

HALF YEAR HIGHLIGHTS

(Six months ended 31 December 1999)

- * Improved results over last period, profit up 15%
- * Expansion of Internet, e-Commerce and m-Commerce activities
- * Roll-out of PC2A, the flagship of web-based wireless delivery solution and mobile commerce platform
- * Launch of open payment platform by DIGITALHONGKONG.COM
- * Spin-off and separate listing of DIGITALHONGKONG.COM on GEM
- * Launch of dual portal network by Y28.COM

INTERIM RESULTS

The unaudited consolidated results of Champion Technology Holdings Limited (the Company) and its subsidiaries (together the Group) for the six months ended 31 December 1999 together with comparative figures for the last corresponding period are as follows: --

	Notes	Six months ended 31 December	
		1999 HK\$'000	1998 HK\$'000
Turnover		771,422	749,785
Operating Costs		(384,548)	(392,250)
Gross Profit		386,874	357,535
Other Revenue		13,148	11,288
Research and Development		(29,924)	(12,478)
General and Administration Expenses		(68,489)	(71,419)
Amortisation and Depreciation		(100,186)	(104,683)
Profit from operations		201,423	180,243
Finance Costs		(19,122)	(20,548)
Profit before Taxation		182,301	159,695
Taxation	(1)	(1,612)	(814)
Profit before Minority Interests		180,689	158,881
Minority Interests		(22,638)	(21,522)

Profit for the period	158,051	137,359
Interim dividend	(6,617)	(4,169)

Retained profit for the period	151,434	133,190
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Earnings per share	(2)	
---Basic	3.0cents	4.1 cents
--- Diluted	2.9 cents	N/A

Notes:

(1) Taxation

Six months ended	
31 December	
1999	1998
HK\$0000	HK\$0000

The charge comprises:

Hong Kong Profits Tax	1,720	1,410
Overseas taxation	33	-

Deferred taxation	1,753	1,410
	Ð((141)	(596)
	1,612	814

Hong Kong Profits Tax is calculated at 16 per cent on the estimated assessable profits derived from Hong Kong. Overseas taxation 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 profit neither arises in, nor is derived from Hong Kong and is accordingly not subject to Hong Kong Profits Tax or taxation in any other jurisdictions.

(2) Earnings per share

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

	Six months ended	
	31 December	
	1999	1998
	HK\$0000	HK\$0000
Earnings for the purpose of calculating basic earnings per share	158,051	137,359
Adjustment to the share of result of a subsidiary based on dilution of its earnings per share	(1,477)	N/A
Earnings for the purpose of calculating diluted earnings per share	156,574	N/A
	Number of shares	
Number of shares for the purpose of calculating basic earnings per share	5,200,870,000	3,335,088,000
Potential dilutive shares issuable under the Company's share option scheme and warrants	178,185,000	N/A

Weighted average number of shares for the purpose of calculating diluted earnings per share

5,379,055,000

N/A

o diluted earnings per share has been presented for the six months ended 31 December 1998 as the outstanding options have no dilutive effect.

NREVIEW OF OPERATIONS

Turnover of the Group amounted to HK\$771,422,000 for the six months ended 31 December 1999, representing an increase of 3 per cent over the previous years figure of HK\$749,785,000. Profit for the half year was HK\$158,051,000, up 15 per cent, and earnings per share was HK3 cents.

During the period under review, the Group continued to forge ahead with its Internet, e-Commerce and m-Commerce plans as mapped out in the Groups strategy two years ago. The Group had realigned its various communications and Internet-based activities under the four banners of e-Commerce, Internet Content and Community, Telecommunications Networks, and Internet Enabling Technologies. A summary of the key developments is provided below:

[PC2A.com](#)

PC2A (short form for Personal Communications to Anywhere at Anytime) is targeted to be the flagship of the Group's web-based wireless delivery solution and mobile commerce platform. Several of the Group enterprise customers had introduced the beta version of PC2A which focuses on wireless delivery of critical and time-sensitive information, which parameters are pre-determined by users, to a range of mobile receivers, including the cellular, cordless handset, and the message pager. The purpose of this killer application which involves a unique push technology is to enable knowledge workers to be connected to critical information and to take remedial action on any emergency occurrences.

The Group is in discussion with various business and technical partners with a view to more fully realising the potential of PC2A, not only as a knowledge-based solution for enterprise applications, but also as the de facto wireless Internet platform that delivers knowledge management tools for both individual and corporate use with broad-based e-Commerce and m-Commerce applications. Interested parties include potential investors and financial institutions with global footprint to deploy the PC2A solution.

Spin-off of [DIGITALHONGKONG.COM](#)

The Group's e-Commerce subsidiary, [DIGITALHONGKONG.COM](#) (DHK), is a CSP (commerce service provider) engaged in web-based electronic payment processing services for merchants and e-malls. It soft launched its services in September 1999 when one of its payment engines was installed. The plan is to build an open payment platform that is capable of interfacing with multiple payment gateways of financial acquirers, and to support different payment options for both b-c and b-b applications. Commercial launch of the e-payment services is expected to take place in mid 2000.

The spin-off is in the form of placing of new shares, and existing shareholders of Champion will be entitled to a distribution in specie of DHK shares pro-rata to their shareholdings. The listing is on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (GEM) Board, and dealings are expected to commence around mid-April 2000.

[Y28.com](#)

Significant progress has been made in both content aggregation and brand building for the Groups dual portals, under the banners of KannelHK.com, and Y28.com. Launched in February

2000, Y28.com targets at the young generation, and now carries 12 channels of content organised into topics, covering Current News, Business and Finance, Horse Racing, Entertainment, IT, Sports, Lifestyle, Education, Mark Six, Customer Service, Travel, and Predictions ("28ÆFÃ±"). Y28.com pioneers the English translation of predictions on the Internet. Y28.com has attracted a growing viewership over a short period of time.

Other Internet investments

The Group has also stepped up its efforts and increased its investment in other start-up ventures, which are primarily Internet business models with a first mover advantage. The Groups portfolio of Internet investments includes various web-sites focusing on niche content and areas of special interest such as horse racing and online analysis, audio, lost and found items, healthcare and relationship consultation; a developer of 3-D online games; an Applications Services Provider (ASP); a provider of IP telephony and other IP-based value-added services; an Internet security and broadband connectivity play; an industry specific b-b exchange; and a number of e-Commerce joint ventures with prominent industry players. All these investments are in line with the Groups strategy of leveraging and creating synergy with existing business activities.

MANAGEMENT TEAM

With a view to accelerating the Groups push into the new economy and faster-growing operations, the management team has been significantly strengthened.

Meanwhile, Paul Kan, Chairman and CEO of Champion, announced that with effect from 1 April 2000, he will step down as CEO of Champion, while remaining as Chairman. These are exciting times in our industry. We have to embrace the new economic order to ride on the new business opportunities, and we must refocus and reallocate our resources and talents against our key priorities and challenges. I intend to devote all of my time to nurturing the start-ups and other incubation projects, both within and without the Champion Group; driving the direction for the new and upcoming spin-offs; building great software; and strategising on the future. **Mr. Leo Kan**, Executive Director and Corporate Treasurer with responsibility for the overall administration and management operations of the Group, will assume the position of Chief Executive Officer of the Champion Group.

FUTURE PLANS AND PROSPECTS

As mentioned in its last Annual Report, the Group has adopted a two-pronged strategy to achieve its target of fast growth, taking into account the culture of speed and the critical importance of time-to-market in the Internet Age. Champion is committed to investing in the future through continued project incubation, and to complement its skill set, the Group will continue to assemble capabilities through strategic partnerships, alliances, or even acquisitions of, and investment in, technology vendors, network service providers, and e-Commerce solutions developers.

By engaging in Internet-related business such as enabling technologies, Internet content and community, as well as e-business, the Company aims at building a constellation of websites and knowledge assets that cover the virtual universe of e-Commerce and m-Commerce. This combination of proven Internet-related investment expertise and a portfolio of value-creating Internet investments will provide the Group with a powerful collection of intellectual capital for its growth.

It is the intention of the Group to spin-off the various new investments at appropriate times. While the Group has been investing in the new economy assets for creation of value for the shareholders, the Directors believe that it is desirable to fund the new, higher risk Internet-related ventures by new equity issue, rather than from internal resources, especially as these

new investments always require substantial additional funding without the corresponding assurance that there would be earnings at all. This strategy of raising new money via spun-off vehicles offers protection to existing Champion shareholders and helps to sustain the growth of the Group.

Other than spin-off, the Group is also considering selling down its stake in the respective Internet investments to strategic or direct investors to enhance its return and strengthen its technology development. Since these investments are at an early stage of development, they have yet to make a contribution to the Groups earnings. Such spin-off or selldown is therefore not expected to have any significant impact on the Groups earnings in the near term. In fact, the Directors expect that any dilution effect will be more than compensated by the new economy valuation of such assets, especially those with first mover and time-to-market characteristics.

As part of the Groups strategy to transform itself around the Internet experience and web-based knowledge systems, management is working closely with financial advisors and legal counsel towards a corporate restructuring which aims at more fully reflecting the market value and potential represented by the existing businesses. This may involve further re-alignment of businesses and disposal of less profitable operations. The Directors will keep shareholders and the investment community posted on the latest developments.

INTERIM DIVIDEND

The directors of the Company have declared an interim dividend of HK0.125 cents per share (1998: HK0.125 cents per share) to shareholders whose names appear on the Register of Members on 20 April 2000, to be satisfied by allotment of new shares, credited as fully paid, by way of scrip dividend, with an alternative to the shareholders to elect to receive such dividend (or part thereof) in cash in lieu of such allotment (the "scrip dividend scheme").

The scrip dividend scheme will be subject to the Listing Committee of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting a listing of and permission to deal in the shares to be issued pursuant thereto. A circular setting out the details of the scrip dividend scheme and the basis of allotment together with a form of election will be sent to the shareholders of the Company as soon as practicable.

It is expected the certificates for the new shares and dividend warrants will be despatched to those entitled on or before 19 June 2000.

DISTRIBUTION IN SPECIE OF SHARES IN DIGITALHONGKONG.COM

Qualifying shareholders whose names appear on the register of members of the Company on 10 April 2000 will be entitled to the distribution in specie of an aggregate of 7,500,000 shares in DIGITALHONGKONG.COM.

CLOSURE OF REGISTER OF MEMBERS

In order to qualify for the interim dividend and the scrip dividend scheme, the register of members of the Company will be closed from 20 April 2000 to 28 April 2000, both days inclusive, during which period no transfer of Shares will be effected. All transfers, accompanied by the relevant share certificates, and in the case of warrant holders, all duly completed subscription forms accompanied by the relevant warrant certificates and the appropriate subscription monies, must be lodged with the Companys Hong Kong Share Registrars, Secretaries Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong by no later than 4:00p.m. on 19 April 2000.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 1999, the interests of the directors and their associates in the securities of the Company and its associated corporations as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance (the SDI Ordinance) were as follows:

Shares of the Company

Name of director	Type of interest	Number of shares
Paul KAN Man Lok (Note 1)	Corporate	2,000,812,001
Sunny LAI Yat Kwong Đ	-	-
Leo KAN Kin Leung	-	-
Terry MILLER	-	-
Jennifer CHEUNG Mei Ha	-	-

Shares of Kantone Holdings Limited

Name of director	Type of interest	Number of shares
Paul KAN Man Lok (Note 2)	Corporate	277,504,187
Sunny LAI Yat Kwong	-	-
Leo KAN Kin Leung	-	-
Terry MILLER	-	-
Jennifer CHEUNG Mei Ha	-	-

Notes:

1. These shares of the Company were owned by Lawnside International Limited, which is wholly owned by Lanchester Limited. Lanchester Limited is a company beneficially owned by a discretionary trust, the eligible discretionary objects of which include Paul Kan Man Lok and his family members and staff of the Group. Currently only Paul Kan Man Lok and his family members are discretionary objects of the trust. These are classified as other interests under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. 210,990,117 shares of Kantone Holdings Limited are held by the Company and 66,514,070 shares are held by Lawnside International Limited.

Save as disclosed above and other than certain nominee shares in subsidiaries held by directors in trust for the Company or its subsidiaries, none of the directors or any of their associates had any interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance as at 31 December 1999.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 1999, the register of substantial shareholders maintained under Section 16 (1) of the SDI Ordinance showed that, other than the interests of the directors disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital.

YEAR 2000 COMPLIANCE

The Group has successfully made the transition to the Year 2000 with all its systems functioning normally. We have executed all the compliance plans and actions effectively per pre-set time

schedule.

AUDIT COMMITTEE

On 2 February 1999, the Company formed an Audit Committee comprising two independent non-executive directors of the Company. In establishing the terms of reference of the Audit Committee, the directors have made reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the period with those paragraphs of the Code of Best Practice as set out in Appendix 14 of the Listing Rules with which it is required to report compliance.

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

During the six-month period ended 31 December 1999, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Paul KAN Man Lok
Chairman

Hong Kong, 30 March 2000

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