, bank balances and cash. Current assets were approximately HK\$2,021 million (30 June 2014: HK\$2,298 million) and current liabilities amounted to approximately HK\$298 million (30 June 2014: HK\$110 million). With net current assets of HK\$1,723 million (30 June 2014: HK\$2,188 million), the Group maintained a comfortable level of liquidity. The gearing ratio of the Group, defined as the Group's total borrowings of HK\$25.4 million (30 June 2014: HK\$31.6 million) to equity attributable to owners of the Company of HK\$3,202 million (30 June 2014: HK\$3,196 million), was 0.008 (30 June 2014: 0.010).

As at 31 December 2014, the Group's total borrowings mainly comprised bank loans of HK\$25.4 million (30 June 2014: HK\$31.6 million), with HK\$14.8 million (30 June 2014: HK\$17.3 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 was HK\$0.4 million.

In December 2014, the Company had consolidated ten existing shares of HK\$0.1 each into one share of HK\$1 each of the Company. After share consolidation, the Company had 758,875,027 shares of issued shares.

In January 2015, the Company 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. The Company raised approximately HK\$223 million (net of expenses) for general working capital of the Group.

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 2014, the Group's capital commitments authorised but not contracted for were approximately HK\$29 million (30 June 2014: HK\$22 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 2014, 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 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>	54.91%
<i>Securities of Champion Technology Holdings Limited ("Champion", the Company's holding company)</i>			
Prof. Paul Kan Man Lok	Corporate interest	<i>Note 2</i>	27.90%

Notes:

- 416,707,136 shares of the Company were held by Champion. Lawnside International Limited ("Lawnside") is beneficially wholly owned by Prof. Paul Kan Man Lok. As at 31 December 2014, Lawnside had interest in approximately 27.90% of the entire issued share capital of Champion. Prof. Paul Kan Man Lok was deemed to have corporate interest in the shares of the Company held by Champion.
- 1,766,860,957 shares of Champion were held by Lawnside. Prof. Paul Kan Man Lok was deemed to have corporate interest in the shares of Champion held by 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 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 Champion has a share option scheme under which eligible persons, including directors of the Company and Champion or any of their subsidiaries may be granted options to subscribe for shares of the Company and Champion respectively.

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, 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	416,707,136	54.91%
Shanghai Industrial Investment (Holdings) Company Limited <i>(Note 2)</i>	Corporate interest	55,474,000	7.31%

Notes:

1. See Note 1 to the “Directors’ Interests and Short Positions in Securities” Section above.
2. Shanghai Industrial Investment (Holdings) Company Limited filed a notice dated 25 March 2011 pursuant to the SFO that it had interest in 554,740,000 shares of HK\$0.1 each of the Company through control over 100% interest in the shares of Shanghai Industrial Financial (Holdings) Company Limited, which had direct interest in such shares. These shares were consolidated into 55,474,000 shares following the consolidation of ten shares of HK\$0.1 each into one share of HK\$1 each of the Company with effect on 16 December 2014, for which no notice has been filed under the SFO.

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, the Company had purchased 6 shares of HK\$0.1 each of the Company at the total price of HK\$0.516 on the Exchange, which shares were subsequently cancelled. Save as aforesaid, 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, 26 February 2015

As at the date of this announcement, the executive directors of the Company are Prof. 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.