THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this prospectus or as to the action to be taken, you should consult your stockbroker or other registered securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

A copy of each of the Rights Issue Documents, together with the document specified in the paragraph headed "Documents delivered and to be delivered to the Registrars of Companies" in Appendix III to this prospectus, has been registered by the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies Ordinance. A copy of each of the Rights Issue Documents will be filed with the Registrar of Companies in Bermuda in compliance with the Companies Act. The SFC, the Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda take no responsibility as to the contents of any of the documents referred to above.

Dealings in the Shares and the Rights Shares in their nil-paid form and fully-paid form may be settled through CCASS and you should consult your stockbroker or other registered securities dealer, bank manger, solicitor, professional accountants or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Hong Kong Exchanges and Clearing Limited, the Stock Exchange and HKSCC take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

CHAMPION TECHNOLOGY HOLDINGS LIMITED

(Continued in Bermuda with limited liability)

(Stock Code : 92)

RIGHTS ISSUE OF 1,808,187,168 RIGHTS SHARES AT HK$0.15 EACH ON THE BASIS OF FOUR RIGHTS SHARES FOR EVERY NINE EXISTING SHARES HELD ON THE RECORD DATE

Financial adviser to Champion Technology Holdings Limited

Quam CAPITAL 華富嘉洛企業融資

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Monday, 24 January 2011. The procedure for acceptance and transfer of the Rights Shares are set out in the paragraph headed "Procedure for acceptance and payment or transfer" on pages 9 and 10 of this prospectus.

The Shares have been dealt in on an ex-rights basis since Thursday, 30 December 2010. Dealings in the Rights Shares in their nil-paid form are expected to take place from Wednesday, 12 January 2011 to Wednesday, 19 January 2011 (both days inclusive). It is expected that the condition referred to in the section headed "Condition of the Rights Issue" in this prospectus is to be fulfilled on or before 5:00 p.m. on Wednesday, 26 January 2011. If the condition referred to in that section is not fulfilled, the Rights Issue will not proceed. Any person contemplating buying or selling Shares from the date of this prospectus up to the date on which the condition of the Rights Issue is fulfilled, and any dealings in the Rights Shares in their nil-paid form between Wednesday, 12 January 2011 and Wednesday, 19 January 2011 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any persons contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional adviser.

Lawnside may rescind the Underwriting Agreement by notice in writing given to the Company on or before the Latest Time for Termination if:

(1) there develops, occurs or comes into force:

(a) any new law or government regulation or other occurrence of any nature whatsoever which in the absolute opinion of Lawnside adversely affects or may adversely affect the business of the Group or any part thereof to a material extent or is materially adverse in the context of the Rights Issue; or

(b) any change in local, national, international, financial, political or economic conditions which in the absolute opinion of Lawnside is materially adverse in the context of the Rights Issue; or

(c) any adverse change in market conditions which in the absolute opinion of Lawnside materially prejudicially affects the Rights Issue and makes it inadvisable or inexpedient to proceed therewith, or

(2) there comes to the notice of Lawnside any matter or event showing any of the representations and warranties of the Company contained in the Underwriting Agreement to be untrue or inaccurate in any respect which Lawnside considers to be material.

Upon the delivery of the notice of termination, all obligations of Lawnside under the Underwriting Agreement shall cease and determine and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to Lawnside the expenses in connection with the Rights Issue. If Lawnside exercises such right, the Rights Issue will not proceed.

10 January 2011

CONTENTS

First day of dealings in nil-paid Rights Shares	Wednesday, 12 January 2011
Latest time for splitting of nil-paid Rights Shares	4:00 p.m. on Friday, 14 January 2011
Last day of dealings in nil-paid Rights Shares	Wednesday, 19 January 2011
Latest time for acceptance of, and payment of the Rights Shares and for application and payment for excess Rights Shares	4:00 p.m. on Monday, 24 January 2011
Latest time for the Rights Issue to become unconditional	5:00 p.m. on Wednesday, 26 January 2011
Announcement of results of acceptance of and excess applications for the Rights Issue	Thursday, 27 January 2011
Despatch of refund cheques in respect of unsuccessful or partially unsuccessful excess applications for excess Rights Shares on or before	Monday, 31 January 2011
Despatch of certificates for fully-paid Rights Shares on or before	Monday, 31 January 2011
Commencement of dealings in fully-paid Rights Shares	Wednesday, 2 February 2011

All references to times and dates in this prospectus are references to Hong Kong local times and dates.

Dates or deadlines specified herein may be varied or extended by the Company and Lawnside and are therefore tentative and indicative only. Further announcement(s) will be made by the Company on any changes to the above expected timetable, if and when appropriate.

Note: *The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take effect if there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning:*

(1) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or

(2) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take effect on the Acceptance Date, the dates mentioned above may be affected. An announcement will be made by the Company in such event as soon as practicable.

In this prospectus, unless the context requires otherwise, the following expressions have the following meanings:

"Acceptance Date"	24 January 2011, being the last day for acceptance of and payment for the Rights Shares, or such other date as the Company and Lawnside may agree in writing
"Announcement"	the announcement of the Company dated 1 December 2010 in relation to the Rights Issue and the Whitewash Waiver
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (excluding Saturdays) on which banks are generally open for business in Hong Kong
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Companies Act"	the Companies Act 1981 of Bermuda
"Companies Ordinance"	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
"Company"	Champion Technology Holdings Limited, a company continued in Bermuda with limited liability and whose securities are listed on the Main Board of the Stock Exchange
"DHK"	DIGITALHONGKONG.COM, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Growth Enterprise Market of the Stock Exchange
"Director(s)"	director(s) of the Company
"EAF(s)"	the form(s) of application for excess Rights Shares
"Excluded Shareholder(s)"	Overseas Shareholder(s) whom the Directors, after making enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges, consider necessary or expedient to be excluded from the Rights Issue
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Group"	the Company and its subsidiaries

"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Shareholders"	Shareholders other than (i) Lawnside, its associates and parties acting in concert with it; and (ii) those (if any) involved in or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver
"Irrevocable Undertaking"	the irrevocable undertaking in the Underwriting Agreement given by Lawnside in favour of the Company
"Kantone"	Kantone Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange
"Last Trading Day"	29 November 2010, being the last trading day of the Shares prior to the release of the Announcement
"Latest Practicable Date"	6 January 2011, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information for inclusion herein
"Latest Time for Termination"	5:00 p.m. on 26 January 2011, being the third Business Day immediately prior to the date of despatch of certificates for fully-paid Rights Shares
"Lawnside"	Lawnside International Limited, a company incorporated in the British Virgin Islands and beneficially wholly owned by Mr. Kan
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Kan"	Mr. Paul Kan Man Lok, the Chairman and an executive director of each of the Company, Kantone and DHK
"Outstanding Convertible Bond"	outstanding convertible redeemable bond in the principal amount of HK$136,460,805.47 issued by the Company to Lawnside
"Overseas Shareholder(s)"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose address(es) as shown on such register was/were outside Hong Kong

"PAL(s)"	the provisional allotment letter(s) for the Rights Shares
"PRC" or "China"	the People's Republic of China
"Qualifying Shareholder(s)"	Shareholder(s) on the register of members of the Company on the Record Date, other than the Excluded Shareholders
"Record Date"	6 January 2011, the record date to determine entitlements under the Rights Issue
"Registrar"	Tricor Secretaries Limited, the Company's branch share registrar in Hong Kong at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
"Rights Issue"	the issue of 1,808,187,168 Rights Shares at the Subscription Price on the basis of four Rights Shares for every nine existing Shares held on the Record Date payable in full on acceptance
"Rights Issue Documents"	this prospectus, the PAL and the EAF
"Rights Share(s)"	new Share(s) to be allotted and issued under the Rights Issue
"SFC"	the Securities and Futures Commission
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company at which a resolution was duly passed by the Independent Shareholders approving the Rights Issue and the Whitewash Waiver
"Share(s)"	ordinary share(s) of HK$0.1 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price of HK$0.15 per Rights Share
"Takeovers Code"	the Code on Takeovers and Mergers
"UK"	United Kingdom of Great Britain and Northern Ireland
"Underwriting Agreement"	the underwriting agreement dated 29 November 2010 entered into between the Company and Lawnside in relation to the Rights Issue

"Underwritten Shares"	being 1,327,385,456 Rights Shares
"Whitewash Waiver"	a waiver granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of Lawnside to make a general offer for all the issued Shares not already owned or agreed to be acquired by Lawnside and parties acting in concert with it which may otherwise arise as a result of the subscription of the Rights Shares by Lawnside pursuant to the Underwriting Agreement and/or pursuant to its application for any excess Rights Shares which is accepted by the Company
"%"	per cent

TERMINATION OF THE UNDERWRITING AGREEMENT

Lawnside may rescind the Underwriting Agreement by notice in writing given to the Company on or before the Latest Time for Termination if:

(1) there develops, occurs or comes into force:

(a) any new law or government regulation or other occurrence of any nature whatsoever which in the absolute opinion of Lawnside adversely affects or may adversely affect the business of the Group or any part thereof to a material extent or is materially adverse in the context of the Rights Issue; or

(b) any change in local, national, international, financial, political or economic conditions which in the absolute opinion of Lawnside is materially adverse in the context of the Rights Issue; or

(c) any adverse change in market conditions which in the absolute opinion of Lawnside materially prejudicially affects the Rights Issue and makes it inadvisable or inexpedient to proceed therewith, or

(2) there comes to the notice of Lawnside any matter or event showing any of the representations and warranties of the Company contained in the Underwriting Agreement to be untrue or inaccurate in any respect which Lawnside considers to be material.

Upon the delivery of the notice of termination, all obligations of Lawnside under the Underwriting Agreement shall cease and determine and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to Lawnside the expenses in connection with the Rights Issue. If Lawnside exercises such right, the Rights Issue will not proceed.

CHAMPION TECHNOLOGY HOLDINGS LIMITED

(Continued in Bermuda with limited liability)

(Stock Code : 92)

Executive Directors:
Paul Kan Man Lok *(Chairman)*
Leo Kan Kin Leung *(Chief Executive Officer)*
Lai Yat Kwong

Non-executive Director:
Shirley Ha Suk Ling

Independent non-executive Directors:
Terry John Miller
Francis Gilbert Knight
Frank Bleackley
Lee Chi Wah

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal and head office:
3rd Floor
Kantone Centre
1 Ning Foo Street
Chaiwan
Hong Kong

10 January 2011

To the Qualifying Shareholders and,
for information only, the Excluded Shareholders and
the holder of the Outstanding Convertible Bond

Dear Sir or Madam,

**RIGHTS ISSUE OF 1,808,187,168 RIGHTS SHARES
AT HK$0.15 EACH ON THE BASIS OF
FOUR RIGHTS SHARES FOR EVERY NINE EXISTING SHARES
HELD ON THE RECORD DATE**

INTRODUCTION

It was announced on 1 December 2010 that the Company proposed to raise approximately HK$271.2 million before expenses by issuing 1,808,187,168 Rights Shares at the Subscription Price of HK$0.15 per Rights Share on the basis of four Rights Shares for every nine existing Shares in issue on the Record Date.

The Rights Issue is conditional on, among other things, the Whitewash Waiver being granted by the Executive and passing of the resolution to approve the Rights Issue and the Whitewash Waiver by the Independent Shareholders at the SGM. On 3 January 2011, the Executive granted the Whitewash Waiver which was subject to, among other things, the approval of the Independent Shareholders by way of poll at the SGM. At the SGM held on 6 January 2011, the resolution to approve the Rights Issue and the Whitewash Waiver was duly passed by the Independent Shareholders by way of poll.

The purpose of this prospectus is to provide you with, among other things, details of the Rights Issue.

RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue:	Four Rights Shares for every nine existing Shares held on the Record Date
Number of Shares in issue as at the Record Date:	4,068,421,130 Shares
Number of Rights Shares:	1,808,187,168 Rights Shares
Aggregate nominal value of Shares to be issued:	HK$180,818,716.8
Subscription Price:	HK$0.15 per Rights Share

The Rights Shares to be issued pursuant to the terms of the Rights Issue represent about 44.44% of the issued share capital of the Company as at the Latest Practicable Date and about 30.77% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue (assuming no new Shares are issued except pursuant to the Rights Issue between the Latest Practicable Date and completion of the Rights Issue).

Condition of the Rights Issue

The Rights Issue is conditional upon the obligations of Lawnside under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms or otherwise on or before the Latest Time for Termination, which is expected to be 5:00 p.m. on Wednesday, 26 January 2011.

The Rights Issue will lapse if the above condition is not satisfied. The above condition cannot be waived by the Company or Lawnside.

Subscription Price

The Subscription Price of HK$0.15 per Rights Share is payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

(i) a discount of approximately 37.8% to the last trading price of HK$0.241 per Share as quoted on the Stock Exchange on 29 November 2010, being the Last Trading Day;

(ii) a discount of approximately 38.3% to the average closing price of approximately HK$0.243 per Share for the five consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 39.0% to the average closing price of approximately HK$0.246 per Share for the ten consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 29.6% to the theoretical ex-rights price of HK$0.213 per Share based on the closing price as quoted on the Stock Exchange on the Last Trading Day;

(v) a discount of approximately 84.0% to the audited consolidated net tangible asset value per Share of approximately HK$0.935 (based on the audited net tangible assets attributable to the owners of the Company as at 30 June 2010 as set out in Appendix II to this prospectus and 4,068,421,130 Shares in issue as at the Latest Practicable Date); and

(vi) a discount of approximately 16.7% to the closing price of HK$0.180 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and Lawnside with reference to the market prices of the Shares under the prevailing market conditions and each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date. The Directors (including the independent non-executive Directors) consider the Subscription Price to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank pari passu with the then existing Shares in issue on the date of allotment of the Rights Shares in all respects. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared after the date of allotment and issue of the Rights Shares. For the avoidance of doubt, the holders of the Rights Shares will not be entitled to the final dividend for the year ended 30 June 2010 and the related scrip dividend scheme.

Rights of the Overseas Shareholders

The Rights Issue Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong and Bermuda. There were 30 Overseas Shareholders on the Record Date. The Company has excluded from the Rights Issues all Overseas Shareholders as the Directors, after making enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges, consider it necessary or expedient to do so. The Company has sent a copy of this prospectus to each of the Excluded Shareholders for information only, but not PAL or EAF.

No action has been taken to permit the offering of the Rights Shares, or the distribution of this prospectus or any of the related application forms, in any territory or jurisdiction outside Hong Kong. Accordingly, no person receiving a copy of this prospectus or any of the related application forms in any territory or jurisdiction outside Hong Kong may treat it as an offer or invitation to apply for the Rights Shares, unless in the relevant jurisdiction such an offer or invitation could lawfully be made without compliance with any registration or other legal or regulatory requirements.

It is the responsibility of any person (including but without limitation to nominee, agent and trustee) receiving a copy of this prospectus or any of the related application forms outside Hong Kong and wishing to take up the Rights Shares to satisfy himself/herself/itself as to the full observance of the laws of the relevant territory including the obtaining of any governmental or other consents for observing any other formalities which may be required in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been complied with. If you are in any doubt as to your position, you should consult your professional adviser.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form, to be sold as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of HK$100 or more will be paid pro rata to the relevant Excluded Shareholders in Hong Kong dollars. The Company will retain individual amounts of less than HK$100 for its own benefit. Any unsold Rights Shares to which the Excluded Shareholders would otherwise have been entitled will be available for applications for excess Rights Shares.

Fractional entitlement to the Rights Shares

The Company has not provisionally allotted fractions of Rights Shares. All fractions of Rights Shares will be aggregated and sold in the market, if a premium (net of expenses) can be achieved, and the Company will keep the net proceeds for its own benefit. Any unsold fractions of Rights Shares will be available for excess application.

Procedure for acceptance and payment or transfer

For each Qualifying Shareholder, a PAL is enclosed with this prospectus which entitles Qualifying Shareholders to subscribe for the number of Rights Shares shown therein. If Qualifying Shareholders wish to exercise their rights to subscribe for all the Rights Shares specified in the enclosed PALs, the PALs must be lodged in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28

Queen's Road East, Wanchai, Hong Kong, by not later than 4:00 p.m. on Monday, 24 January 2011. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "Champion Technology Holdings Limited – Rights Issue Account" and crossed "Account Payee Only".

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the Registrar by no later than 4:00 p.m. on Monday, 24 January 2011, whether by the original allottee or any person to whom the rights have been validly transferred, the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If Qualifying Shareholders wish to accept only part of their provisional allotments or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them, or to transfer their rights to more than one person, the entire PALs must be surrendered and lodged for cancellation by not later than 4:00 p.m. on Friday, 14 January 2011 to the Registrar which will cancel the original PALs and issue new PALs in the denominations required. The new PALs will be available for collection at the office of the Registrar after 9:00 a.m. on the second Business Day after the surrender of the original PALs. It should be noted that Hong Kong stamp duty is payable in connection with the transfer of the rights to subscribe for the Rights Shares.

The PAL contains full information regarding the procedure to be followed if Qualifying Shareholders wish to accept only part of their provisional allotments or if they wish to renounce all or part of their provisional allotments.

All cheques and banker's cashier orders will be presented for payment immediately upon receipt and all interest earned on such monies, if any, shall be retained for the benefit of the Company. Completion and return of the PAL together with a cheque or banker's cashier order in payment for the Rights Shares accepted will constitute a warranty by the subscriber that the cheque or banker's cashier order will be honoured on first presentation. If any cheque or banker's cashier order is dishonoured on first presentation, the PAL is liable to be rejected, and in that event the provisional allotment and all rights given pursuant to it will be deemed to have been declined and will be cancelled. No receipt will be issued in respect of any application received.

If the condition of the Rights Issue is not fulfilled by the Latest Time for Termination, the Rights Issue will not proceed and the application monies, without interest, will be returned to the applicants by means of cheques crossed "Account Payee Only" to be despatched by post to their registered addresses and, in the case of joint applicants, to the registered address of the applicant whose name first appears on the register of members of the Company or the transfer form at the risk of such applicants on or before Monday, 31 January 2011.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders, any unsold Rights Shares created by adding together fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders.

Application may be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

(1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to top up odd-lot holdings to whole-lot holdings;

(2) subject to availability of excess Rights Shares after allocation under principle (1) above, any further remaining excess Rights Shares will be allocated to applicants with reference to their respective shareholdings in the Company as at the Record Date; and

(3) subject to availability of excess Rights Shares after allocation under principal (2) above, any further remaining excess Rights Shares will be allotted to applicants in proportion to the number of excess Rights Shares being applied for under each application and rounded up to the nearest board lot.

The Rights Issue provides an opportunity for the Qualifying Shareholders to subscribe for new Shares that allows them to maintain their respective shareholding interests in the Company. The allotment of excess Rights Shares to applicants with reference to their respective shareholdings in the Company as at the Record Date is a measure for the Qualifying Shareholders who subscribe for excess Rights Shares to largely maintain their respective shareholdings after completion of the Rights Issue. All applicants are treated even-handedly. This allocation basis is also in line with the spirit that new Shares shall be offered to the Qualifying Shareholders pro rata to their existing holdings. As such, the Directors consider that the allocation method is fair and equitable and in the interests of the Shareholders as a whole.

Qualifying Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Qualifying Shareholders should note that the aforesaid arrangement in relation to allocation of excess Rights Shares will not be extended to ultimate beneficial owners individually.

Application for excess Rights Shares may be made by completing and signing the enclosed EAF in accordance with the instructions printed thereon and lodging it, together with a separate remittance for the full amount payable on application in respect of the excess Rights Shares applied for, with the Registrar by not later than 4:00 p.m. on Monday, 24 January 2011. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "Champion Technology Holdings Limited – Excess Application Account" and crossed "Account Payee Only".

If no excess Rights Shares are allotted to the Qualifying Shareholders, the amounts tendered on application are expected to be returned to such Qualifying Shareholders in full by ordinary post at their own risk to their registered addresses on or before Monday, 31 January 2011. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, the surplus application monies are also expected to be returned to them by ordinary post at their own risk to their registered addresses on or before Monday, 31 January 2011. All cheques or banker's cashier orders will be presented for payment upon receipt and all interest earned on such monies, if any, will be retained for the benefit of the Company. Completion and return of the EAF together with a cheque or banker's cashier order in payment for the excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or banker's cashier order will be honoured on first presentation. If the cheque or banker's cashier order is dishonoured on first presentation, the application for excess Rights Shares is liable to be rejected.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or banker's cashier orders for amounts due, will be sent at the risk of the persons entitled thereto to their registered addresses by the Registrar.

If the condition of the Rights Issue is not fulfilled by the Latest Time for Termination, the Rights Issue will not proceed and the monies received in respect of application for excess Rights Shares without interest will be returned to the applicants by means of cheques crossed "Account Payee Only" to be despatched by post to their registered addresses and, in the case of joint applicants, to the registered address of the applicant whose name first appears on the register of members of the Company at the risk of such applicants on or before Monday, 31 January 2011.

Application for listings

On 29 December 2010, the Listing Committee of the Stock Exchange conditionally approved the listings of, and dealing in, the Rights Shares in both their nil-paid and fully-paid forms subject to fulfillment of the condition of the Rights Issue. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchanges.

The Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms (both in board lots of 2,000 Shares) which are registered in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

Share certificates for the Rights Shares and refund cheques

Subject to the fulfillment of the condition of the Rights Issue, certificates for all fully-paid Rights Shares and refund cheques in respect of wholly or partly unsuccessful applications for excess Rights Shares (if any) are expected to be posted to those entitled thereto by Monday, 31 January 2011 at their own risk. One share certificate will be issued for all the Rights Shares allotted to an applicant.

Taxation

Qualifying Shareholders are recommended to consult their professional adviser if they are in any doubt as to the tax implications of the holding or disposal of, or dealings in the Rights Shares in both their nil-paid and fully-paid forms and, as regards the Excluded Shareholders (if any), their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms.

UNDERWRITING ARRANGEMENTS FOR THE RIGHTS ISSUE

Underwriting Agreement dated 29 November 2010

Issuer:	the Company
Underwriter:	Lawnside
Number of Underwritten Shares:	1,327,385,456 Rights Shares, being the total number of Rights Shares under the Rights Issue excluding 480,801,712 Rights Shares undertaken to be subscribed by Lawnside pursuant to its Irrevocable Undertaking
Underwriting commission:	2.50% of the aggregate Subscription Price of the Underwritten Shares
Subscription Price:	HK$0.15 per Rights Share

Lawnside does not underwrite issues of securities in its ordinary course of business.

Terms of the Underwriting Agreement were determined after arm's length negotiations between the Company and Lawnside. The Directors (including the independent non-executive Directors) are of the view that the terms of the Underwriting Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Irrevocable Undertaking from Lawnside

As at the Latest Practicable Date, Lawnside was interested in: (i) an aggregate of 1,081,803,853 Shares, representing approximately 26.59% of the existing issued share capital of the Company; and (ii) the Outstanding Convertible Bond carrying the right to convert into Shares at the conversion price per Share of the higher of (a) HK$0.77; and (b) the volume-weighted average price of Shares for the 10 dealing days ending on the day immediately preceding the date of a relevant conversion notice multiplied by a factor of 0.8 up to 19 September 2011.

Lawnside has irrevocably undertaken to the Company that (i) it will remain the beneficial owner of at least 1,081,803,853 Shares until the Acceptance Date; (ii) it will take up and accept its rights entitlement in full under the Rights Issue in respect of the 1,081,803,853 Shares; and (iii) it will not exercise any of the conversion right under the Outstanding Convertible Bond on or before the Acceptance Date.

Set off arrangement for payment of Rights Share subscription by Lawnside

Lawnside has authorised the Company to set off the total Subscription Price of the Rights Shares to be subscribed under the Rights Issue up to HK$136,460,805.47 against the principal amount of the Outstanding Convertible Bond, subject to the Rights Issue becoming unconditional. Lawnside will pay the balance, if any, in cash.

Termination of the Underwriting Agreement

Lawnside may rescind the Underwriting Agreement by notice in writing given to the Company on or before the Latest Time for Termination if:

(1) there develops, occurs or comes into force:

(a) any new law or government regulation or other occurrence of any nature whatsoever which in the absolute opinion of Lawnside adversely affects or may adversely affect the business of the Group or any part thereof to a material extent or is materially adverse in the context of the Rights Issue; or

(b) any change in local, national, international, financial, political or economic conditions which in the absolute opinion of Lawnside is materially adverse in the context of the Rights Issue; or

(c) any adverse change in market conditions which in the absolute opinion of Lawnside materially prejudicially affects the Rights Issue and makes it inadvisable or inexpedient to proceed therewith, or

(2) there comes to the notice of Lawnside any matter or event showing any of the representations and warranties of the Company contained in the Underwriting Agreement to be untrue or inaccurate in any respect which Lawnside considers to be material.

Upon the delivery of the notice of termination, all obligations of Lawnside under the Underwriting Agreement shall cease and determine and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to Lawnside the expenses in connection with the Rights Issue. If Lawnside exercises such right, the Rights Issue will not proceed.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

The shareholding structures of the Company as at the Latest Practicable Date and immediately upon completion of the Rights Issue are as follows (assuming no change in shareholding and no new Shares are issued except pursuant to the Rights Issue between the Latest Practicable Date and completion of the Rights Issue):

	As at the Latest Practicable Date		Immediately upon completion of the Rights Issue: Nil acceptance by public Shareholders *(Note 1)*		Immediately upon completion of the Rights Issue: 100% acceptance by public Shareholders *(Note 2)*	
	Number of Shares	Approximate % of issued share capital of the Company	Number of Shares	Approximate % of issued share capital of the Company	Number of Shares	Approximate % of issued share capital of the Company
Lawnside (the underwriter) and parties acting in concert with it *(Note 3)*	1,081,803,853	26.59	2,889,991,021	49.18	1,562,605,565	26.59
Public Shareholders	2,986,617,277	73.41	2,986,617,277	50.82	4,314,002,733	73.41
Total	4,068,421,130	100.00	5,876,608,298	100.00	5,876,608,298	100.00

Notes:

1. Assuming none of the Rights Shares is accepted or applied for by the Qualifying Shareholders other than Lawnside.

2. Assuming all of the Rights Shares are accepted or applied for by the Qualifying Shareholders.

3. Details of the interests of Lawnside in the securities of the Company are set out in the section headed "Irrevocable Undertaking from Lawnside" above. None of the parties acting in concert with Lawnside has any interest in the securities of the Company as at the Latest Practicable Date.

FUND RAISING EXERCISE OF THE COMPANY DURING THE PAST 12 MONTHS

The Company has not conducted any equity fund raising exercise in the 12 months immediately preceding the Latest Practicable Date.

ADJUSTMENT TO OUTSTANDING CONVERTIBLE BOND

The Rights Issue will lead to an adjustment to the conversion price under the Outstanding Convertible Bond if there is any outstanding principal amount of the Outstanding Convertible Bond after completion of the Rights Issue. The Company will notify the holder thereof and the Shareholders by way of announcement, if and when necessary.

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

Globally economic and market uncertainties are still looming on the horizon as fears grow over the health of some European economies, and there are concerns of a recession in the United States. China, including Hong Kong, has adopted tightened credit policies and fiscal measures to combat inflation. The prospect of further cooling measures may slow down the economic recovery, which may in turn negatively affect the Group's financial performance and working capital.

The Rights Issue will enhance the financial position and enlarge the capital base of the Company, thereby facilitating the long-term development of the Group. Thus, the Directors (including the independent non-executive Directors) are of the view that the Rights Issue is in the interests of the Group and the Shareholders as a whole.

Based on the 1,808,187,168 Rights Shares to be issued, the gross proceeds from the Rights Issue are approximately HK$271.2 million. Assuming none of the Rights Shares is accepted or applied for by the Qualifying Shareholders other than Lawnside, the minimum net proceeds from the Rights Issue after deducting (i) the related expenses; and (ii) the principal amount of the Outstanding Convertible Bond of approximately HK$136.5 million to be wholly set off against the total Subscription Price of the Rights Shares to be taken up and payable by Lawnside of an equal amount as explained in the section headed "Set off arrangement for payment of Rights Share subscription by Lawnside", are estimated to be approximately HK$127.3 million. If all of the Rights Shares are accepted or applied for by the Qualifying Shareholders, the maximum net proceeds that the Company would receive from the Rights Issue after deducting (i) the related expenses; and (ii) the total Subscription Price of HK$72.1 million for the 480,801,712 Right Shares to be taken up by Lawnside pursuant to its Irrevocable Undertaking to be set off against an equal amount of the principal amount of the Outstanding Convertible Bond, are approximately HK$191.7 million. The subscription price per Rights Share, net of expenses only, is expected to be approximately HK$0.146. The Company intends to use the net proceeds of the Rights Issue as general working capital of the Group.

The setting off arrangement relating to the Outstanding Convertible Bond under the Underwriting Agreement as detailed in the section headed "Set off arrangement for payment of Rights Share subscription by Lawnside" above allows the Company to reduce its debt and so improve its gearing ratio.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Shares have been dealt in on an ex-rights basis since Thursday, 30 December 2010. It is expected that dealings in the Rights Shares in nil-paid form will take place from Wednesday, 12 January 2011 to Wednesday, 19 January 2011 (both days inclusive). If the condition of the Rights Issue is not fulfilled on or before 5:00 p.m. on Wednesday, 26 January 2011 (or such later time and/or date as the Company and Lawnside may determine in writing), or the Underwriting Agreement is terminated by Lawnside, the Rights Issue will not proceed and the Rights Issue will lapse.

Any persons contemplating buying or selling Shares from the date of this prospectus up to the date on which the condition of the Rights Issue is fulfilled, and any dealings in the Rights Shares in their nil-paid form, which is expected to be between Wednesday, 12 January 2011 and Wednesday, 19 January 2011 (both days inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholders or other persons contemplating dealing in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this prospectus.

Yours faithfully,
On behalf of the Board
Paul Kan Man Lok
Chairman

1. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and immediately after completion of the Rights Issue will be, as follows:

		HK$
Authorised:		
30,000,000,000	Shares	3,000,000,000
Issued and to be issued, fully paid or credited as fully paid:		
4,068,421,130	Shares in issue as at the Latest Practicable Date	406,842,113.0
1,808,187,168	Rights Shares to be issued	180,818,716.8
5,876,608,298	Shares	587,660,829.8

All the existing issued Shares rank pari passu in all respects including all rights as to dividends, voting and capital.

As at the Latest Practicable Date, save for the Outstanding Convertible Bond which carries the right to convert into Shares at the higher of (a) HK$0.77 (subject to adjustment); and (b) the volume-weighted average price of Shares for the 10 dealing days ending on the day immediately preceding the date of a relevant conversion notice multiplied by a factor of 0.80 up to 19 September 2011, the Company had no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares.

There had been no alteration in the number of Shares issued since 30 June 2010, the date on which the latest audited financial statements of the Group were made up, up to the Latest Practicable Date.

2. FINANCIAL SUMMARY

The following is a summary of the consolidated income statements for each of the three years ended 30 June 2010 as extracted from the respective annual reports of the Group.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 30 June

	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
Turnover	3,011,768	2,923,103	3,635,049
Direct operating expenses	(2,564,306)	(2,291,827)	(2,346,833)
Gross profit	447,462	631,276	1,288,216
Other income	11,472	15,648	29,053
Distribution costs	(42,710)	(47,572)	(53,580)
General and administrative expenses	(202,371)	(187,279)	(262,104)
Impairment losses recognised for available-for-sale investments	–	(104,197)	(56,502)
Impairment losses recognised for development costs for systems and networks	–	(164,580)	(436,488)
Impairment losses recognised for deposits and prepaid development costs	(85,800)	(40,560)	(245,310)
Discount on acquisition of additional interest in subsidiaries	–	62,326	2,860
Loss on deemed disposal of subsidiaries	–	(51,839)	196
Loss on fair value change of convertible bonds	–	–	(2,282)
Finance costs	(3,902)	(8,943)	(6,781)
Profit before taxation	124,151	104,280	257,278
Taxation	(121)	(1,062)	(2,063)
Profit for the year	124,030	103,218	255,215
Other comprehensive income:			
Exchange difference arising on translation of foreign operations	5,001	15,352	3,413
Total comprehensive income for the year	129,031	118,570	258,628
Profit for the year attributable to:			
Owners of the Company	88,649	74,630	190,456
Non-controlling interests	35,381	28,588	64,759
	124,030	103,218	255,215

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME – Continued
For the year ended 30 June

	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
Total comprehensive income for the year attirbutable to:			
Owners of the Company	91,312	82,400	191,858
Non-controlling interests	37,719	36,170	66,770
	129,031	118,570	258,628
Earnings per share			
– Basic	HK2.21 cents	HK2.31 cents	HK7.12 cents
– Diluted	HK2.14 cents	HK2.23 cents	HK6.98 cents
Dividends	22,274	19,968	48,112
Dividend per Share	HK0.55 cents	HK0.75 cents	HK2.7 cents

The following is a summary of the consolidated balance sheets as at 30 June 2008, 2009 and 2010 as extracted from the respective annual reports of the Group.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
At 30 June

	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
Non-current assets			
Property, plant and equipment	58,848	54,197	58,586
Development costs for systems and networks	3,826,154	3,138,721	2,743,823
Goodwill	36,795	36,795	36,795
Intangible assets	590	2,950	5,310
Available-for-sale investments	628,148	1,088,980	1,509,822
Interest in an associate	–	–	–
Deposits and prepaid development costs	3,024,695	2,933,357	2,563,105
	7,575,230	7,255,000	6,917,441
Current assets			
Inventories	24,785	24,551	25,464
Trade and other receivables	1,088,788	1,268,884	1,152,497
Taxation recoverable	11	25	29
Deposits, bank balances and cash	278,611	322,706	350,728
	1,392,195	1,616,166	1,528,718
Current liabilities			
Trade and other payables	101,102	121,576	248,931
Warranty provision	1,142	1,513	2,136
Customers' deposits	3,509	3,935	6,275
Taxation payable	8	1,051	2,009
Bank loans – amount due within one year	199,183	178,043	201,313
Other borrowings – amount due within one year	–	176	489
Convertible bond	136,461	136,461	–
Bank overdrafts	37,370	38,148	27,816
	478,775	480,903	488,969
Net current assets	913,420	1,135,263	1,039,749
Total assets less current liabilities	8,488,650	8,390,263	7,957,190

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – Continued
At 30 June

	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
Non-current liabilities			
Bank loans – amount due after one year	29,050	37,026	48,952
Other borrowings – amount due after one year	–	–	193
Retirement benefit obligations	61,786	71,289	92,283
Deferred taxation	281	143	157
	91,117	108,458	141,585
Net assets	8,397,533	8,281,805	7,815,605
Capital and reserves			
Share capital	406,842	400,553	197,450
Reserves	6,655,435	6,572,792	6,487,556
Equity attributable to owners of the Company	7,062,277	6,973,345	6,685,006
Non-controlling interests	1,335,256	1,308,460	1,130,599
	8,397,533	8,281,805	7,815,605

3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Set out below is the audited consolidated financial statements of the Group for the year ended 30 June 2010 as extracted from the annual report of the Group for the year ended 30 June 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

	Notes	**2010** *HK$'000*	**2009** *HK$'000*
Turnover	*6*	3,011,768	2,923,103
Direct operating expenses		(2,564,306)	(2,291,827)
Gross profit		447,462	631,276
Other income	*7*	11,472	15,648
Distribution costs		(42,710)	(47,572)
General and administrative expenses		(202,371)	(187,279)
Impairment losses recognised for available-for-sale investments	*19*	–	(104,197)
Impairment losses recognised for development costs for systems and networks	*16*	–	(164,580)
Impairment losses recognised for deposits and prepaid development costs	*21*	(85,800)	(40,560)
Discount on acquisition of additional interest in subsidiaries	*8*	–	62,326
Loss on deemed disposal of a subsidiary	*9*	–	(51,839)
Finance costs	*10*	(3,902)	(8,943)
Profit before taxation	*11*	124,151	104,280
Taxation	*12*	(121)	(1,062)
Profit for the year		124,030	103,218
Other comprehensive income:			
Exchange difference arising on translation of foreign operations		5,001	15,352
Total comprehensive income for the year		129,031	118,570

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – Continued
For the year ended 30 June 2010

	Notes	2010 HK$'000	2009 HK$'000
Profit for the year attributable to:			
Owners of the Company		88,649	74,630
Non-controlling interests		35,381	28,588
		124,030	103,218
Total comprehensive income for the year attributable to:			
Owners of the Company		91,312	82,400
Non-controlling interests		37,719	36,170
		129,031	118,570
Earnings per share	14		
– Basic		HK2.21 cents	HK2.31 cents
– Diluted		HK2.14 cents	HK2.23 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	15	58,848	54,197
Development costs for systems and networks	16	3,826,154	3,138,721
Goodwill	17	36,795	36,795
Intangible assets	18	590	2,950
Available-for-sale investments	19	628,148	1,088,980
Interest in an associate	20	–	–
Deposits and prepaid development costs	21	3,024,695	2,933,357
		7,575,230	7,255,000
Current assets			
Inventories	22	24,785	24,551
Trade and other receivables	23	1,088,788	1,268,884
Taxation recoverable		11	25
Deposits, bank balances and cash	24	278,611	322,706
		1,392,195	1,616,166
Current liabilities			
Trade and other payables	25	101,102	121,576
Warranty provision	26	1,142	1,513
Customers' deposits		3,509	3,935
Taxation payable		8	1,051
Bank loans – amount due within one year	27	199,183	178,043
Other borrowings – amount due within one year	28	–	176
Convertible bond	29	136,461	136,461
Bank overdrafts	24	37,370	38,148
		478,775	480,903
Net current assets		913,420	1,135,263
Total assets less current liabilities		8,488,650	8,390,263
Non-current liabilities			
Bank loans – amount due after one year	27	29,050	37,026
Retirement benefit obligations	11	61,786	71,289
Deferred taxation	30	281	143
		91,117	108,458
Net assets		8,397,533	8,281,805
Capital and reserves			
Share capital	31	406,842	400,553
Reserves		6,655,435	6,572,792
Equity attributable to owners of the Company		7,062,277	6,973,345
Non-controlling interests		1,335,256	1,308,460
		8,397,533	8,281,805

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2010

	Attributable to owners of the Company											
	Share capital	Share premium	Dividend reserve	Capital redemption reserve	General reserve	Capital reserve	Merger reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2008	197,450	1,998,740	4,936	50	1,366,003	105,495	8,358	(7,698)	3,011,672	6,685,006	1,130,599	7,815,605
Profit for the year	–	–	–	–	–	–	–	–	74,630	74,630	28,588	103,218
Exchange difference arising from translation of foreign operation	–	–	–	–	–	–	–	7,770	–	7,770	7,582	15,352
Total comprehensive income for the year	–	–	–	–	–	–	–	7,770	74,630	82,400	36,170	118,570
Issue of shares upon exercise of warrants	–	1	–	–	–	–	–	–	–	1	–	1
Issue of shares of a subsidiary upon exercise of warrants	–	–	–	–	–	–	–	–	–	–	104	104
Issue of shares of a subsidiary as consideration for acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	380,448	380,448
Dividends for the year												
– interim	–	–	9,954	–	–	–	–	–	(9,954)	–	–	–
– final	–	–	10,014	–	–	–	–	–	(10,014)	–	–	–
Dividends paid	–	–	(7,208)	–	–	–	–	–	–	(7,208)	–	(7,208)
Issue of shares as scrip dividend	4,020	3,662	(7,682)	–	–	–	–	–	–	–	–	–
Issue of shares of a subsidiary as scrip dividend	–	–	–	–	–	–	–	–	–	–	(5,380)	(5,380)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(3,744)	(3,744)
Issue of shares on rights issue of the Company	199,083	–	–	–	–	–	–	–	–	199,083	–	199,083
Share issue expenses	–	(5,478)	–	–	–	–	–	–	–	(5,478)	–	(5,478)
Capital contributions from non- controlling shareholders	–	–	–	–	–	–	–	–	–	–	35,303	35,303
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	(265,040)	(265,040)
Deemed capital contribution from substantial shareholder *(note 1)*	–	–	–	–	–	19,541	–	–	–	19,541	–	19,541
	203,103	(1,815)	5,078	–	–	19,541	–	–	(19,968)	205,939	141,691	347,630
At 30 June 2009	400,553	1,996,925	10,014	50	1,366,003	125,036	8,358	72	3,066,334	6,973,345	1,308,460	8,281,805

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Dividend reserve HK$'000	Capital redemption reserve HK$'000	General reserve HK$'000	Capital reserve HK$'000	Merger reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2009	400,553	1,996,925	10,014	50	1,366,003	125,036	8,358	72	3,066,334	6,973,345	1,308,460	8,281,805
Profit for the year	–	–	–	–	–	–	–	–	88,649	88,649	35,381	124,030
Exchange difference arising from translation of foreign operation	–	–	–	–	–	–	–	2,663	–	2,663	2,338	5,001
Total comprehensive income for the year	–	–	–	–	–	–	–	2,663	88,649	91,312	37,719	129,031
Dividends for the year												
– interim	–	–	12,103	–	–	–	–	–	(12,103)	–	–	–
– final	–	–	10,171	–	–	–	–	–	(10,171)	–	–	–
Dividends paid	–	–	(8,935)	–	–	–	–	–	–	(8,935)	–	(8,935)
Issue of shares as scrip dividend	6,289	6,893	(13,182)	–	–	–	–	–	–	–	–	–
Dividends from a subsidiary in form of shares *(note 2)*	–	–	–	–	–	–	–	–	6,555	6,555	(6,555)	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(4,368)	(4,368)
	6,289	6,893	157	–	–	–	–	–	(15,719)	(2,380)	(10,923)	(13,303)
At 30 June 2010	406,842	2,003,818	10,171	50	1,366,003	125,036	8,358	2,735	3,139,264	7,062,277	1,335,256	8,397,533

Notes:

1. In prior year, the Company acquired 299,290,629 shares of Kantone Holdings Limited ("Kantone") from Lawnside International Limited ("Lawnside"), a substantial shareholder of the Company, for a total consideration of about HK$188,553,000. The consideration was satisfied entirely by the issue of the convertible bond of the Company (note 29). The difference of HK$19,541,000 between the consideration and the decrease in the carrying amount of non-controlling interests in Kantone of HK$208,094,000 at that time was considered as a deemed contribution from the substantial shareholder and was therefore recognised directly in equity.

2. During the year, the Group received dividend from Kantone in form of shares. 65,121,563 shares of Kantone were received during the year. The increase in ownership of the number of shares of Kantone has resulted in decrease in the carrying amount of non-controlling interests by HK$6,555,000 with the corresponding adjustment recognised in retained profits.

The general reserve represents the reserve arising from the reduction of the nominal amount of the shares of the Company (after the consolidation of shares of 25 ordinary shares of HK$0.1 each into 1 share in 2002) of HK$2.5 each by cancelling the paid up capital to the extent of HK$2.4 on each share of the Company in 2002.

The merger reserve represents the reserve arising from the group reorganisation in 1992.

The capital reserve represents the amount arising from a bonus issue of shares of a subsidiary of the Company by way of capitalising the subsidiary's retained profits and deemed capital contribution from a substantial shareholder.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2010

	2010	**2009**
	HK$'000	*HK$'000*
Cash flows from operating activities		
Profit before taxation	124,151	104,280
Adjustments for:		
Depreciation of property, plant and equipment	9,716	9,576
Amortisation of development costs for systems and networks	1,071,804	876,905
Amortisation of intangible assets	2,360	2,360
Impairment losses recognised for available-for-sale investments	–	104,197
Impairment losses recognised for development costs for systems and networks	–	164,580
Impairment losses recognised for deposits and prepaid development costs	85,800	40,560
Discount on acquisition of additional interest in subsidiaries	–	(62,326)
Loss on deemed disposal of a subsidiary	–	51,839
Gain on disposal of property, plant and equipment	(35)	(34)
Interest on bank and other borrowings and finance charges	3,902	8,943
Interest income	(7,607)	(5,199)
Operating cash flows before movements in working capital	1,290,091	1,295,681
(Increase) decrease in inventories	(2,286)	913
Decrease (increase) in trade and other receivables	10,056	(116,387)
Decrease in trade and other payables	(17,039)	(127,355)
Decrease in warranty provision	(217)	(309)
Decrease in customers' deposits	(426)	(2,340)
Cash generated from operations	1,280,179	1,050,203
Taxation in other jurisdictions paid	(999)	(1,661)
Net cash from operating activities	1,279,180	1,048,542

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2010

	2010 HK$'000	2009 HK$'000
Cash flows from investing activities		
Deposits and prepayments paid in respect of development costs for systems and networks	(1,936,350)	(1,351,272)
Payments for development costs for systems and networks	–	(167,310)
Additions to property, plant and equipment	(16,872)	(11,647)
Capital receipts from available-for-sale investments	211,049	316,645
Interest received	7,607	5,199
Proceeds from disposal of available-for-sale investments	413,386	–
Proceeds from disposal of property, plant and equipment	63	460
Net cash used in investing activities	(1,321,117)	(1,207,925)
Cash flows from financing activities		
Repayment of borrowings	(312,662)	(418,702)
New loans raised	329,000	383,000
Dividends paid	(8,935)	(7,208)
Dividends paid to minority shareholders	(4,368)	(3,744)
Interest paid	(3,902)	(8,943)
Net cash receipt from right issue (net of issue costs of HK$5,478,000)	–	141,513
Net cash receipt from rights issue of a subsidiary (net of issue costs of HK$1,413,000)	–	35,303
Proceeds received upon exercise of warrants	–	1
Proceeds received upon exercise of warrants of a subsidiary	–	113
Net cash (used in) from financing activities	(867)	121,333
Net decrease in cash and cash equivalents	(42,804)	(38,050)
Cash and cash equivalents at beginning of the year	284,558	322,912
Effect on foreign exchange rate changes	(513)	(304)
Cash and cash equivalents at end of the year	241,241	284,558
Represented by		
Deposits, bank balances and cash	278,611	322,706
Bank overdrafts	(37,370)	(38,148)
	241,241	284,558

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

1. GENERAL

The Company was originally incorporated in the Cayman Islands but subsequently re-domiciled to Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The consolidated financial statements are presented in Hong Kong dollar because the Company is a public company with its shares listed on the Main Board of the Stock Exchange. The functional currency of the Company is United States dollar.

The Company is an investment holding company. The principal activities of its subsidiaries and principal associates are set out in notes 38 and 20 respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied a number of new and revised Hong Kong Accounting Standards (the "HKAS") and Hong Kong Financial Reporting Standards (the "HKFRSs"), amendments and interpretations (collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountant (the "HKICPA").

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements. The application of the new and revised HKFRSs in the current year has had no impact on the prior year reported amounts in the primary statements. Therefore, the statement of financial position as at the beginning of the earliest comparative period is not presented.

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (Revised 2008) has resulted in changes in the Group's accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under HKAS 27 (Revised 2008), all increases or decreases in ownership interests that do not involve loss of control are dealt with in equity, with no impact on goodwill or profit or loss.

Ownership interest in Kantone has been increased in the current year resulting from dividend made by Kantone to the Group in form of shares. The impact of the application of HKAS 27 (Revised 2008) resulted in an adjustment of the carrying amount of the non-controlling interests being recognised directly in equity under retained profits. Had the previous accounting policy been applied, this amount would have been recognised in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in the profit for the year of HK$6,555,000.

The effect of the changes in accounting policies described above on the basic and diluted earnings per share for the current year is as follows:

Year ended 30 June 2010

	Impact on basic earnings per share *HK cents*	**Impact on diluted earnings per share** *HK cents*
Reported figures before adjustments	2.37	2.30
Adjustments arising from changes in accounting policies in relation to:		
– Discount on acquisition of additional interest in subsidiaries	(0.16)	(0.16)
Report figures after adjustments	2.21	2.14

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 6).

Improving Disclosures about Financial Instruments (amendments to HKFRS 7 Financial instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. No comparative information for the expanded disclosures was presented in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2009[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[5]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 32 (Amendment)	Classification of right issues[3]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[2]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[4]
HKFRS 2 (Amendment)	Group cash-settled share- based payment transactions[2]
HKFRS 9	Financial instruments[7]
HK(IFRIC*)-INT 14 (Amendment)	Prepayments of a minimum funding requirement[6]
HK(IFRIC)-INT 19	Extinguishing financial liabilities with equity instruments[4]

1 Amendments that are effective for annual periods beginning on or after 1 January 2010.
2 Effective for annual periods beginning on or after 1 January 2010.
3 Effective for annual periods beginning on or after 1 February 2010.
4 Effective for annual periods beginning on or after 1 July 2010.
5 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 January 2013.

* IFRIC represents the International Financial Reporting Interpretations Committee.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from the Group's annual reporting period beginning 1 July 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. In addition, under HKFRS 9, changes in fair value of equity investments are generally recognised in other comprehensive income, with only dividend income recognised in profit or loss. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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 the HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

Allocation of total comprehensive income to non- controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non- controlling interests having a deficit balance. Prior to 1 July 2009, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries prior to 1 July 2009

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to non-controlling interests was recognised in profit or loss.

Changes in the Group's ownership interests in existing subsidiaries on or after 1 July 2009

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non- controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is represented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating units, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Service income is recognised when the services are rendered.

Income from licensing is recognised when the relevant licensing agreements are formally concluded.

Guaranteed distribution income from certain available- for-sale investments where the Group is contracted to receive a pre-determined minimum sum over the period of the projects is allocated to accounting periods so as to reflect a constant periodic rate of return on the investment in these available-for-sale investments. Income from other available-for-sale investments are recognised when the Group's right to receive the distributions has been established.

Rental income, including rental invoiced in advance from assets under operating leases, is recognised on a straight- line basis over the term of the relevant lease term.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and amortisation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Freehold land	Nil
Leasehold land	Over the shorter of the remaining unexpired terms of the relevant leases or 50 years
Buildings	2% – 5%
Plant and machinery and telecommunications networks	10% – 50%
Furniture and fixtures	20% – $33^1/_3$%
Motor vehicles	25%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Owner-occupied leasehold interest in land

The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease.

Impairment (other than goodwill, development costs for systems and networks and financial assets)

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Intangible assets

On initial recognition, intangible assets acquired separately and from business combinations are recognised at cost and at fair value at the acquisition date respectively. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Deposits and prepaid development costs

Deposits and prepaid development costs represent the development costs for systems and networks projects under construction. Deposits and prepaid development costs are transferred to development costs for systems and networks when it is implemented for its intended use. Deposits and prepaid development costs are stated at cost less subsequent accumulated impairment losses.

Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Development costs for systems and networks

Development costs for systems and networks are stated at cost less subsequent accumulated amortisation and any accumulated impairment losses.

Development costs for systems and networks represent all direct costs incurred by the Group in setting up systems and networks, including the cost of equipment, development cost and subcontracting expenditure. Such assets are recognised only if all of the following conditions are met:

– the technical feasibility of completing the asset so that it will be available for use or sale;

– the intention to complete the asset and use or sell it;

– the ability to use or sell the asset;

– how the asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the asset or the asset itself or, if it is to be used internally, the usefulness of the asset;

– the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and

– the ability to measure reliably the expenditure attributable to the asset during its development.

Development costs that do not fulfil the above conditions are recognised as expenses in the period in which it is incurred. Development costs for systems and networks which are implemented for its intended use and fulfil the above conditions are amortised on a straight-line basis over their estimated useful lives, subject to a maximum of five years. Where the recoverable amount of development costs for systems and networks has declined below their carrying amount, the carrying amount is reduced to reflect the decline in value. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

An item of development costs for systems and networks is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly classified into one of the two categories, including loans and receivables and available-for-sale financial assets. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

For available-for-sale debt investments with guaranteed return, payments receivables each year for investments are apportioned between income and reduction of the carrying value of the investments so as to reflect a constant periodic rate of return. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment of financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and an increase in the number of delayed payments.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities, including trade and other payables, bank and other borrowings and bank overdrafts, are subsequently measured at amortised cost, using the effective interest method.

Convertible bond

The convertible bond issued by the Group includes a liability component, a conversion option, a call and put option and an extension option. Conversion option that will not be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments is treated as a derivative. Derivatives embedded in a financial instrument are treated as separate derivatives when their economic risks and characteristics are not closely related to those of the host contract (the liability component) and the host contract is not carried at fair value through profit or loss.

The convertible bond (including the liability component, the conversion option, the call and put option and an extension option) as a whole are designated as financial liabilities at fair value through profit or loss on initial recognition. In subsequent periods, the entire convertible bond will be measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Transaction costs that are directly attributable to the issue of the convertible bond designated as financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Provision

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

Interest in an associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interest in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter for the post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in that associate), the Group discontinues recognising its share of further losses. Additional losses are provided only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first- out method.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non- monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollar) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Retirement benefit cost

Payments to defined contribution retirement benefit schemes are charged as expense when employees have rendered service entitling them to contributions.

For the Group's defined benefit retirement benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuation being carried out every three years and updated annually at the end of the reporting period. Actuarial gains and losses which exceed 10% of the greater of the present value of the Group's defined benefit obligations and the fair value of scheme assets at the end of the previous reporting period are amortised over the expected average remaining working lives of the participating employees.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of scheme assets. Any assets resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contribution to the scheme.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2010 and 30 June 2009, the carrying amount of goodwill was HK$36,795,000. Details of the recoverable amount calculation are disclosed in note 17.

Development costs for systems and networks and deposits and prepaid development costs

(1) *Estimated useful life*

The estimated useful life of the assets reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the development. Where the actual useful life is less than expected, a material impairment loss may arise.

(2) *Estimated impairment*

Determining whether development costs for systems and networks, and deposits and prepaid development costs are impaired requires an estimation of the value in use on a project-by-project basis. The value in use calculation requires the Group to estimate the future cash flow expected to arise from the continuing use of the assets and a suitable discount rate in order to calculate the present value. In the event that the developers fail to perform their obligations to develop the technologies as required, the Group will estimate the future cash flows from recovering the deposits and prepaid development costs from developers. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2010, the carrying amounts of development costs for systems and networks and deposits and prepaid development costs were HK$3,826,154,000 (2009: HK$3,138,721,000) and HK$3,024,695,000 (2009: HK$2,933,357,000) respectively.

Estimated impairment of available-for-sale investments

Determining whether available-for-sale investments are impaired requires an estimation of future cash flows discounted at the current market rate of return of similar assets and the assessment of the ability for repayment by the investees. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2010, the carrying amount of available- for-sale investments was HK$628,148,000 (2009: HK$1,088,980,000).

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2010	**2009**
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale investments	628,148	1,088,980
Loans and receivables (including deposits with financial institutions, bank balances and cash)	1,112,660	1,352,024
	1,740,808	2,441,004
Financial liabilities		
Amortised cost	366,705	374,969
Financial liabilities at fair value through profit or loss – Convertible bond	136,461	136,461
	503,166	511,430

Financial risk management objectives and policies

The Group's major financial instruments include available- for-sale investments, trade and other receivables, deposits, bank balances and cash, trade and other payables, bank and other borrowings, bank overdrafts and convertible bond. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

As at 30 June 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In addition, the Group is exposed to credit risk on its deposits and prepaid development costs paid to developers, in the event that these developers fail to perform their obligations to develop the technologies as required. The maximum exposure to credit risk in this regard, is the carrying amount of the deposits and prepaid development costs as stated in the consolidated statement of financial position.

In order to minimise the credit risk in relation to trade receivables, the management of the Group will only allow customers with good credit history to pay on credit. In addition, the management reviews the recoverable amount of each individual trade debt at the end of the reporting period, taking into account the future discounted cash flows, to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on trade receivables is concentrated on a few distributors. Receivables from top five distributors represented approximately 85.8% (2009: 84.9%) of trade receivables at the end of the reporting period. In addition, the credit risk on guaranteed distribution receivable is also concentrated on a few number of guarantors of investments. The management considers that there are no significant credit risks due to the long and good credit history of these debtors.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

To the extent that the interest flows are floating rate, the undiscounted amount of interest payment is estimated based on the interest rate at the end of the reporting period.

	Contractual interest rates	0-6 months	7-12 months	Over 1 year	Total undiscounted cash flows	Carrying amount at 30 June 2010
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2010						
Trade and other payables	–	101,102	–	–	101,102	101,102
Bank borrowings	2.0	197,459	2,118	30,200	229,777	228,233
Bank overdrafts	4.3	38,152	–	–	38,152	37,370
Convertible bond *(Note)*	1.0	682	–	137,825	138,507	136,461
		337,395	2,118	168,025	507,538	503,166

	Contractual interest rates	0-6 months	7-12 months	Over 1 year	Total undiscounted cash flows	Carrying amount at 30 June 2009
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009						
Trade and other payables	–	121,576	–	–	121,576	121,576
Bank borrowings	2.6	177,320	2,147	38,165	217,632	215,069
Other borrowings	9.0	184	–	–	184	176
Bank overdrafts	4.3	38,152	–	–	38,152	38,148
Convertible bond *(Note)*	1.0	682	–	137,825	138,507	136,461
		337,914	2,147	175,990	516,051	511,430

Note: The maturity analysis for the convertible bond reflects the contractual maturity, assuming that it will not be early redeemed, converted or purchased and cancelled before maturity date.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank deposits. The interest on bank loans are mainly based on Hong Kong Inter-bank offered Rate. The Group does not enter into any arrangement to hedge cash flow interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arises.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings only, as management considers interest rates on bank deposits are not subject to significant fluctuations in interest rates. The analysis is prepared assuming the amount of balances outstanding at the end of the reporting period were outstanding for the whole year. A 10 basis points (2009: 50 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points (2009: 50 basis points) higher or lower and all other variables were held constant, the Group's profit for the year ended 30 June 2010 would decrease or increase by approximately HK$222,000 (2009: decrease or increase by approximately HK$1,057,000).

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cash flows. Certain trade receivables and bank deposits and bank balances of the Group and intra-group current accounts are denominated in foreign currencies. The Group does not engage in any foreign currency hedging instruments. It is the Group's policy to manage foreign exchange risk through matching foreign currency income with expense, and where exposure to foreign exchange is anticipated, appropriate hedging instruments will be used.

Several subsidiaries of the Company have foreign currency denominated monetary assets and liabilities, which expose the Group to foreign currency risk.

The carrying amounts of the group entities' foreign currency denominated monetary assets and monetary liabilities (including intra-group current accounts) at the reporting date are as follows:

	2010		**2009**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Euro	1,886	771	2,970	743
Hong Kong dollar	60,365	–	117,686	–
Pound Sterling	1,047	–	436	–
Macao Pataca	899	–	603	–
United States dollar	357	2,582	594	3,559

Sensitivity analysis

The group entities are mainly exposed to foreign currency risk from Euro and United States dollar. Under the pegged exchange rate system, the financial exposure on exchange rate fluctuation between Hong Kong dollar and United States dollar is considered insignificant by the directors and therefore no sensitivity analysis has been prepared.

The following table details the group entities' sensitivity to a 5% (2009: 5%) increase and decrease in Euro against each group entity's functional currency. 5% (2009: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2009: 5%) change in foreign currency rates. A positive number below indicates an increase in profit before taxation where Euro strengthens by 5% (2009: 5%) against each group entity's functional currency. For a 5% (2009: 5%) weakening of Euro against each group entity's functional currency, there would be an equal and opposite impact on the profit.

	2010	**2009**
	HK$'000	*HK'000*
Euro	56	111

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Price risk

Convertible bond

The Group is exposed to equity price risk on the convertible bond. The management manages this exposure by providing measures in the subscription agreement to allow redemption of the convertible bond at the option of the Company (see note 29 for details).

Sensitivity analysis

The following sensitivity analysis has been determined based on the exposure to equity price risk at the end of the reporting period. If the share price of the Company had been 5% higher, profit for the year ended 30 June 2009 would decrease by HK$7,000 (2010: nil) as a result of the changes in fair value of convertible bond. Conversely, if the share price of the Company had been 5% lower, profit for the year ended 30 June 2009 would increase by HK$18,000 (2010: nil) as a result of the changes in fair value of convertible bond.

Also, if the discount rate adopted in convertible bond valuation had been 3% higher, the profit for the year ended 30 June 2009 would increase by HK$3,590,000 (2010: nil) as a result of the changes in fair value of convertible bond.

Fair value of financial assets and financial liabilities

The fair value of financial assets and financial liabilities is determined as follows:

- the fair value of financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- for options embedded in the convertible bond issued by the Group, the fair value is estimated using the Binomial Model as set out in note 29.

The directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

Financial instruments that are measured subsequent to initial recognition at fair value grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Convertible bond is measured subsequent to initial recognition at fair value and grouped into Level 2.

6. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

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 e-commerce projects and strategic investments during the year.

The turnover of the Group comprises the following:

	2010	2009
	HK$'000	*HK$'000*
Sales of systems products	1,849,527	1,753,739
Rendering of services and software licensing	1,049,945	1,042,987
Leasing of systems products	22,247	21,193
Guaranteed distribution income	13,628	70,024
Dividend income	76,421	35,160
	3,011,768	2,923,103

(b) Segment information

The Group has adopted HKFRS 8 Operating Segments with effect from 1 July 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), which is a group of executive directors of the Company for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments.

In prior years, primary segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions (i.e. sales of general systems products, provision of services and software licensing, leasing of systems products, investments in e-commerce projects and strategic investments). However, information reported to the CODM is analysed by systems sales and licensing, leasing of systems products, and strategic investments for the purpose of resources allocation and performance assessment. Financial information in relation to the provision of services and software licensing and investments in e-commerce projects is not separately reported but included in "systems sales and licensing" and "strategic investments" respectively under HKFRS 8 consistent with how the CODM assesses performance and allocates resources. The redesignation of the Group's reportable segment under HKFRS 8 has no material impact on the results reported in the current and prior years.

Three reportable segments are identified as follows:

- Systems sales and licensing – includes income from sales of systems 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 reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit before taxation earned by each segment, excluding interest income, discount on acquisition of additional interest in subsidiaries (recognised in the prior year), loss on deemed disposal of a subsidiary (recognised in the prior year), finance costs, unallocated corporate income and expenses such as central administration costs and directors' salaries. This is the measure reported to the CODM for the purpose of resource allocation and assessment of segment performance.

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

	Systems sales and licensing *HK$'000*	Leasing of systems products *HK$'000*	Strategic investments *HK$'000*	Consolidated *HK$'000*
Year ended 30 June 2010				
TURNOVER				
External and total revenue	2,899,472	22,247	90,049	3,011,768
RESULTS				
Segment result	84,154	864	66,532	151,550
Interest income				7,607
Finance costs				(3,902)
Unallocated corporate expenses, net				(31,104)
Profit before taxation				124,151
Year ended 30 June 2009				
TURNOVER				
External and total revenue	2,796,726	21,193	105,184	2,923,103
RESULTS				
Segment result	126,740	2,605	(18,500)	110,845
Interest income				5,199
Discount on acquisition of additional interest in subsidiaries				62,326
Loss on deemed disposal of a subsidiary				(51,839)
Finance costs				(8,943)
Unallocated corporate expenses, net				(13,308)
Profit before taxation				104,280
Year ended 30 June 2010				
Amounts included in the measure of segment profit or loss:				
Depreciation and amortisation	1,083,143	737	–	1,083,880
Impairment losses recognised for deposits and prepaid development costs	85,800	–	–	85,800
Gain on disposal of property, plant and equipment	(35)	–	–	(35)

	Systems sales and licensing	Leasing of systems products	Strategic investments	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 30 June 2009				
Amounts included in the measure of segment profit or loss:				
Depreciation and amortisation	888,543	298	–	888,841
Impairment losses recognised for available-for-sale investments	–	–	104,197	104,197
Impairment losses recognised for development costs for systems and networks	164,580	–	–	164,580
Impairment losses recognised for deposits and prepaid development costs	40,560	–	–	40,560
Gain on disposal of property, plant and equipment	(32)	(2)	–	(34)

No assets and liabilities are included in the measure of segment reporting as they are not regularly reviewed by the CODM.

(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 At 30 June	
	2010	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
People's Republic of China (the "PRC"), including Hong Kong and Macau	2,331,832	2,251,399	6,909,780	6,133,615
Europe (mainly United Kingdom and Germany)	489,243	474,990	34,854	30,173
Others	190,693	196,714	2,448	2,232
	3,011,768	2,923,103	6,947,082	6,166,020

Note: Non-current assets exclude the Group's available-for- sale investments.

7. OTHER INCOME

Included in other income is interest earned on bank deposits and balances of HK$7,607,000 (2009: HK$5,199,000) and exchange gain of HK$2,210,000 (2009: HK$4,434,000).

8. DISCOUNT ON ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES

In prior year, Kantone, a listed subsidiary of the Group, proposed a rights issue of 1,014,761,471 rights shares at the subscription price of HK$0.1 per rights share on the basis of one rights share for every four existing shares of Kantone ("Kantone's Rights Issue"). The Company agreed to underwrite 500,253,388 shares at an underwriting commission of 2.5% of the total subscription price of the underwritten shares. As a result of Kantone's Rights Issue, the Company acquired an additional 647,613,442 shares of Kantone for a total subscription price of HK$64,761,000, resulting in a discount on acquisition of additional interest in Kantone of HK$56,377,000.

In prior year, the Group also received dividend income from Kantone in forms of shares of Kantone. A total of 63,280,664 shares of Kantone were received, resulting in a discount on deemed acquisition of additional interest in Kantone of HK$5,380,000. Also in the prior year, Kantone acquired additional interest in a subsidiary which has resulted in a discount on acquisition of HK$569,000.

As a result of the above transactions, the Group recognised an aggregate discount on acquisition of additional interest in subsidiaries of HK$62,326,000 for the year ended 30 June 2009.

No such income was recognised in profit or loss in the current year due to the application of HKAS 27 (Revised 2008) (see note 2).

9. LOSS ON DEEMED DISPOSAL OF A SUBSIDIARY

In prior year, Kantone acquired a subsidiary, Good Holdings Limited ("Good Holdings") (see note 33 for further details) for a consideration of HK$328,600,000 which was satisfied by the issue of 620,000,000 shares of Kantone. As a result of the foregoing, the Group has recognised a deemed loss on disposal of interest in Kantone of HK$51,848,000. The deemed loss on disposal was partially offset by gain on deemed disposal of Kantone of HK$9,000 as a result of the exercise of warrants by warrantholders of Kantone in prior year.

10. FINANCE COSTS

	2010	**2009**
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within three years	2,537	7,615
Interest expense on convertible bond	1,365	1,328
	3,902	8,943

11. PROFIT BEFORE TAXATION

	2010	**2009**
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration *(Note (i))*	10,228	7,814
Staff costs excluding directors' remuneration	111,118	107,281
Retirement benefit scheme contributions other than directors' *(Note (ii))*	8,423	6,508
Total staff costs	129,769	121,603
Amortisation on:		
Development costs for systems and networks, included in direct operating expenses	1,071,804	876,905
Intangible assets, included in general and administrative expenses	2,360	2,360
Depreciation of property, plant and equipment, included in general and administrative expenses	9,716	9,576
Total depreciation and amortisation	1,083,880	888,841
Auditor's remuneration	5,648	6,143
Cost of inventories recognised as expense	1,462,960	1,384,123
Minimum lease payments paid under operating leases in respect of:		
Rented premises	5,306	7,156
Motor vehicles	4,227	1,389
Research and development cost expensed	16,856	6,445
and after crediting:		
Net foreign exchange gain	2,210	3,501
Gain on disposal of property, plant and equipment	35	34

Notes:

(i) Information regarding directors' and employees' emoluments

Directors

Year ended 30 June 2010

	Fees HK'$000	Salaries and other benefit HK'$000	Performance related incentive payments HK'$000 (Note)	Retirement benefit scheme contributions HK'$000	Total directors' emoluments HK'$000
Executive directors					
Mr. Paul Kan Man Lok*					
– the Company	–	1,939	146	12	2,097
– Kantone	–	57	2,500	3	2,560
– Digital HK	–	114	–	5	119
	–	2,110	2,646	20	4,776
Mr. Leo Kan Kin Leung*					
– the Company	–	1,152	723	12	1,887
– Kantone	5	20	–	–	25
– Digital HK	10	18	–	–	28
	15	1,190	723	12	1,940
Mr. Lai Yat Kwong*					
– the Company	–	793	600	12	1,405
– Kantone	–	57	–	3	60
– Digital HK	10	18	–	–	28
	10	868	600	15	1,493
Non-executive directors					
Mr. Francis Gilbert Knight+					
– the Company	50	50	–	–	100
– Digital HK	30	50	–	–	80
	80	100	–	–	180
Mr. Frank Bleackley#					
– the Company	50	50	–	–	100
– Kantone	50	50	–	–	100
	100	100	–	–	200
Mr. Terry John Miller	50	207	–	–	257
Ms. Shirley Ha Suk Ling*					
– the Company	5	15	–	–	20
– Kantone	5	15	–	–	20
– Digital HK	–	850	380	12	1,242
	10	880	380	12	1,282
Mr. Lee Chi Wah	50	50	–	–	100
	315	5,505	4,349	59	10,228

Directors

Year ended 30 June 2009

	Fees HK$'000	Salaries and other benefit HK$'000	Performance related incentive payments HK$'000 (Note)	Retirement benefit scheme contributions HK$'000	Total directors' emoluments HK$'000
Executive directors					
Mr. Paul Kan Man Lok*					
– the Company	–	1,939	146	12	2,097
– Kantone	–	57	–	2	59
– Digital HK	–	114	–	6	120
	–	2,110	146	20	2,276
Mr. Leo Kan Kin Leung*					
– the Company	–	1,152	699	12	1,863
– Kantone	5	20	–	–	25
– Digital HK	10	18	–	–	28
	15	1,190	699	12	1,916
Mr. Lai Yat Kwong*					
– the Company	–	756	650	12	1,418
– Kantone	–	57	–	3	60
– Digital HK	10	18	–	–	28
	10	831	650	15	1,506
Non-executive directors					
Mr. Francis Gilbert Knight+					
– the Company	50	50	–	–	100
– Digital HK	30	50	–	–	80
	80	100	–	–	180
Mr. Frank Bleackley#					
– the Company	50	50	–	–	100
– Kantone	50	50	–	–	100
	100	100	–	–	200
Mr. Terry John Miller	50	207	–	–	257
Ms. Shirley Ha Suk Ling*					
– the Company	5	15	–	–	20
– Kantone	5	15	–	–	20
– Digital HK	–	780	365	12	1,157
	10	810	365	12	1,197

	Fees *HK$'000*	Salaries and other benefit *HK$'000*	Performance related incentive payments *HK$'000* *(Note)*	Retirement benefit scheme contributions *HK$'000*	Total directors' emoluments *HK$'000*
Prof. Liang Xiong Jian#					
– the Company	20	21	–	–	41
– Kantone	50	50	–	–	100
	70	71	–	–	141
Prof. Ye Pei Da#					
– the Company	50	50	–	–	100
– Kantone	21	20	–	–	41
	71	70	–	–	141
	406	5,489	1,860	59	7,814

* The director is also a director of Kantone and Digital HK, both of which are listed subsidiaries of the Company.

The director is also a director of Kantone.

+ The director is also a director of Digital HK.

The remuneration for non-executive directors comprises directors' fees and other emoluments which vary with the number of committees on which they serve.

Note: The performance related incentive payment is discretionary as may be decided by the board of directors provided that the total amount of bonus payable to all members of the board of directors for such year shall not exceed eight percent of the consolidated profit after taxation of the Group.

Employees

The five highest paid individuals of the Group included three (2009: two) directors of the Company, details of whose emoluments are set out above. The aggregate emoluments of the remaining two (2009: three) highest paid employees of the Group, not being directors of the Company, are as follows:

	2010 *HK$'000*	**2009** *HK$'000*
Salaries and other benefits	2,554	4,192
Performance related incentive payments	435	325
Retirement benefit scheme contributions	91	499
	3,080	5,016

Emoluments of these employees were within the following bands:

	Number of employee(s) 2010	2009
HK$1,000,001 – HK$1,500,000	1	–
HK$1,500,001 – HK$2,000,000	1	3
	2	3

(ii) **Retirement benefit scheme contributions**

	2010	2009
	HK$'000	*HK$'000*
Retirement benefit scheme contributions to the Group's defined contribution scheme	979	994
Retirement benefit scheme contributions to the Group's defined benefit scheme	7,503	5,573
	8,482	6,567

Defined contribution scheme

Certain subsidiaries of the Company participate in a retirement benefit scheme covering a portion of their employees. The assets of the scheme are held separately from those of the Group in funds under the control of an independent trustee.

The retirement benefit scheme contributions charged to the consolidated statement of comprehensive income represent contributions payable to the funds by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contribution payable by the Group is reduced by the amount of forfeited contributions.

Commencing from December 2000, the Group enrolled all eligible employees in Hong Kong into a mandatory provident fund (the "MPF") scheme. The retirement benefit cost of the MPF scheme charged to the consolidated statement of comprehensive income represents contributions to the MPF scheme by the Group at rates specified in the rules of the MPF scheme.

During the year, retirement benefit scheme contributions paid for the above scheme, amounted to HK$979,000 (2009: HK$994,000).

Defined benefit scheme

Certain subsidiaries of the Company operate a self- administered and funded pension scheme. The scheme provides defined pension benefits related to the final salary of the members at retirement and their length of service. The scheme is closed to new members.

The contributions which are determined by a qualified actuary on the basis of triennial valuations using the projected unit credit method are charged to the consolidated statement of comprehensive income. Under the scheme, the employees are entitled to a pension between 1.67% and 2.50% of final salary for each year of pensionable service at an age of 65. No other post-retirement benefits are provided. The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligations were carried out at 31 December 2008 by Ms. Alison Bostock ("Ms. Bostock"), Fellow of the Institute of Actuaries, and were updated to 30 June 2010 by Ms. Bostock for the accounting reporting purpose. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries, pensions and share dividends.

The main actuarial assumptions used were as follows:

	At 30 June 2010	**At 30 June 2009**
Discount rate	5.40%	6.40%
Expected return on scheme assets	6.90%	7.00%
Expected rate of salary increase	3.40%	3.50%
Future pension increases	3.40%	3.50%

The actuarial valuation updated to 30 June 2010 by Ms. Bostock showed that the market value of the scheme assets was HK$223,371,000 (2009: HK$210,234,000) and that the actuarial value of these assets represented 68% (2009: 69%) of the benefits that had accrued to members. The shortfall of HK$10,407,000, which is the excess of net unrecognised actuarial losses over the greater of 10% of the fair value of scheme assets and 10% of the present value of funded obligations, is to be cleared over the estimated remaining service period of current membership of 10 years.

Amounts recognised in the consolidated statement of comprehensive income in respect of the defined benefit pension scheme are as follows:

	2010 *HK$'000*	**2009** *HK$'000*
Current service cost	3,161	3,085
Interest on obligation	18,646	18,423
Expected return on plan assets	(14,304)	(15,935)
	7,503	5,573

The charge for the year has been included in cost of sales.

The amount included in the consolidated statement of financial position arising from the Group's obligations in respect of its defined benefit pension scheme is as follows:

	2010 *HK$'000*	**2009** *HK$'000*
Fair value of scheme assets	223,371	210,234
Present value of funded obligations	(328,404)	(303,635)
Net unrecognised actuarial loss	43,247	22,112
	(61,786)	(71,289)

Movements in the present value of the defined benefit obligation are as follows:

	2010 *HK$'000*	**2009** *HK$'000*
At beginning of the year	303,635	346,394
Currency realignment	(28,315)	(62,883)
Service cost	3,161	3,085
Interest cost	18,646	18,423
Actuarial loss	40,440	11,059
Contributions	1,562	1,409
Benefits paid	(10,725)	(13,852)
At end of the year	328,404	303,635

Movements in the fair value of plan assets are as follows:

	2010	**2009**
	HK$'000	*HK$'000*
At beginning of the year	210,234	261,287
Currency realignment	(19,370)	(47,409)
Expected return on plan assets	14,304	15,935
Actuarial gain (loss)	16,112	(16,964)
Contributions	12,816	11,237
Benefits paid	(10,725)	(13,852)
At end of the year	223,371	210,234

The fair value of plan assets and the expected rate of return at the end of the reporting period is analysed as follows:

	Expected return		**Fair value of plan assets**	
	2010	**2009**	**2010**	**2009**
			HK$'000	*HK$'000*
Equity instruments	7.20%	7.40%	199,283	184,165
Debt instruments	4.20%	4.40%	23,902	23,546
Other assets	0.50%	0.50%	186	2,523
			223,371	210,234

The weighted average rate of return of assets held is 6.90% (2009: 7.00%). The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The assumptions used in determining the overall expected return of the scheme have been set with reference to yields available on government bonds and appropriate risk margins.

The actual return on plan assets was HK$30,416,000 (2009: actual loss of HK$1,029,000).

The history of the plan for the current and prior periods is as follows:

	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Present value of defined benefit obligation	328,404	303,635	346,394
Fair value of plan assets	(223,371)	(210,234)	(261,287)
Deficit	105,033	93,401	85,107
Experience adjustments on plan liabilities	40,440	11,059	(12,997)
Experience adjustments on plan assets	16,112	(16,964)	4,186

12. TAXATION

	2010	2009
	HK$'000	*HK$'000*
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	–	–
Other jurisdictions	–	1,062
	–	1,062
Deferred taxation charge *(note 30)*	121	–
	121	1,062

Hong Kong Profits Tax is calculated at 16.5% (2009: 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 or not subject to taxation in any other jurisdictions.

The tax charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2010	2009
	HK$'000	*HK$'000*
Profit before taxation	124,151	104,280
Tax at Hong Kong Profits Tax rate of 16.5% (2009: 16.5%)	20,485	17,206
Tax effect of profit exempted or not subject to taxation in other jurisdictions	(17,994)	(22,573)
Tax effect of expenses not deductible for tax purposes	6,026	4,865
Tax effect of income not taxable for tax purposes	(15,873)	(6,216)
Tax effect of tax losses not recognised	7,521	8,111
Utilisation of tax losses previously not recognised	(16)	(481)
Others	(28)	150
Taxation for the year	121	1,062

13. DIVIDENDS

	2010	2009
	HK$'000	*HK$'000*
Final dividend proposed in scrip form equivalent to HK0.25 cents (2009: HK0.25 cents) per share, with a cash option	10,171	10,014
Interim dividend paid in scrip form equivalent to HK0.30 cents (2009: HK0.50 cents) per share, with a cash option	12,103	9,954
	22,274	19,968

The proposed final dividend for 2010 is calculated on the basis of 4,068,421,130 shares (2009: 4,005,530,338 shares) in issue on 30 June 2010.

14. EARNINGS PER SHARE

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

	2010	**2009**
	HK$'000	*HK$'000*
Earnings attributable to owners of the Company for the purpose of calculating basic earnings per share	88,649	74,630
Interest on convertible bond	1,365	1,328
Earnings for the purpose of calculating diluted earnings per share	90,014	75,958

	Number of shares ('000)	
	2010	**2009**
Weighted average number of shares for the purpose of calculating basic earnings per share	4,020,029	3,229,122
Effect of dilutive potential ordinary shares:		
Convertible bond	177,222	177,481
Weighted average number of shares for the purpose of calculating diluted earnings per share	4,197,251	3,406,603

The computation of diluted earnings per share in 2009 did not assume the exercise of warrants as the exercise price was higher than the average market prices of shares of the Company. The warrants expired in April 2009.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Plant and machinery and tele-communications networks HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 July 2008	62,918	1,018,316	16,516	7,277	1,105,027
Currency realignment	(4,149)	(58,926)	–	–	(63,075)
Additions	1,085	10,515	47	–	11,647
Disposals	(1,005)	(647)	(374)	(57)	(2,083)
At 30 June 2009	58,849	969,258	16,189	7,220	1,051,516
Currency realignment	(1,103)	(24,180)	–	–	(25,283)
Additions	–	15,064	903	905	16,872
Disposals	–	(914)	(338)	(261)	(1,513)
At 30 June 2010	57,746	959,228	16,754	7,864	1,041,592
DEPRECIATION AND IMPAIRMENT					
At 1 July 2008	26,013	997,519	15,925	6,984	1,046,441
Currency realignment	(1,108)	(55,933)	–	–	(57,041)
Provided for the year	1,743	7,292	354	187	9,576
Eliminated on disposals	(701)	(525)	(374)	(57)	(1,657)
At 30 June 2009	25,947	948,353	15,905	7,114	997,319
Currency realignment	(416)	(22,390)	–	–	(22,806)
Provided for the year	1,637	7,739	258	82	9,716
Eliminated on disposals	–	(886)	(338)	(261)	(1,485)
At 30 June 2010	27,168	932,816	15,825	6,935	982,744
CARRYING VALUES					
At 30 June 2010	30,578	26,412	929	929	58,848
At 30 June 2009	32,902	20,905	284	106	54,197

	2010 HK$'000	2009 HK$'000
The carrying values of the Group's property interests comprise:		
Freehold properties held outside Hong Kong	13,368	14,238
Leasehold properties:		
Held in Hong Kong		
– long leases	11,833	13,050
– medium term leases	2,496	2,428
Held outside Hong Kong		
– long leases	218	243
– medium term leases	2,663	2,943
	30,578	32,902

At 30 June 2010, certain land and buildings of the Group with a carrying value of HK$7,933,000 (2009: HK$10,262,000) were pledged to a bank as security for banking facilities granted to the Group.

Note: Owner-occupied leasehold land is included in property, plant and equipment as the allocations between the land and buildings elements cannot be made reliably.

The Group leases equipment to customers on operating leases terms. The carrying value of such equipment, which is included in plant and machinery and telecommunications networks, is as follows:

	2010	**2009**
	HK$'000	*HK$'000*
Customer equipment at cost	74,419	81,126
Less: Accumulated depreciation	(73,402)	(79,968)
Carrying value	1,017	1,158

16. DEVELOPMENT COSTS FOR SYSTEMS AND NETWORKS

	2010	**2009**
	HK$'000	*HK$'000*
COST		
At beginning of the year	6,527,462	5,091,079
Currency realignment	25	13
Additions	–	167,310
Transferred from deposits and prepaid development costs	1,759,212	1,269,060
At end of the year	8,286,699	6,527,462
AMORTISATION AND IMPAIRMENT		
At beginning of the year	3,388,741	2,347,256
Provided for the year	1,071,804	876,905
Impairment losses recognised	–	164,580
At end of the year	4,460,545	3,388,741
CARRYING VALUE		
At end of the year	3,826,154	3,138,721

Development costs for systems and networks include all direct costs incurred in the setting up and development of systems and networks. The Group's development costs for systems and networks (other than those that are not yet implemented for intended use) are amortised over the estimated economic useful lives of a maximum of five years.

In the prior year, management has determined that no future benefit will be generated for certain specific development costs and accordingly, the carrying amount of the respective development costs were fully impaired. The amount of impairment loss recognised was HK$164,580,000.

17. GOODWILL

Goodwill acquired in a business combination is allocated, at acquisition, to the following cash generating unit ("CGU"):

	2010 & 2009
	HK$'000
Provision of e-lottery services (included in the systems sales and licensing segment)	36,795

For each of the years ended 30 June 2010 and 2009, management of the Group determines that there was no impairment of its CGU containing goodwill.

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate, growth rate and expected changes to selling prices and direct costs during the period. Management estimates discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rate is based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

During the year, the Group performed impairment review for goodwill based on cash flow forecasts derived from the most recent financial budgets and projected for the next four (2009: four) years and discounted at a rate of 10% (2009: 10%) per annum which reflects current market assessments of the time value of money and the risks specific to the CGU. The growth rate is based on industry growth forecasts. Since the recoverable amount of CGU exceeded the carrying amount, no impairment loss was considered necessary.

18. INTANGIBLE ASSETS

	Licence rights
	HK$'000
COST	
Balance at 1 July 2008, 30 June 2009 and 30 June 2010	11,800
AMORTISATION	
Balance at 1 July 2008	6,490
Charge for the year	2,360
Balance at 30 June 2009	8,850
Charge for the year	2,360
Balance at 30 June 2010	11,210
CARRYING VALUE	
At 30 June 2010	590
At 30 June 2009	2,950

The licence rights for provision of e-lottery businesses were acquired as part of a business combination in previous years. The licence rights have definite useful lives and are amortised on a straight-line basis over the period of the right granted or 5 years, whichever is shorter.

19. AVAILABLE-FOR-SALE INVESTMENTS

	2010	2009
	HK$'000	*HK$'000*
Unlisted equity securities, at cost, in respect of:		
– Interest in e-commerce projects	104,410	104,410
– Interest in telecommunications projects	34,974	34,974
– Others	724,847	862,545
Impairment loss recognised	(236,083)	(373,781)
	628,148	628,148
Unlisted debt securities with guaranteed return, in respect of:		
– Interest in e-commerce projects	377,750	377,750
– Interest in telecommunications projects	360,201	360,201
– Others	576,909	1,553,832
Capital receipts from the investments	(1,314,860)	(1,726,754)
Impairment loss recognised	–	(104,197)
	–	460,832
	628,148	1,088,980

The unlisted debt securities with guaranteed return represent the Group's investments in certain securities which have guaranteed a pre-determined return to the Group over a fixed period of time. The pre-determined returns are non-interest bearing and are denominated in United States dollar. Payments receivable each year for investments with pre-determined return are apportioned between income and reduction of the carrying value of the investments so as to reflect a constant periodic rate of return.

In the current year, the Group disposed of certain unlisted investments to independent third parties with carrying amount of HK$413,386,000 for an equivalent amount of consideration. Hence, no gain or loss was recognised on disposal of these investments.

The unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated outside Hong Kong. They are measured at cost less any accumulated impairment losses at the end of the reporting period because the range of reasonable fair value estimates is so significant that the management are of the opinion that their fair values cannot be measured reliably.

In the prior year, the management has determined that certain unlisted debt securities with guaranteed return were irrecoverable. Full provision for impairment of HK$104,197,000 were made in the prior year in respect of these debt securities.

20. INTEREST IN AN ASSOCIATE

	2010	2009
	HK$'000	*HK$'000*
Unlisted shares, at cost	31	31
Impairment loss recognised	(31)	(31)
	–	–

Particulars of the Group's principal associates at 30 June 2010 and 2009 are as follows:

Name of company	Place of incorporation	Proportion of nominal value of issued capital held by the Company	Principal activities
Belcher Technology Limited	Samoa	31%	Provision of software consultation service and development of software systems

21. DEPOSITS AND PREPAID DEVELOPMENT COSTS

During the year, the management has determined that no future benefit will be generated for certain specific projects. Accordingly, the carrying amounts of the related deposits and prepaid development costs were fully impaired, amounting to HK$85,800,000 (2009: HK$40,560,000).

22. INVENTORIES

	2010	**2009**
	HK$'000	*HK$'000*
Raw materials	13,862	13,728
Work in progress	2,965	3,110
Finished goods	7,958	7,713
	24,785	24,551

23. TRADE AND OTHER RECEIVABLES

	2010	**2009**
	HK$'000	*HK$'000*
Trade receivables	834,049	827,794
Guaranteed distribution receivables	–	201,524
Advance to suppliers and other receivables	254,739	239,566
	1,088,788	1,268,884

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 guaranteed distribution receivables, advance to suppliers and other receivables are unsecured, non-interest bearing and payable on demand, which 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:

	2010	**2009**
	HK$'000	*HK$'000*
0-60 days	385,660	458,802
61-90 days	272,073	256,433
91-180 days	173,994	107,434
> 180 days	2,322	5,125
	834,049	827,794

Before accepting any new customer, the Group's finance and sales management team would assess the potential customer's credit quality and define the credit limit for the customers. Limits attributable to customers are reviewed regularly with reference to past settlement history. The Group's finance and sales management team considers trade receivables that are neither past due nor impaired to be of good credit quality as continuous repayments have been received.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$2,322,000 (2009: HK$5,125,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The age of these receivables ranged from 180 days to 320 days in both years.

The trade and other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2010	**2009**
	HK$'000	*HK$'000*
Hong Kong dollar	54,942	113,662

24. DEPOSITS, BANK BALANCES AND CASH AND BANK OVERDRAFTS

The Group's deposits, bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2010	**2009**
	HK$'000	*HK$'000*
United States dollar	8,872	219
Hong Kong dollar	2,833	2,390
Others	564	423

The deposits, bank balances and cash comprise short- term deposits with maturity of three months or less and cash held by the Group. The deposits carried interest at an average rate of 0.015% (2009: 0.002%).

Certain bank balances and cash of HK$8,254,000 (2009: HK$5,378,000) were denominated in Renminbi ("RMB"), which is not freely convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

Bank overdrafts

Bank overdrafts carry interest at an average rates of 4.3% (2009: 4.3%).

25. TRADE AND OTHER PAYABLES

As at 30 June 2010, the balance of trade and other payables included trade payables of the HK$15,022,000 (2009: HK$13,261,000). The aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	2010	**2009**
	HK$'000	*HK$'000*
0 – 60 days	11,127	8,035
61 – 90 days	547	775
91 – 180 days	3,348	3,417
> 180 days	–	1,034
	15,022	13,261

The credit period for purchases of goods ranged from 30 days to 60 days.

Other payables mainly represents receipt in advance and accruals.

26. WARRANTY PROVISION

	2010	2009
	HK$'000	*HK$'000*
At 1 July	1,513	2,136
Currency realignment	(154)	(314)
Provided during the year	1,124	1,932
Utilised during the year	(1,341)	(2,241)
At 30 June	1,142	1,513

The warranty provision represents the management's best estimate of the Group's liability under 12-month warranties granted on manufactured products, based on prior experience and industry average for defective products.

27. BANK LOANS

	2010	2009
	HK$'000	*HK$'000*
Bank loans bear interest at prevailing market rates and are repayable as follows:		
On demand or within one year	199,183	178,043
More than one year but not exceeding two years	4,183	4,565
More than two years but not exceeding three years	24,867	32,461
	228,233	215,069
Less: Amount due within one year shown under current liabilities	(199,183)	(178,043)
Amount due after one year	29,050	37,026

The above bank loans bear variable interest ranging from 1.3% to 2.8% (2009: 1.3% to 5.9%) per annum.

Bank loans of HK$33,233,000 (2009: HK$40,069,000) were secured by the Group's land and buildings with carrying value of HK$7,933,000 (2009: HK$10,262,000).

The carrying amounts of the group entities' foreign currency denominated bank loans at the reporting date are as follows:

	2010	2009
	HK$'000	*HK$'000*
Pound sterling	33,233	40,069

28. OTHER BORROWINGS

As at 30 June 2009, the other borrowings represented block discounting loans which were payable within one year and bore variable interest at an average rate of 9%. The amount was fully repaid during the year.

29. CONVERTIBLE BOND

	HK$'000
As at 1 July 2008	–
Issue of 1% convertible bond	188,553
Redeemed during the year	(52,092)
As at 30 June 2009 and 30 June 2010	136,461

The outstanding convertible bond as at 30 June 2010 may be early redeemed at the option of the Company or the convertible bond holder as mentioned in notes (d) and (e) below, at any time up to 19 September 2011 and thus are classified as current liabilities.

On 19 September 2008, the Company issued a convertible redeemable bond (the "Convertible Bond") in the principal amount of HK$188,553,000 pursuant to a sale and purchase agreement dated 13 August 2008 between the Company and Lawnside (the "Bondholder"). The principal terms of the Convertible Bond were as follows:

(a) The outstanding principal amount of the Convertible Bond may be converted at the option of the Bondholder in whole or in part into shares of HK$0.1 each in the Company at any time from the date of issue of the Convertible Bond (the "Issue Date") up to the second anniversary of the Issue Date (the "Maturity Date"), or the third anniversary of the Issue Date if the Company shall have given written notice for such extension of time to the Bondholder ten days prior to the second anniversary of the Issue Date, at a price equal to higher of initial conversion price of HK$0.77 (after adjustment on 23 May 2009 as a result of the rights issue of the Company) (the "Initial Conversion Price"), subject to adjustment; and the average of the volume-weighted average prices of the Company's shares for the ten dealing days ending on the day immediately preceding the date of a relevant conversion notice delivered by the Bondholder to the Company multiplied by a factor of 0.8.

(b) The Convertible Bond bears interest at the rate of 1% per annum and interest will be payable biannually in arrears in March and September in each year.

(c) Unless previously redeemed, converted or purchased and cancelled, the Convertible Bond will be redeemed at 100% of the principal amount at maturity plus any interest accrued thereon.

(d) The Company shall be entitled to require redemption of the Convertible Bond or any part thereof at any time commencing from the first anniversary of the Issue Date at a price equal to such principal amount of the Convertible Bond redeemed plus any interest accrued thereon.

(e) The Bondholder shall be entitled to require redemption of the Convertible Bond or any part thereof at any time commencing after the Issue Date in the event that the average of the closing prices of the Company's share on the Stock Exchange for each of the 15 consecutive dealing days falling within the period of 30 days immediately prior to the date of such notice of redemption is less than 50% of the Initial Conversion Price.

(f) The Maturity Date may be extended to 19 September 2011 at the option of the Company, by giving written notice for such extension to the Bondholder ten days prior to the Maturity Date.

As the conversion price was not fixed, the conversion option of the Convertible Bond would not result in settlement by the exchange of a fixed amount for fixed number of equity instruments. Therefore, the conversion option was regarded as a derivative.

The Convertible Bond included the liability component and embedded derivatives (including the conversion option and early redemption and extension options).

The fair value of the liability component of the Convertible Bond at 30 June 2010 was determined based on the present value of the estimated future cash flows discounted at the average yield of a group of non- convertible bond with similar credit rating and structure which incorporated appropriate adjustments to reflect possible impact of country factor, firm specific risk and liquidity risk.

The fair value of the conversion option embedded was calculated using the Binomial model. The key inputs were as follows:

	At 30 June 2010	**At 30 June 2009**
Stock price	HK$0.218	HK$0.275
Exercise price	HK$0.77	HK$0.77
Expected volatility	75%	94%
Maturity life	1.2 years	1.2 years
Risk-free rate	0.66%	0.23%
Expected dividend yield	2.5%	1.72%

The change in the fair value of the Convertible Bond was insignificant for both years, hence no fair value change was recognised in profit or loss.

On 12 August 2010, the Company had exercised the option to extend the maturity Date to 19 September 2011.

30. DEFERRED TAXATION

The following is the deferred taxation liability recognised and movement thereon:

	Accelerated tax depreciation	
	2010	**2009**
	HK$'000	*HK$'000*
Balance at beginning of the year	143	157
Currency realignment	17	(14)
Charged to profit or loss	121	–
Balance at end of the year	281	143

At the end of the reporting period, the Group had unused tax losses of approximately HK$418,909,000 (2009: HK$373,431,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

31. SHARE CAPITAL

	Number of shares *'000*	Amount *HK$'000*
Authorised share capital of HK$0.1 each:		
Balance at 1 July 2008, 30 June 2009 and 30 June 2010	30,000,000	3,000,000
Issued and fully paid share capital of HK$0.1 each:		
Balance at 1 July 2008	1,974,500	197,450
Issue of shares upon exercise of the Warrants	1	–
Issue of shares as 2008 final scrip dividend	16,325	1,632
Issue of shares as 2009 interim scrip dividend	23,878	2,388
Issue of shares upon rights issue	1,990,826	199,083
Balance at 30 June 2009 and 1 July 2009	4,005,530	400,553
Issue of shares as 2009 final scrip dividend	28,816	2,882
Issue of shares as 2010 interim scrip dividend	34,075	3,407
Balance at 30 June 2010	4,068,421	406,842

During the year, the following changes in the share capital of the Company took place:

(a) In January 2010, 28,816,281 shares of HK$0.1 each were issued at a price of HK$0.215 per share upon election by shareholders to receive shares in the Company in lieu of the 2009 final dividend in cash, pursuant to the scrip dividend scheme as detailed in a circular dated 21 December 2009;

(b) In June 2010, 34,074,511 shares of HK$0.1 each were issued at a price of HK$0.205 per share upon election by shareholders to receive shares in the Company in lieu of the 2010 interim dividend in cash, pursuant to the scrip dividend scheme as detailed in a circular dated 12 May 2010;

In prior year, the following changes in the share capital of the Company took place:

(a) 638 shares of HK$0.1 each were issued at HK$1.6 per share as a result of the exercise of the Warrants (as defined under the section headed "Warrants" below) of the Company by the warrantholders;

(b) In January 2009, 16,325,340 shares of HK$0.1 each were issued at a price of HK$0.2 per share upon election by shareholders to receive shares in the Company in lieu of the 2008 final dividend in cash pursuant to the scrip dividend scheme as detailed in a circular dated 16 December 2008;

(c) In June 2009, 23,877,848 shares of HK$0.1 each were issued at a price of HK$0.185 per share upon election by shareholders to receive shares in the Company in lieu of the 2009 interim dividend in cash pursuant to the scrip dividend scheme as detailed in a circular dated 13 May 2009;

(d) In June 2009, the Company issued 1,990,826,245 rights shares of HK$0.1 each at the subscription price of HK$0.1 per rights share on the basis of one rights share for every existing share held, details of the rights issue of the Company were set out in a prospectus dated 26 May 2009.

All shares issued rank pari passu with the then existing shares in issue in all respects.

Warrants

On 26 October 2007, the Company proposed a bonus issue of warrants (the "Warrants") to the shareholders of the Company whose names appeared on the register of members on 23 November 2007 (the "Record Date"). Pursuant to an ordinary resolution passed on the Record Date, 337,635,936 units of the Warrants were issued on 20 March 2008 to the shareholders of the Company to subscribe for shares of HK$0.1 each of the Company at an initial subscription price of HK$1.6 per share. The Warrants expired on 16 April 2009.

In prior year, the Warrants carrying subscription rights of HK$1,021 were exercised.

32. SHARE OPTION SCHEMES

Each of the Company, Kantone, a 53% owned subsidiary of the Company, and Digital HK, a 78% owned subsidiary of the Company, has a share option scheme under which eligible persons, including directors of the Company, Kantone, Digital HK or any of their respective subsidiaries, may be granted options to subscribe for shares in the Company, Kantone and Digital HK respectively.

(i) The Company

On 29 November 2002, the Company adopted a share option scheme (the "Champion Option Scheme") which, with a remaining life of about 2 years, will expire on 28 November 2012. The purpose of the Champion Option Scheme is to attract and to retain quality personnel and other persons and to provide them with incentive to contribute to the business and operation of the Group. Under the Champion Option Scheme, the directors may grant options to any directors, employees, consultants, advisors in respect of business, operation, management, technology, legal, accounting and financial matters of the Company, its subsidiaries or affiliates or any discretionary trust whose discretionary objects include the aforesaid persons or a company beneficially owned by the aforesaid persons as well as customers and suppliers of the Group, to subscribe for shares of the Company. The option granted by the Company is exercisable at any time for a period determined by its directors which will be less than ten years from the date of grant, where the acceptance date should not be later than 21 days after the date of offer.

The exercise price per share (subject to adjustment as provided therein) of the option under the Champion Option Scheme is the highest of (i) the nominal value of the shares; (ii) the closing price per share as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day; and (iii) the average closing price per share as stated in the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant. The maximum number of shares in respect of which the options may be granted under the Champion Option Scheme shall not exceed 10% of the issued share capital of the Company at the date of approval of the Champion Option Scheme. The total maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any one grantee in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue on the last date of such 12-month period, without prior approval from the Company's shareholders. No option has been granted by the Company under the Champion Option Scheme since its adoption.

(ii) Kantone

On 29 November 2002, Kantone adopted the share option scheme (the "Kantone Option Scheme") which, with a remaining life of about 2 years, will expire on 28 November 2012. The purpose of the Kantone Option Scheme is to attract and to retain quality personnel and to provide them with incentive to contribute to the business and operation of the Kantone Group. Under the Kantone Option Scheme, the directors may grant options to any eligible persons of the Kantone Group, including directors, employees, consultants, advisors in respect of business, operation, management, technology, legal, accounting and financial matters of Kantone, its subsidiaries or affiliates or any discretionary trust whose discretionary objects include the aforesaid persons or a company beneficially owned by the aforesaid persons as well as customers and suppliers of the Kantone Group, to subscribe for shares in Kantone. Options granted are exercisable at any time for a period determined by its directors which will be less than ten years from the date of grant, where the acceptance date should not be later than 21 days after the date of offer.

The exercise price per share (subject to adjustment as provided therein) of the option under the Kantone Option Scheme is equal to the highest of (i) the nominal value of the shares; (ii) the closing price per share as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day; and (iii) the average closing price per share as stated in the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant. The maximum number of shares in respect of which the options may be granted under the Kantone Option Scheme shall not exceed 10% of the issued share capital of Kantone at the date of approval of the Kantone Option Scheme. The total maximum number of shares which may be issued upon exercise of all outstanding options must not exceed 30% of the issued share capital of Kantone from time to time. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of Kantone in issue on the last date of such 12-month period, without prior approval from Kantone's shareholders. No share option has been granted by Kantone under the Kantone Option Scheme since its adoption.

(iii) Digital HK

On 29 November 2002, Digital HK adopted a share option scheme (the "DHK Option Scheme") which, with a remaining life of about 2 years, will expire on 28 November 2012. The purpose of the DHK Option Scheme is to attract and to retain quality personnel and other persons and to provide them with incentive to contribute to the business and operation of Digital HK and its subsidiaries (the "Digital HK Group"). Under the DHK Option Scheme, the directors may grant options to any directors, employees, consultants, advisors in respect of business, operation, management, technology, legal, accounting and financial matters of Digital HK, its subsidiaries or affiliates or any discretionary trust whose discretionary objects include the aforesaid persons or a company beneficially owned by the aforesaid persons as well as customers and suppliers of the Digital HK Group, to subscribe for shares of Digital HK. Options granted by Digital HK are exercisable at any time for a period of up to ten years from the date of grant, where the acceptance date should not be later than 21 days after the date of offer.

The exercise price of the option is the highest of (i) the nominal value of the shares; (ii) the closing price per share as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; and (iii) the average closing price per share as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant. The total maximum number of shares which may be issued upon exercise of all outstanding options must not exceed 30% of the issued share capital of Digital HK from time to time. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of Digital HK in issue on the last date of such 12-month period, without prior approval from Digital HK's shareholders. No option has been granted by Digital HK under the DHK Option Scheme since its adoption.

33. ACQUISITION OF ASSETS IN A SUBSIDIARY

In September 2008, Kantone acquired the entire issued share capital of Good Holdings for a consideration of HK$328,600,000 satisfied entirely by the issue of 620,000,000 shares of Kantone.

The assets acquired at the date of acquisition were as follows:

	HK$'000
Assets acquired:	
Deposits and prepaid development costs	328,600
Total consideration	328,600
Satisfied by:	
Shares of Kantone *(Note)*	328,600

Kantone acquired Good Holdings for the deposits and prepaid development costs which it has paid for development of gaming software and sports network systems, and hence the acquisition was accounted for as an acquisition of asset.

Note: The acquisition was satisfied by the issue of 620,000,000 ordinary shares of Kantone with par value of HK$0.1 each. The fair value of the ordinary shares of Kantone, determined using the published price available at the date of the acquisition, amounted to HK$328,600,000.

34. MAJOR NON-CASH TRANSACTIONS

In prior year, Kantone acquired a subsidiary for a consideration of HK$328,600,000 satisfied by the issue of 620,000,000 shares of HK$0.1 each of Kantone.

In prior year, the Company issued 1,990,826,245 rights shares of HK$0.1 each on the basis of one rights share for every existing share held. Lawnside had taken up and accepted rights entitlement in full under the rights issue in respect of 520,922,908 right shares. The subscription price of HK$52,092,000 were settled by a reduction of the principal amount of the Convertible Bond held by Lawnside.

35. CAPITAL COMMITMENTS

	2010 *HK$'000*	**2009** *HK$'000*
Capital expenditure in respect of property, plant and equipment and development costs for systems and networks authorised but not contracted for	207,980	269,600

36. OPERATING LEASE ARRANGEMENTS

The Group as leasee

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:

	2010		2009	
	Land and buildings	**Motor vehicles**	**Land and buildings**	**Motor vehicles**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Operating leases which expire:				
Within one year	2,430	2,411	4,424	2,575
In the second to fourth year inclusive	3,624	3,502	4,252	3,185
	6,054	5,913	8,676	5,760

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 tenants in respect of leasing of rented premises, plant and machinery and communication systems and equipment which fall due as follows:

	2010	**2009**
	HK$'000	*HK$'000*
Within one year	676	480
In the second to fifth year inclusive	17,817	20,519
After five years	5,461	5,726
	23,954	26,725

37. RELATED PARTY TRANSACTIONS

During the year, the Group has the following transactions with Lawnside, a substantial shareholder of the Company:

	2010	**2009**
	HK$'000	*HK$'000*
Nature of transactions		
Underwriting commission paid in respect of rights issue of the Company	–	3,675
Interest expense on Convertible Bond	1,365	1,328

These transactions were carried out after negotiation between the Group and the respective related parties.

The key management personnel are the executive directors of the Company and the five highest paid individuals. The details of remuneration paid to them are set out in note 11.

38. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 30 June 2010 and 2009 are as follows:

Name of subsidiaries	Place of incorporation/ operations	Nominal value of issued share capital/ registered capital	Proportion of nominal value of issued share capital held by the Company	Principal activities
100BESTSHOP.COM Limited	Hong Kong	Ordinary HK$2	100%	Provision of e-shopping and internet based activities
Aspire Management Limited	British Virgin Islands	Ordinary US$1,800,000	35.9% Δ	Investment holding
Big World International Limited	Samoa	Ordinary US$50,000	100%	Investment holding
Bingo Profits Limited	British Virgin Islands	Ordinary US$1	53.8%	Investment holding
Briar International Limited	Samoa	Ordinary US$50,000	100%	Software development
Champion (Cook Islands) Limited*	Cook Islands	Ordinary HK$1	100%	Investment holding
Champion Consortium Limited	British Virgin Islands/PRC	Ordinary US$1	100%	Strategic investment
Champion International Investments Limited	British Virgin Islands/PRC	Ordinary US$50,000	100%	Strategic investments inadvanced technology and e-commerce projects
Champion Luck International Limited	Hong Kong	Ordinary HK$2	100%	Property investment
Champion Million Industries Limited	Hong Kong	Ordinary HK$2	100%	Property investment
Champion Pacific Investment Limited	Hong Kong	Ordinary HK$2	100%	Property investment
Champion Technology Limited	Hong Kong	Ordinary HK$1,000 Deferred HK$1,000,000	100%	Sales of general systems products and provision of services and software licensing
Champnet Limited	Hong Kong	Ordinary HK$2	100%	Internet business
Chief Champion Limited	Hong Kong	Ordinary HK$1,000 Deferred HK$10,000	100%	Property investment
China Sports Network Limited	Samoa	Ordinary US$1,000,000	53.8%	Development of gaming software, sports contents, sports websites and sports network systems
Chinese Paging Company Limited	Hong Kong	Ordinary HK$1,000 Deferred HK$2,000,000	100%	Paging operations
Chinese Science &Technology Limited	Hong Kong	Ordinary HK$2	100%	Internet business

Name of subsidiaries	Place of incorporation/ operations	Nominal value of issued share capital/ registered capital	Proportion of nominal value of issued share capital held by the Company	Principal activities
Cyber Solutions Inc.	Samoa	Ordinary US$1	100%	Internet business
DIGITALHONGKONG.COM INC.	British Virgin Islands	Ordinary US$1	78.2%	Provision of an e-commerce platform for payment process for global business
DIGITALHONGKONG.COM*	Cayman Islands	Ordinary –HK$15,000,000	78.2%	Investment holding
DIGITAL COMMERCE LIMITED	Hong Kong	Ordinary HK$2	78.2%	Provision of an e-commerce platform and evaluation of e-commerce opportunities
Digital Hong Kong Limited	Hong Kong	Ordinary HK$2	78.2%	Provision of an e-commerce platform for payment process for retail customers and e-mall based in Hong Kong
Eagle Landmark Limited	British Virgin Islands	Ordinary US$1	100%	Provision of treasury services
ESP International Group Limited	Hong Kong	Ordinary HK$2	100%	Advertising and recruitment agency
Good Holdings Limited	Republic of Seychelles	Ordinary US$50,000	53.8%	Investment holding
Happy Commercial Company Limited	Macau	Ordinary MOP25,000	100%	Provision of documentation services and arrangement and business consultant
Happy Union Development Limited	Hong Kong	Ordinary HK$2	100%	Property investment
Harilela Kantone telecommunications Limited	Hong Kong	Ordinary HK$10,000	55%	Investment in telecommunicationsnetworks
High Win Limited	British Virgin Islands	Ordinary US$1	100%	Investment holding and strategic investment
Honest (Macao Commercial Offshore) Limited	Macau	Ordinary MOP100,000	78.2%	Provision of consulting services, data processing and selling activities
Hong Kong IT Alliance Limited	Hong Kong	Ordinary HK$2	100%	Information technology development
HydroCable Limited	British Virgin Islands	Ordinary US$1	100%	Investment holding
Internet Vehicles Limited	Hong Kong	Ordinary HK$2	100%	Provision of internet related services
Kannet Limited	Hong Kong	Ordinary HK$2	100%	Internet operations

Name of subsidiaries	Place of incorporation/ operations	Nominal value of issued share capital/ registered capital	Proportion of nominal value of issued share capital held by the Company	Principal activities
Kantel Limited	Hong Kong	Ordinary HK$2	100%	Investment in telecommunications networks
Kantone Holdings Limited*	Cayman Islands	Ordinary HK$523,420,758	53.8%	Investment holding
Kantone Paging Company Limited	Hong Kong	Ordinary HK$1,000 Deferred HK$2,000,000	100%	Trading of pagers and provision of paging services
Kantone (UK) Limited	United Kingdom	Ordinary £5,500,000	53.8%	Investment holding
Keen Pacific Limited	Samoa	Ordinary US$1	53.8%	Provision of treasury services
Kontone International Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
KTT (Cook Islands) Limited*	Cook Islands	Ordinary HK$10,000	100%	Investment holding
Lucky (Macao Commercial Offshore) Limited	Macau	Ordinary MOP100,000	100%	Provision of consulting services, research and development, and selling activities
Lucky Success Development Limited	Hong Kong	Ordinary HK$2	100%	Property investment
Lucky Tone Investments Limited	Hong Kong	Ordinary HK$2	100%	Property investment
M.C. Holdings Limited	Cayman Islands	Ordinary £5,500,002	53.8%	Investment holding
Marcotte Limited	Samoa	Ordinary US$1	100%	Investment holding
Multitone Electronics PLC	United Kingdom	Ordinary £3,830,107	53.8%	Investment holding, design and manufacture of communication systems
Multitone Electronics Sdn. Bhd.	Malaysia	Ordinary MR285,000	53.8%	Manufacture of communication systems and equipment
Multiton Elektronik GmbH	Germany	Ordinary €1,022,584	53.8%	Distribution of communication systems and equipment
Multitone Rentals Limited	United Kingdom	Ordinary £100	53.8%	Leasing of communication systems and equipment
New Telecomm Company Limited	Hong Kong	Ordinary HK$6,000,000	100%	Trading in telecommunications equipment and provision of related services
Peak Vantage Limited	British Virgin Islands/Macau	Ordinary US$1	53.8%	Provision of treasury services

Name of subsidiaries	Place of incorporation/ operations	Nominal value of issued share capital/ registered capital	Proportion of nominal value of issued share capital held by the Company	Principal activities
Pearl Delta Inc.	Samoa	Ordinary US$1	53.8%	Provision of treasury services
QQKK.COM Limited	Hong Kong	Ordinary HK$2	100%	Provision of e-commerce, m-commerce and internet based activities
Shenzhen Hengyu Science and Technology Company Limited#	PRC	Ordinary RMB24,000,000	35.9% Δ	Investment holding
Silverstrand Investments Limited	Samoa	Ordinary US$1	53.8%	Investment holding
Smart Delta Inc.	Samoa	Ordinary US$1	53.8%	Provision of treasury services
Smart (Macao Commercial Offshore) Limited	Macau	Ordinary MOP100,000	53.8%	Provision of services, software licensing and trading in communication systems and equipment
Success (Macao Commercial Offshore) Limited	Macau	Ordinary MOP100,000	53.8%	Provision of consulting services, research and development and selling activities
Top Gallop International Limited	British Virgin Islands	Ordinary US$1	100%	Investment holding
Very Happy International Limited	Hong Kong	Ordinary HK$2	100%	Property investment
Victory (Macao Commercial Offshore) Limited	Macau	Ordinary MOP100,000	100%	Provision of services, software licensing and trading in communication systems and equipment
Wollaston Limited	Samoa	Ordinary US$1	53.8%	Investment holding
Y28.COM Inc.	British Virgin Islands	Ordinary US$1	100%	Provision of e-commerce, m-commerce and internet based activities
Y28.COM Limited	Hong Kong	Ordinary HK$2	100%	Provision of e-commerce m-commerce and internet based activities
Y28 Innovations*	Cayman Islands	Ordinary HK$0.1	100%	Provision of e-commerce, m-commerce, and internet based activities
Zonal Care Incorporated	British Virgin Islands/Macau	Ordinary US$2	53.8%	Strategic investments in advanced technology and e-commerce projects

* Directly held by the Company

\# Wholly owned foreign enterprise for a term of 20 years commencing 17 October 2003.

^ Kantone holds 66.7% equity interest in these companies, hence it is accounted for as subsidiaries of the Group.

The deferred shares, which are held by the Group, of each of the above-mentioned subsidiaries entitled the holders thereof to:

(a) a fixed non-cumulative dividend at the rate of 5% per annum for any financial year of the company in question in respect of which the net profits of such company exceed HK$100,000,000,000; and

(b) on a winding-up, a return of the capital paid up on such shares out of the surplus assets of the company in question after a total sum of HK$100,000,000,000 has been distributed in such winding up in respect of each of the ordinary shares of such company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or constituted a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Save as disclosed, none of the subsidiaries had any debt securities subsisting at 30 June 2010 or at any time during the year.

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a bi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

4. STATEMENT OF INDEBTEDNESS

At the close of business on 30 November 2010, being the latest practicable date for ascertaining the indebtedness of the Group prior to the printing of this prospectus, the Group had outstanding secured bank borrowings comprising bank overdraft and bank loans of approximately HK$5.0 million and approximately HK$32.8 million respectively, unsecured bank loans of HK$148 million and redeemable convertible bond of approximately HK$136.5 million. As at 30 November 2010, apart from the bank borrowings of approximately HK$37.8 million secured by certain land and buildings of the Group with a carrying value of approximately HK$8.2 million, the remaining bank loans were unsecured. As at 30 November 2010, none of the indebtedness of the Group was guaranteed by parties external to the Group.

Save as aforesaid, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 30 November 2010.

5. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present available financial resources, the existing banking facilities available and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements and for the period up to twelve months from the date of this prospectus in the absence of unforeseen circumstances.

6. MATERIAL CHANGE

There has been no material change in the financial or trading position of the Group since 30 June 2010, being the date to which the latest published audited financial statements of the Group were made up.

7. BUSINESS OUTLOOK AND PROSPECTS OF THE GROUP

The Directors remain alert to further difficulties and challenges that may arise, despite some signs of easing of the global economic slowdown. Markets are expected to remain unsettled as fears grow over the health of some of the European economies, and there are concerns of a recession in the United States. Meanwhile, China, including Hong Kong, has adopted tightened credit policies and fiscal measures to combat inflation. The prospect of further cooling measures may slow down the economic recovery. As such, the Group will continue its prudent stand on financial planning and management. It is committed to maintaining a positive financial position with low gearing in order to strive for stable growth.

The Group is in technology business, where innovation is the key to sustained growth. Innovation in turn is derived from continued investment and development, be it new markets, new products, or new services which are able to meet changing customer needs. Going forward, the Group will continue to plan for the years ahead by investing in new products and solutions for both existing and new markets. As information technology is now widely adopted across industries and businesses, as well as in people's daily lives, new opportunities will emerge where the Group will continue to leverage on its technology and business expertise, as well as its competitive strengths. In particular, building on its proven and trusted client relationships and strategic partnerships established over the past decade, the Group has explored and invested in new areas such as green technology, transportation, logistics, energy, and information medicine where global demand continues to surge. Such investments hopefully will bear fruit and bring long-term value to the Shareholders.

1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The unaudited pro forma statement of adjusted consolidated net tangible assets attributable to owners of the Company has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the consolidated net tangible assets attributable to owners of the Company as if the Rights Issue had been taken place on 30 June 2010.

The unaudited pro forma statement of adjusted consolidated net tangible assets attributable to owners of the Company is prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of the Group as at the date to which it is made up or at any future date.

	Audited consolidated net tangible assets attributable to owners of the Company as at 30 June 2010	**Adjustment**	**Unaudited adjusted consolidated net tangible assets attributable to owners of the Company as at 30 June 2010**	**Unaudited adjusted consolidated net tangible assets attributable to owners of the Company per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on 1,808,187,168 Rights Shares issued	3,804,181	263,828	4,068,009	0.692

Notes:

1. The audited consolidated net tangible assets attributable to owners of the Company as at 30 June 2010 of approximately HK$3,804 million represents the net assets attributable to owners of the Company of approximately HK$7,062 million, as extracted from the audited consolidated statement of financial position of the Group as at 30 June 2010 set out in Appendix I to this prospectus, and deducting development costs for systems and networks, goodwill and intangible assets of approximately HK$3,258 million in aggregate (net of the portion attributable to non-controlling interests of approximately HK$605 million).

2. The adjustment to the audited consolidated net tangible assets attributable to the owners of the Company as at 30 June 2010 represents the estimated net proceeds from the Rights Issue of approximately HK$263.8 million, which is calculated based on 1,808,187,168 Rights Shares to be issued to the Qualifying Shareholders at the subscription price of HK$0.15 per Rights Share and after deduction of the estimated related expenses, including underwriting commission, legal and professional fees and other related expenses of approximately HK$7.4 million.

   Such adjustment is calculated based on the assumption that all 1,808,187,168 Rights Shares offered by the Company would be accepted by the Qualifying Shareholders, regardless of whether those Rights Shares would be subscribed by (i) Lawnside, a Qualifying Shareholder of the Company and the holder of the Outstanding Convertible Bond which remained outstanding as at 30 June 2010, the Rights Issue subscription price of which will be set off against the principal amount of Outstanding Convertible Bond, in whole or in part, for up to a principal amount of approximately HK$136.5 million (see below for details); or (ii) other Qualifying Shareholders.

On 29 November 2010, the Company and Lawnside entered into the Underwriting Agreement in which Lawnside agreed to underwrite 1,327,385,456 Rights Shares, being the total number of 1,808,187,168 Rights Shares under the Rights Issue after deducting 480,801,712 Rights Shares undertaken to be subscribed by Lawnside pursuant to its Irrevocable Undertaking.

Pursuant to the Underwriting Agreement, the total subscription price of the Rights Shares to be taken up and underwritten by Lawnside will be set off, in whole or in part, against the principal amount of the Outstanding Convertible Bond, for up to a principal amount of approximately HK$136.5 million. In addition, the Directors are of the view that the audited carrying amount of the Outstanding Convertible Bond as at 30 June 2010 (which is carried at fair value through profit or loss) approximates its principal amount. As a result, the above-mentioned undertaking and arrangement with Lawnside will not affect the pro forma adjustment of approximately HK$263.8 million to the audited consolidated net tangible assets attributable to the owners of the Company as at 30 June 2010 for illustration of the impact of the Rights Issue (though the net cash proceeds to be received by the Company from the Rights Issue may be different, depending on the number of Rights Shares that are subscribed by the Qualifying Shareholders other than Lawnside).

The above are hypothetical in nature and may not be indicative of the actual financial impact of the Rights Issue on the financial position of the Group as at 30 June 2010 or any future date. Also, the carrying amount of the Outstanding Convertible Bond as at the date of issue of the Rights Shares may not approximate their then principal amount.

3. The calculation of the unaudited adjusted consolidated net tangible assets attributable to owners of the Company per Share is based on 5,876,608,298 Shares, which will be the total number of Shares expected to be in issue after the Rights Issue, representing the 4,068,421,130 Shares in issue as at 30 June 2010 and at the Latest Practicable Date and the 1,808,187,168 Rights Shares.

2. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The following is the text of a report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.
德勤

TO THE DIRECTORS OF CHAMPION TECHNOLOGY HOLDINGS LIMITED

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets of Champion Technology Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the rights issue of 1,808,187,168 rights shares of HK$0.1 each at the subscription price of HK$0.15 per rights share on the basis of four rights shares for every nine existing shares held might have affected the consolidated net tangible assets attributable to owners of the Company presented, for inclusion in Appendix II to the prospectus of the Company dated 10 January 2011 (the "Prospectus"). The basis of preparation of the unaudited pro forma statement of adjusted consolidated net tangible assets is set out in Appendix II to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma statement of adjusted consolidated net tangible assets in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma statement of adjusted consolidated net tangible assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma statement of adjusted consolidated net tangible assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of adjusted consolidated net tangible assets with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma statement of adjusted consolidated net tangible assets is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2010 or any future date.

Opinion

In our opinion:

a) the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
10 January 2011

RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable inquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

DIRECTORS

Executive Directors

Dr. Paul Kan Man Lok, CBE, Comm OSSI, Chevalier de la Légion d'Honneur, SBS, JP, 63, is the founder of the Group and the Chairman and an executive director of the Company, Kantone and DHK. Mr. Kan holds a Master's degree in Business Administration from the Chinese University of Hong Kong and has over 40 years of experience in the computing and telecommunications industries.

Leo Kan Kin Leung, 54, is the Chief Executive Officer and an executive director of the Company, as well as a non-executive director of Kantone and DHK. He is a brother of Mr. Kan. Prior to joining the Group in 1988, he held management positions in several international companies in Hong Kong. He holds a Master's degree in Business Administration from Dalhousie University in Canada and a Master's degree in Economics from the University of Alberta in Canada. In 2006, he completed the Oxford Advanced Management Programme at the Saïd Business School of the University of Oxford.

Lai Yat Kwong, 62, is the Chief Financial Officer and an executive director of the Company. He is also the Acting Chief Executive Officer and Chief Financial Officer and an executive director of Kantone, as well as a non-executive director of DHK. He joined the Group in March 1994 as Vice President of Internal Audit and Control. In July 1997, he took on responsibility as the Chief Financial Officer of Kantone. He holds a Bachelor's degree in Business Administration from the Chinese University of Hong Kong and has over 38 years of experience in accounting, auditing and company secretarial matters. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants (Practising).

The business address of the executive Directors is at 3rd Floor, Kantone Centre, 1 Ning Foo Street, Chaiwan, Hong Kong.

Non-executive Director

Shirley Ha Suk Ling, 54, has been a non-executive Director since November 2004. She is also the Chief Executive Officer and an executive director of DHK, as well as a non-executive director of Kantone. She joined the Company in 1992 as its Executive Vice President with responsibility for its corporate development. She has over 25 years of business experience including 10 years in investment banking. Ms. Ha holds a Bachelor's degree in Arts from the University of Hong Kong and a Master's degree in Business Administration from the Chinese University of Hong Kong.

The business address of Ms. Shirley Ha Suk Ling is at 3rd Floor, Kantone Centre, 1 Ning Foo Street, Chaiwan, Hong Kong.

Independent Non-executive Directors

Terry John Miller, 71, has been an independent non-executive Director since 1992. He has extensive experience in business management and operations. His residential address is at Apartado 3593, Almancil 8135, Algarve, Portugal.

Francis Gilbert Knight, 81, has been an independent non-executive Director since February 2000. He is also an independent non-executive director of DHK. He has over 20 years' experience in the field of copyright protection, security and commercial investigations. His residential address is at Miramar Villa, Flat 7 10th Floor, 2B Shiu Fai Terrace, Stubbs Road, Hong Kong.

Frank Bleackley, 73, has been an independent non-executive Director since November 2001. He is also an independent non-executive director of Kantone. He has considerable experience in the management and business development of joint venture companies in Hong Kong and Mainland China. His residential address is at 1706 Lions Tower, Kobe Kyukyoryuchi, 106 Ito-Cho, Chuo-Ku, Kobe-Shi 650-0032, Japan.

Lee Chi Wah, 54, has been an independent non-executive Director of the Company since July 2009. He has over 28 years' professional experiences in information technology and telecommunications industries. He holds a Master's degree in Business Administration from University of Western Sydney in Australia and a Bachelor of Science honours degree in Electronic Engineering from the Chinese University of Hong Kong. He is also a Chartered Professional Engineer – IT & E (MIEAust CPEng) and Chartered National Professional Engineers Register (NPER) of The Institution of Engineers, Australia. His residential address is at 46A Emily Street, Hurstville, NSW 2220, Australia.

CORPORATE INFORMATION

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and principal place of business	3rd Floor, Kantone Centre 1 Ning Foo Street Chaiwan Hong Kong
Company secretary	Jennifer Cheung Mei Ha, a solicitor practising in Hong Kong
Authorised representatives	Leo Kan Kin Leung and Jennifer Cheung Mei Ha
Auditors	Deloitte Touche Tohmatsu Certified Public Accountants 35th Floor, One Pacific Place 88 Queensway Hong Kong
Principal share registrar and transfer agent	Butterfield Fund Services (Bermuda) Limited 65 Front Street Hamilton Bermuda
Branch share registrar in Hong Kong	Tricor Secretaries Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal bankers	The Bank of Tokyo-Mitsubishi UFJ, Ltd. 8th Floor, AIA Central 1 Connaught Road Central Hong Kong DBS Bank (Hong Kong) Limited 16th Floor, The Center 99 Queen's Road Central Central Hong Kong The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong Standard Chartered Bank (Hong Kong) Limited Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong

PARTIES INVOLVED IN THE RIGHTS ISSUE

Underwriter	Lawnside International Limited P.O. Box 71 Craigmuir Chambers Road Town Tortola British Virgin Islands
Financial adviser to the Company	Quam Capital Limited 32nd Floor, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
Legal advisers to the Company	*As to Hong Kong law* Jennifer Cheung & Co. Unit A, 19th Floor Two Chinachem Plaza 68 Connaught Road Central Hong Kong *As to Bermuda law* Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Hong Kong

DISCLOSURE OF INTERESTS

Interests of the Directors

As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange (except the changes arising as a result of the Underwriting Agreement) were as follows:

Name	Nature of interest	Number of shares	Approximate percentage of the issued share capital
Securities of the Company:			
Mr. Kan	Corporate interest	1,081,803,853 *(Note 1)*	26.59%
Securities of Kantone:			
Mr. Kan	Corporate interest	2,815,507,171 *(Note 2)*	53.79%
Securities of DHK:			
Mr. Kan	Corporate interest	119,969,171 *(Note 3)*	79.98%

Notes:

1. These Shares were held by Lawnside. Lawnside also held the Outstanding Convertible Bond. The Convertible Bond has not been taken into account in calculating the percentage of the issued share capital of the Company held by Lawnside.

2. These shares of Kantone were held by the Company. Lawnside, which is beneficially wholly owned by Mr. Kan, had interests in approximately 26.59% of the entire issued share capital of the Company. Mr. Kan was deemed to have corporate interest in shares owned by the Company.

3. 117,300,000 shares of DHK were held by the Company and 2,669,171 shares of DHK were held by Lawnside.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to be notified to the Company and the Stock Exchange (except the changes arising as a result of the Underwriting Agreement).

Interests of other persons in the share capital of the Company

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (except the changes arising as a result of the Underwriting Agreement):

Name	Nature of interest	Number of Shares	Approximate percentage of the issued share capital
Lawnside *(Note)*	Beneficial owner	1,081,803,853	26.59%

Note: See Note 1 to the sub-paragraph headed "Interests of the Directors" above.

Save as disclosed above, taking no account of Shares which may be taken up under the Rights Issue, the Directors are not aware of any person who will immediately following the Rights Issue hold or be beneficially interested in 5% or more of the Shares then in issue.

Interests in other members of the Group

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of the following subsidiaries of the Company:

(a) Shanghai Industrial Investment (Holdings) Company Limited was interested in approximately 10.79% of the issued share capital of Kantone;

(b) Silicon Valley Technology (Hong Kong) Limited was interested in 45% of the issued share capital of Harilela Kantone Telecommunications Limited;

(c) each of Mr. Lo Ming Chi, Charles and Mr. Wang Yu Peng was interested in approximately 16.67% of the issued share capital of Aspire Management Limited;

(d) Mr. Wang Yu Peng and Shenzhen Helper Information Technology Co., Ltd. were interested in approximately 23.08% and approximately 15.38% respectively of the issued share capital of Shenzhen Helper Science Development Co Ltd;

(e) Bharat Electronics Limited was interested in 49% of the issued share capital of Bel Multitone Limited;

(f) China Sport United Investment Limited had 60% equity interests in China Sports Technology Inc.;

(g) China Sport United Investment Limited and Beijing Huizhong Tong Chan Investment Company Limited had 49% and 10% equity interests in China Sports (Beijing) Printing Company Limited respectively; and

(h) China Sport United Investment Limited and Beijing Huizhong Tong Chan Investment Company Limited had 30% and 10% equity interests in China Sports (Beijing) Digital Technology Company Limited respectively.

Interests of expert in the Group

The expert named in the paragraph headed "Qualification of the expert" in this appendix does not have any shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group.

Interests in contract or arrangement

None of the Directors has any interests in contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole.

Interests in assets

None of the Directors or the expert named in the paragraph headed "Qualification of the expert" in this appendix has any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2010, being the date to which the latest published audited accounts of the Company were made up.

Service contracts

The Company and the Directors named below entered into service contracts for fixed terms from the respective commencement dates mentioned below with more than 12 months to run until they shall retire by rotation in an annual general meeting of the Company in accordance with the bye-laws of the Company, particulars of which are as follows:

Name	Date of contract	Commencement date	Annual remuneration
Frank Bleackley	31 December 2009	1 January 2010	HK$100,000 *(Note)*
Lee Chi Wah	27 November 2009	27 November 2009	HK$100,000 *(Note)*
Terry John Miller	29 November 2010	29 November 2010	HK$100,000 *(Note)*
Francis Gilbert Knight	29 November 2010	29 November 2010	HK$100,000 *(Note)*
Shirley Ha Suk Ling	29 November 2010	29 November 2010	HK$20,000 *(Note)*

Note: These consist of (a) director's fee of HK$5,000 for Ms. Shirley Ha Suk Ling and HK$50,000 for each of the other four Directors; and (b) remuneration as members of various committees of the Company of HK$15,000 for Ms. Shirley Ha Suk Ling and HK$50,000 for each of the other four Directors which are subject to change from time to time with reference to prevailing appointment of the relevant Director to different committee(s) of the Company by the Board.

Kantone and the Directors named below entered into service contracts for fixed terms from the respective commencement dates mentioned below with more than 12 months to run until they shall retire by rotation in an annual general meeting of Kantone in accordance with the articles of association of Kantone, particulars of which are as follows:

Name	Date of contract	Commencement date	Annual remuneration
Frank Bleackley	1 December 2009	1 December 2009	HK$100,000 *(Note)*
Leo Kan Kin Leung	2 July 2010	2 July 2010	HK$25,000 *(Note)*
Shirley Ha Suk Ling	29 November 2010	29 November 2010	HK$20,000 *(Note)*

Note: These consist of (a) director's fee of HK$5,000 for Mr. Leo Kan Kin Leung and Ms. Shirley Ha Suk Ling and HK$50,000 for Mr. Frank Bleackley; and (b) remuneration as members of various committees of Kantone of HK$20,000 for Mr. Leo Kan Kin Leung, HK$15,000 for Ms. Shirley Ha Suk Ling and HK$50,000 for Mr. Frank Bleackley which are subject to change from time to time with reference to prevailing appointment of the relevant Director to different committee(s) of Kantone by the board of Kantone.

DHK and the Directors named below entered into service contracts for fixed terms from the respective commencement dates mentioned below with more than 12 months to run until they shall retire by rotation in an annual general meeting of DHK in accordance with the articles of association of DHK, particulars of which are as follows:

Name	Date of contract	Commencement date	Annual remuneration
Leo Kan Kin Leung	31 December 2009	3 January 2010	HK$28,000 *(Note)*
Lai Yat Kwong	31 December 2009	3 January 2010	HK$28,000 *(Note)*
Francis Gilbert Knight	29 November 2010	29 November 2010	HK$80,000 *(Note)*

Note: These consist of (a) director's fee of HK$10,000 for each of Mr. Leo Kan Kin Leung and Mr. Lai Yat Kwong and HK$30,000 for Mr. Francis Gilbert Knight; and (b) remuneration as members of various committees of DHK of HK$18,000 for each of Mr. Leo Kan Kin Leung and Mr. Lai Yat Kwong and HK$50,000 for Mr. Francis Gilbert Knight which are subject to change from time to time with reference to prevailing appointment of the relevant Director to different committee(s) of DHK by the board of DHK.

Save as disclosed above, there is no existing or proposed service contract between any member of the Group and any Director (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations)).

MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

(a) an underwriting agreement dated 23 March 2009 between (1) Kantone and (2) the Company relating to a rights issue of 1,014,761,471 shares of Kantone at HK$0.10 each;

(b) an underwriting agreement dated 16 April 2009 between (1) the Company and (2) Lawnside relating to a rights issue of 1,990,826,245 Shares at HK$0.10 each; and

(c) the Underwriting Agreement.

LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

QUALIFICATION OF THE EXPERT

The qualification of the expert who has given opinion in this prospectus is as follow:

Name	**Qualification**
Deloitte Touche Tohmatsu	Certified Public Accountants

CONSENT

The expert named in the paragraph headed "Qualification of the expert" in this appendix has given and has not withdrawn its written consent to the issue of this prospectus with copy of its report and the references thereto and to its name included herein in the form and context in which they are respectively included.

LEGAL EFFECT

This prospectus, the PAL and the EAF, and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong.

BINDING EFFECT

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

DOCUMENTS DELIVERED AND TO BE DELIVERED TO THE REGISTRARS OF COMPANIES

A copy of this prospectus, together with copies of the PAL and EAF, and the written consent referred to in the paragraph headed "Consent" in this appendix, has been delivered to the Registrar of Companies in Hong Kong for registration pursuant to section 342C of the Companies Ordinance. A copy of this prospectus, together with copies of the PAL and EAF, will be filed with the Registrar of Companies in Bermuda in compliance with the Companies Act.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Jennifer Cheung & Co. at Unit A, 19th Floor, Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong during normal business hours up to and including 24 January 2011:

(a) the memorandum of continuance and the bye-laws of the Company;

(b) the annual reports of the Company for the two years ended 30 June 2010;

(c) the accountants' report on the unaudited pro forma statement of adjusted consolidated net tangible assets attributable to owners of the Company issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;

(d) the service contracts referred to in the paragraph headed "Disclosure of interests" in this appendix;

(e) the material contracts referred to in the paragraph headed "Material contracts" in this appendix; and

(f) the written consent referred to in the paragraph headed "Consent" in this appendix.