CHAMPION TECHNOLOGY HOLDINGS LIMITED

(Continued in Bermuda with limited liability)

Stock Code: 92

2014/2015 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Turnover was HK$5,610 million
- Profit for the year was HK$13.3 million
- Impairment charge was HK$249 million
- Adjusted EBITDA (excluding impairment) was HK$1,621 million
- Profit attributable to owners of the Company was HK$7.4 million
- Earnings per share was HK0.12 cents
- The Group maintains a positive financial position

The board of directors (the "Board") of Champion Technology Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2015 with comparative figures for 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
Turnover	*2*	**5,610,013**	6,159,471
Direct operating expenses		**(5,216,122)**	(5,348,727)
Gross profit		**393,891**	810,744
Other income and gain		**20,917**	16,460
Gain on disposal of subsidiaries	*9*	**167,704**	-
Distribution costs		**(34,561)**	(40,785)
General and administrative expenses		**(267,534)**	(288,839)
Impairment losses recognised for deposits and prepaid development costs		**(201,462)**	(224,370)
Impairment loss recognised for goodwill		**(36,795)**	-
Impairment losses recognised for development costs for systems and networks		**(10,800)**	(252,100)
Research and development costs expensed		**(9,972)**	(10,854)
Finance costs		**(5,875)**	(4,953)
Share of loss of a joint venture		**(5)**	(3)
Profit before taxation		**15,508**	5,300
Taxation	*4*	**(2,205)**	-
Profit for the year		**13,303**	5,300

	Note	2015 HK$'000	2014 HK$'000
Other comprehensive income (expense):			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefits pension plans		**5,141**	1,079
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**5,958**	(9,585)
Other comprehensive income (expense) for the year		**11,099**	(8,506)
Total comprehensive income (expense) for the year		**24,402**	(3,206)
Profit for the year attributable to:			
Owners of the Company		**7,382**	2,228
Non-controlling interests		**5,921**	3,072
		13,303	5,300
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**14,011**	(2,359)
Non-controlling interests		**10,391**	(847)
		24,402	(3,206)
Earnings per share - Basic	*6*	**HK0.12 cents**	HK0.04 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**54,590**	58,599
Development costs for systems and networks		**2,908,879**	3,009,138
Goodwill		**-**	36,795
Available-for-sale investments		**628,148**	628,148
Interest in a joint venture		**467**	472
Deposits and prepaid development costs		**941,592**	201,462
		4,533,676	3,934,614
Current assets			
Inventories		**20,593**	398,796
Trade and other receivables	*7*	**4,624,467**	4,945,329
Deposits, bank balances and cash		**235,451**	78,319
		4,880,511	5,422,444

	Note	2015 HK$'000	2014 HK$'000
Current liabilities			
Trade and other payables	*8*	**161,929**	127,375
Warranty provision		**1,074**	1,294
Customers' deposits		**3,483**	3,483
Bank borrowings - amount due within one year		**191,720**	170,283
		358,206	302,435
Net current assets		**4,522,305**	5,120,009
Total assets less current liabilities		**9,055,981**	9,054,623
Non-current liabilities			
Bank borrowings - amount due after one year		**8,713**	14,348
Retirement benefit obligations		**80,611**	99,227
		89,324	113,575
Net assets		**8,966,657**	8,941,048
Capital and reserves			
Share capital		**633,179**	633,179
Reserves		**7,102,546**	6,842,930
Equity attributable to owners of the Company		**7,735,725**	7,476,109
Non-controlling interests		**1,230,932**	1,464,939
		8,966,657	8,941,048

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

1. Basis of preparation and adoption of new and revised Hong Kong Financial Reporting Standards

The consolidated financial statements have been prepared on the historical cost basis and in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Historical cost is generally based on the fair value of the consideration given in exchange for goods. 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 Hong Kong Companies Ordinance.

In the current year, the Group has applied a number of new and revised standards issued by the HKICPA and a new interpretation that are mandatorily effective for accounting periods beginning on 1 July 2014. The adoption of the new and revised standards and interpretation has had no material impact on the Group's financial statements of the Group for the current and prior years.

2. Turnover and segment information

(a) Turnover

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

The turnover of the Group comprises the following:

	2015	2014
	HK$'000	*HK$'000*
Sales of cultural products	**3,040,908**	2,502,029
Sales of systems and related products	**1,528,957**	1,988,154
Licensing fees	**824,387**	1,464,124
Rendering of services	**152,114**	146,118
Leasing of systems products	**31,364**	26,763
Dividend income	**32,283**	32,283
	5,610,013	6,159,471

(b) Segment information

The operating segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conforming to HKFRSs, that are regularly reviewed by the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance. Four operating and reportable segments under HKFRS 8 Operating Segments are identified as follows:

- Sales of cultural products - includes income from trading of cultural products
- Systems sales and licensing - includes income from sales of systems and related products, software licensing and customisation and provision of related services
- Leasing of systems products - includes income from leasing of systems products
- Strategic investments - includes income from investments

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in the consolidated financial statements. Segment results represent the profit (loss) before taxation earned by each segment, excluding interest income, finance costs, share of loss of a joint venture, unallocated income and expenses such as central administration costs and directors' salaries. This is the measure reported to the executive directors of the Company, the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance.

Information regarding the above segments is reported below:

	Sales of cultural products	**Systems sales and licensing**	**Leasing of systems products**	**Strategic investments**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 30 June 2015					
TURNOVER					
External and total revenue	**3,040,908**	**2,505,458**	**31,364**	**32,283**	**5,610,013**
RESULTS					
Segment result	**267,397**	**(424,911)**	**2,631**	**6,644**	**(148,239)**
Interest income					**10,136**
Gain on disposal of subsidiaries					**167,704**
Finance costs					**(5,875)**
Unallocated expenses, net					**(8,213)**
Share of loss of a joint venture					**(5)**
Profit before taxation					**15,508**
Year ended 30 June 2014					
TURNOVER					
External and total revenue	2,502,029	3,598,396	26,763	32,283	6,159,471
RESULTS					
Segment result	106,653	(109,950)	1,387	14,629	12,719
Interest income					9,969
Finance costs					(4,953)
Unallocated expenses, net					(12,432)
Share of loss of a joint venture					(3)
Profit before taxation					5,300

	Sales of cultural products HK$'000	Systems sales and licensing HK$'000	Leasing of systems products HK$'000	Strategic investments HK$'000	Consolidated HK$'000
Year ended 30 June 2015					
Amounts included in the measure of segment profit or loss:					
Amortisation and depreciation	**-**	**1,347,244**	**3,305**	**-**	**1,350,549**
Impairment losses recognised for development costs for systems and networks	**-**	**10,800**	**-**	**-**	**10,800**
Impairment loss recognised for goodwill	**-**	**36,795**	**-**	**-**	**36,795**
Impairment losses recognised for deposits and prepaid development costs	**-**	**201,462**	**-**	**-**	**201,462**
Gain on disposal of property, plant and equipment	**-**	**220**	**-**	**-**	**220**
Year ended 30 June 2014					
Amounts included in the measure of segment profit or loss:					
Amortisation and depreciation	-	1,565,128	2,553	-	1,567,681
Impairment losses recognised for development costs for systems and networks	-	252,100	-	-	252,100
Impairment losses recognised for deposits and prepaid development costs	-	224,370	-	-	224,370
Loss on disposal of property, plant and equipment	-	771	-	-	771

No assets and liabilities are included in segment reporting as they are not regularly reviewed by the executive directors of the Company.

(c) Geographical information

The following table provides an analysis of the Group's revenue and non-current assets by location of customers and by location of assets respectively:

	Revenue Year ended 30 June		Non-current assets *(Note)* As at 30 June	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
People's Republic of China (the "PRC"), including Hong Kong and Macau	**4,332,184**	4,741,230	**2,924,605**	3,261,454
Europe (mainly United Kingdom and Germany)	**798,582**	886,078	**37,371**	42,810
Others	**479,247**	532,163	**943,085**	1,730
	5,610,013	6,159,471	**3,905,061**	3,305,994

Note: Non-current assets exclude the Group's available-for-sale investments and interest in a joint venture.

3. Amortisation and depreciation

	2015	2014
	HK$'000	*HK$'000*
Amortisation on development costs for systems and networks, included in direct operating expenses	**1,337,721**	1,553,352
Depreciation of property, plant and equipment, included in general and administrative expenses	**12,828**	14,329
Total amortisation and depreciation	**1,350,549**	1,567,681

4. Taxation

Taxation comprises:	**2015** ***HK$'000***	2014 *HK$'000*
Enterprise Income Tax in the PRC	**2,205**	-

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) on the estimated assessable profits derived from Hong Kong. There was no estimated assessable profit for Hong Kong Profits Tax for both years.

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

5. Dividends

	2015 ***HK$'000***	2014 *HK$'000*
2014 interim dividend paid in scrip form equivalent to HK0.2 cents (2015: nil) per share, with a cash option	**-**	12,564

The Board has resolved not to recommend any final dividend for the year ended 30 June 2015.

6. Earnings per share

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$7,382,000 (2014: HK$2,228,000) and on the weighted average number of shares of 6,331,789,000 shares (2014: 6,265,680,000 shares) in issue.

No diluted earnings per share is presented for the two years ended 30 June 2015 as there were no potential ordinary shares in issue during both years.

7. Trade and other receivables

	2015 ***HK$'000***	2014 *HK$'000*
Trade receivables	**838,419**	1,228,306
Advances to suppliers	**3,757,921**	3,648,124
Other receivables	**28,127**	68,899
	4,624,467	4,945,329

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:

	2015 ***HK$'000***	2014 *HK$'000*
0 - 60 days	**342,819**	725,783
61 - 90 days	**265,084**	273,691
91 - 180 days	**230,516**	228,832
	838,419	1,228,306

8. Trade and other payables

As at 30 June 2015, the balance of trade and other payables included trade payables of HK$72,117,000 (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:

	2015	2014
	HK$'000	*HK$'000*
0 - 60 days	**24,146**	18,493
61 - 90 days	**6,440**	-
91 - 180 days	**40,635**	-
> 180 days	**896**	285
	72,117	18,778

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

9. Gain on disposal of subsidiaries

On 2 September 2014, the Company disposed of its entire 70.7% equity interests in Global Strategic Group Limited (formerly known as DIGITALHONGKONG.COM), which the shares are listed on the Growth Enterprise Market Board of The Stock Exchange of Hong Kong Limited, to an independent third party at a total cash consideration of HK$169,680,000. The net assets of Global Strategic Group Limited at the date of disposal were as follows:

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

FINAL DIVIDEND

As a precaution against further economic and financial turbulence, and to strengthen our liquidity position ahead of continuing market uncertainties, the Board does not recommend the payment of any final dividend for the year ended 30 June 2015 (2014: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Group's results for the year under review (the "Year") were affected by a combination of factors, which included the weak recovery of the markets where we operated; currency exchange losses in particular due to the weak Euro; suspension of online e-lottery business in Mainland China due to the introduction of new measures by the regulatory authorities; and the unexpected delay in the launch of new projects.

For the Year, the Group's turnover reduced by about 9 percent to HK$5,610 million from HK$6,159 million in the previous year. Profit for the Year was HK$13.3 million as compared to HK$5.3 million in the previous year. Profit attributable to owners of the Company was HK$7.4 million (2014: HK$2.2 million), and earnings per share was HK0.12 cents (2014: HK0.04 cents).

The reduced turnover was mainly attributable to systems sales and licensing of HK$2,505 million, compared with HK$3,598 million in the previous year. However this was partially compensated by increased sales of cultural products to HK$3,041 million, compared with HK$2,502 million in the previous year. EBITDA was HK$1,372 million, compared with HK$1,578 million for the previous year.

Taking account of economic indicators the demand for the Group's products and services are expected to be under continuing pressure. After careful review of the business plans for a number of technology projects, the Board deems it appropriate to reconsider the future cashflows from such projects. In line with prudent financial management, the Group had recognised impairment losses of HK$201 million (2014: HK$224 million) for deposits and prepaid development costs for systems and networks as well as HK$11 million (2014: HK$252 million) for development costs for systems and networks, and impairment loss of HK$37 million (2014: nil) for goodwill arising from the suspension of online e-lottery business in Mainland China. Excluding the impairment losses, adjusted EBITDA for the Year decreased to HK$1,621 million, from HK$2,054 million for the previous year.

The Group continued to exercise overall cost control measures. Distribution costs were reduced to HK$34.6 million (2014: HK$40.8 million) in line with the decrease in turnover, while general and administrative expenses also decreased to HK$268 million (2014: HK$289 million). Research and development costs expensed were HK$10.0 million (2014: HK$10.9 million). Total staff costs included in direct operating expenses and general and administrative expenses were HK$132 million (2014: HK$127 million). Amortisation and depreciation expenses dropped to HK$1,351 million (2014: HK$1,568 million) with the slowdown in the rolling out of development projects. Finance costs for the Year were HK$5.9 million (2014: HK$5.0 million).

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

Review of Operations

Mainland China's economy continued to grow at a slower pace, while uncertainties in many of the major markets in Europe persisted, and tight controls continued to be exercised in both public and private sector spending. The downtrend accelerated in early 2015, putting more pressure on the demand for Group products and services. In response to less than favourable market conditions, and to remain competitive, we had to engage in sale of lower margin products to maintain momentum.

The Group's strategic investments in In-Car telematics solutions, anti-radiation products to counteract radio transmission from mobile phones, as well as smart logistic solutions were affected by the uncertain economic environment around the world which slowed down the Group's global business plans for these projects. Meanwhile, in an effort to boost offerings of security solutions, the Group has been working with international partners to offer comprehensive customised solutions for integrated security systems.

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

Europe saw a continuing demand for the Group's personal security and unified communications products which are capable of embracing a broad range of communications devices, and are therefore able to command higher gross margins.

Kantone Holdings Limited ("Kantone")

Turnover for Kantone was HK$2,544 million for the Year, as compared with HK$2,720 million for the previous year. Profit for the Year was HK$10.7 million, as compared with HK$4.8 million for the previous year.

Sales in Mainland China where Kantone continued to focus on customised solutions and services were in line with the country's economic conditions. In response to growth in market demand, sales of products related to cultural business registered an increase.

In Europe, Kantone's market share in the public sector was maintained, with long-term revenue streams from rental and maintenance contracts in the Health and Emergency Services sectors. Within the UK, several significant orders were received during the Year, including those from a number of large hospitals in London and the North West of England. German sales showed modest growth in real terms despite unpopular government reforms which hurt investor confidence. Across the Eurozone, Kantone had incurred exchange losses due to the weak Euro. Product development, primarily software, remained a focus for Kantone, and as such, investment in this area continued.

For e-gaming and online entertainment in Mainland China, Kantone suspended the online sale of paperless lottery since March 2015 pursuant to new government measures. It is uncertain when the operation of Kantone's lottery-related business will resume. Kantone will comply with any new rules and regulations promulgated by the relevant PRC regulatory authorities and make adjustments to its business model accordingly. In view of this uncertainty and for the sake of financial prudence, impairment provision of HK$36.8 million for goodwill was made in the Year.

OUTLOOK

According to the latest economic indicators, the U.S. economy is forecast to grow mildly in the coming year, but will continue to show uncertainties due to inflationary pressures and expectation of interest rate hikes. The strengthening U.S. Dollar will continue to plague the economies of the emerging markets and resource-exporting countries, and various factors threaten the economic recoveries in Europe. Above all, the surprise devaluation of the Renminbi in August 2015 sparked fears that Mainland China may face a prolonged slowdown, thus cooling investment sentiment further.

In light of continuing global challenges and the unclear prospects of Mainland China's economy, we are cautious in our business approach in the coming year. We will deploy resources to build on our competitive strengths, and continue a prudent approach in investing in complementary businesses that have growth prospects. We will also embark on a streamlining of operations and realignment of business activities to improve our overall return.

Investment in innovative solutions holds 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.

We are cautious about the prospects of major projects in view of the uncertain economic environment, in particular the Group's In-Car Telematics Solution project which global business plan has already been adversely affected. During this difficult period, the Group will place a strong focus on managing risks and finances, and will take appropriate actions to reduce exposure to projects with uncertain prospects.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position and Gearing

The Group's financial position remained positive with a low gearing.

As at 30 June 2015, the Group had HK$235 million (2014: HK$78 million) liquid assets made up of deposits, bank balances and cash. Current assets were approximately HK$4,881 million (2014: HK$5,422 million) and current liabilities amounted to approximately HK$358 million (2014: HK$302 million). With net current assets of HK$4,522 million (2014: HK$5,120 million), the Group maintained a high level of financial liquidity. The gearing ratio of the Group, which calculation was based on the Group's total borrowings of HK$200 million (2014: HK$185 million) and equity attributable to owners of the Company of HK$7,736 million (2014: HK$7,476 million), was 0.026 (2014: 0.025).

As at 30 June 2015, the Group's total borrowings mainly comprised bank loans of HK$200.4 million (2014: HK$184.6 million). The bank loans comprised an amount of HK$191.7 million (2014: HK$170.3 million) repayable within one year, HK$4.4 million (2014: HK$4.8 million) repayable in the second year and HK$4.3 million (2014: HK$9.5 million) repayable in the third to fifth year. As at 30 June 2015, bank loans of HK$13.4 million (2014: HK$19.1 million) were secured by the Group's land and buildings with a carrying value of HK$7.9 million (2014: HK$8.8 million). Finance costs for the Year were HK$5.9 million (2014: HK$5.0 million).

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

Treasury Policy

We are committed to financial prudence and maintain a positive financial position with low gearing. We finance our operation and business development by a combination of internally generated resources, capital markets instruments and banking facilities.

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

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

Capital Commitments

As at 30 June 2015, the Group's capital commitments authorised but not contracted for were approximately HK$52 million (2014: HK$49 million). These commitments were set aside for the acquisition of property, plant and equipment, and development of systems and networks.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

CORPORATE GOVERNANCE CODE

The Company complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the Year.

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, our internal controls and financial reporting matters and the above annual results.

By Order of the Board
Paul KAN Man Lok
Chairman

Hong Kong, 18 September 2015

As at the date of this announcement, the executive directors of the Company are Prof. 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. Frank Bleackley and Mr. Lee Chi Wah.