02 Chairman's Statement

TO OUR SHAREHOLDERS,

In my thirty years in the Information Technology industry, last year was the most challenging one I have experienced. A few years made a big difference. Back in 1998 and 1999, almost any telecom or Internet company was glorified as a star. Venture capital investment skyrocketed to levels never before seen, and stock markets went wild.

Today, the market has taken an about turn. In the turbulent telecom sector, we have witnessed a number of high-profile bankruptcies. Among the Internet upstarts, thousands have been driven out of business as the capital markets dry up.

The Resilient Enterprise – Maintaining our Strengths through Globalisation and Digital Focus

The current phenomenon is the consequence of excesses in the previous years. Surely, technology is going to be the key in improving productivity and growth. There is no doubt that Internet services and wireless communications make life better, and increasing adoption is a natural trend for consumers and corporates alike anywhere in the world.

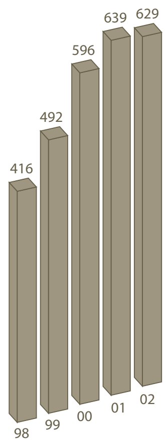
It is one reason why investing in wireless assets and technology development has remained a priority for us. Equally important is that globalisation is a trend we saw coming years ago. The early nineties were marked by the Group's acquisition of a European radio technology pioneer and embarking on strategic investments with leading technology partners in locations spanning from Russia and India to South America. Champion Technology today prides itself of having a worldwide footprint that enables us to compete globally.

Financial Prudence

Champion Technology has taken in its stride previous shocks, many of which are international events beyond our control. Indeed we have suffered losses, but we have remained intact, and every time we were able to emerge stronger and more resilient. Call it conservative or prudent, my philosophy has always been to maintain a strong balance sheet at all times, keeping borrowing to a manageable level. This helps shield us from volatilities in the financial markets which are difficult to predict, and obliges us to stay away from business activities outside our core competence.

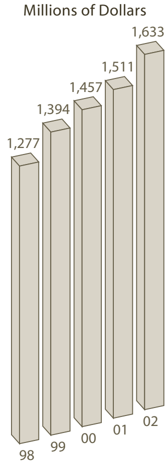
EBITDA

Millions of Dollars



Revenues

Millions of Dollars



Stable Performance and Proposed Increase in Dividend Payout

I am pleased with our stable performance, as we have achieved sustained profitability year-on-year since our listing in 1992. Even in a very difficult global environment which marked the reporting period, Champion Technology managed to report a profit of HK$171 million, and turnover registered an increase of 8 percent to reach HK$1,633 million. Our balance sheet remains healthy, with EBITDA (Earnings before Interest, Taxation, Depreciation and Amortisation) of HK$629 million for fiscal year 2002.

Given the Group's steady performance since listing ten years ago, and its track record of sustaining dividend payment to shareholders throughout the years, the Directors are confident to recommend a higher dividend payout at the forthcoming Annual General Meeting in order to reward our shareholders. At the proposed level of HK2.5 cents per share for final dividend, total dividend payment for the full year would amount to HK$23 million, an increase of 43 percent from last year. We hope to be able to maintain a competitive dividend in the coming years.

Focus for 2003

In geographical terms, China remains the Group's largest market. Our early foray into China in the late eighties and early nineties has helped establish ourselves in the world's biggest economy. Our focus continues to be in the IT and wireless arena, targeting at the four spearheads, namely Pearl River Delta, the Western region, Yangtze Basin, and Beijing, where the Group has already established presence.

We will continue to enhance our offerings and provide optimal solutions for the niche markets in China, especially in response to increased communications demand ushered in by China's entry into the WTO and Beijing's hosting of the 2008 Olympics. We will also work more closely with third party vendors and technology partners in the drive to deliver more user-friendly systems at lower total cost of ownership.

Paul KAN Man Lok
Chairman of the Board
25 October 2002

Management Discussion and Analysis

The global economic and investment climate was extremely challenging during the period under review. Continuing uncertainties and preoccupation with war talk affected customers' budgets for new purchases. Under such circumstances, management stepped up its efforts in keeping stringent cost and credit control, as well as focusing on innovative product development and enhanced services offerings targeted at protecting its margins. Once again, the Group was able to deliver profitable results in tough market conditions.

OPERATIONS REVIEW

During the period under review, the Group continued to strengthen its capabilities, seeking new ways to tie myriad technological advances in hardware, systems, and software to build new value for our customers. A number of corporate moves were made which were targeted at expanding the Group's product offerings and technology base, with a focus on secure communications and high value-added systems. In the wake of the terrorist attacks in New York on 11 September 2001, there has been a surge in demand for tightened security and defense quality radio systems by the public as well as the private sectors across the board. A summary of the key developments during the period is provided below:

Command and Control Communications

A new unit to pursue Command and Control Communications (CCC) opportunities in China, Hong Kong, and Asia Pacific markets has been set up. CCC is commonly used for dispatch, logistics control and command transmission, and is vital for the effective and efficient operation of organic units in government and private enterprises such as police, fire and emergency services, as well as industrial and commercial enterprises like fleet control and personnel dispatch in transportation, public utilities and service industries. Several projects in the region involving public safety organizations have been identified for active pursuit, and the Hong Kong team worked closely with our communications experts from the UK.

MuteTone™ Wireless Solutions

MuteTone™ is a cost-effective solution for unwanted mobile communications, applying proprietary technology that mutes mobile signals from the base station to the phones themselves within a confined and controlled area. The Group is the first to develop and market such products on a global scale. MuteTone™ solution comprises several different signal muting systems catered to the specific regulatory and cultural requirements of the local market, and it has been designed so that it will not interfere with any other communications or electronic equipment inside or outside the affected area, making it safe to use in almost any working environment.

The launch has coincided with increasing global demand for security products and has attracted great interest from many prospective customers both in the public and private sectors. The Group is finalizing distributorship agreements in several major markets.

G-SIGMA™ (Global Security Intelligent Generation Monitoring Appliances) – PeepTone™ Monitoring Solutions

PeepTone™ is a rich-featured real-time digital video monitoring and recording solution specially designed for remote management and security applications, seamlessly combining video multiplexing, digital recording, motion detection, and motion tracking. PeepTone™ system compresses and transmits high-resolution video signals through various communications channels, including ISDN (Integrated Services Digital Network), PSTN (Public Switched Telephone Network), Mobile network, LAN (Local Area Network), and the Internet. Each module of PeepTone™ can be integrated with password authentication, smart card, and biometrics technology for multiple users for high security, and can be connected to any number of surveillance cameras, which can be monitored over one or multiple display units. The Group is marketing the product and integrated solution on a global scale.

Internet, e-Commerce, and m-Commerce

Y28 Innovations, the Group's flagship portal and Internet data center, has added a number of new content channels and shopping sites, selling such merchandise as souvenirs, ladies' cosmetics and healthcare products, accessories, and decorative items.

The Group's investment in an international Lost and Found website kicked off with good reception, and the site attracted a broad customer base which posted a wide range of lost and found items. Such information has been integrated with broadcast channels via the Internet and mobile devices.

The Group's software team continued to develop B2B exchanges for corporate customers after the completion and soft launch of e-Nissei.com, an electronics marketplace built for a leading Japanese trading group.

Strategic Investments

The Group embarked on a number of strategic investments with leading technology partners in the early 1990s, and some of them are bearing fruits. An example is Shanghai Ricoh Fax Machine project, which commenced in 1993, and has two plants in the Pudong area of Shanghai. 80 percent of the joint venture's fax machines were destined for export. New facilities were being planned to produce integrated office solutions and digital imaging communication in response to increasing global demand.

DIGITALHONGKONG.COM (Digital HK)

Digital HK has adjusted and repositioned itself to expand its revenue base. Its efforts are paying off, as evidenced by six consecutive profitable quarters since March 2001. For the year ended 30 June 2002, Digital HK recorded a profit of HK$0.3 million, compared with a net loss of HK$3.4 million for the previous year. The results reflected management's efforts to obtain business for technical and consultation services in relation to electronic payment integration and e-commerce solutions.

Meanwhile management has broadened Digital HK's business scope to embrace other prospective revenue-generating activities such as systems development in innovative merchandising and advertising kiosks; security and smart card related opportunities; as well as IT consulting services.

Kantone Holdings Limited (Kantone)

Kantone continued to realign its product and service mix to target at higher margin business. China sales remained on target, and the Group has achieved outstanding results in providing mission critical communications services for the emergency and rescue services sectors in the UK. In addition to an ongoing engagement to test and audit TETRA wireless communications systems used by the Police Forces in the UK, Kantone also continued its role as the sole supplier of the command and control communications with mobile messaging systems for RNLI (Royal National Lifeboat Institution). Several contracts to supply emergency communications systems for the UK fire services have been won.

With a renewed focus on high-margin communications software customization business, Kantone is developing a suite of mobile data systems that provides vehicle location and GIS-enabled (geographical information system) services.

PROSPECTS

The information technology sector is expected to consolidate further, followed by recovery as the economy bottoms out.

China remains the Group's largest market. With closer links between Hong Kong and the Mainland; China's accession to the WTO; and further beyond, Beijing's hosting of the Olympic Games in 2008, the Group is well positioned to seize the exciting and enormous opportunities ahead. Our focus will be on Information Technology for the Public (ITTP), which includes the sectors of public safety, public security, public transportation, and public utility. To this end, co-operation and strategic alliances with industry leaders and international technology partners will continue to be forged.

FINANCIAL PERFORMANCE

During the year, the Group had continued its prudent investment in new product development and technologies to enhance its bundled offerings and services. Through better allocation of resources to existing operations and effective cost control via continued pursuit of business opportunities, the Group was able to sustain profitability amidst a general soft economic climate and less than palatable global environment.

Turnover

The Group recorded an audited consolidated turnover for the year ended 30 June 2002 of HK$1,633 million, an 8 percent growth compared with HK$1,511 million for the previous year. The growth in turnover was attributed to increased sales to China of HK$1,298 million, which accounted for 80 percent of total turnover, compared to HK$1,177 million of last year. Turnover from Europe increased 2 percent to reach HK$244 million, representing 15 percent of total turnover.

Profitability

Net profit for the year ended 30 June 2002 was HK$171 million, compared to HK$253 million of last year, and earnings per share was HK32.13 cents. Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) was HK$629 million, compared with HK$639 million of last year. The Group's profitability was affected by several factors: higher operating costs consequent upon the deferment of customer orders in the wake of the 911 incident, which resulted in a loss of HK$6.4 million from European sales; increased depreciation and amortisation of the Group's technology development, e-commerce and telecom projects amounting to HK$399 million; and an impairment provision of HK$3.9 million in relation to an Internet-related investment.

Liquidity and Financial Resources

Management's attitude towards financial planning has always been one of prudence, and throughout the years, the Group has maintained a net cash position. As at 30 June 2002, the Group had HK$626 million made up of deposits, bank balances and cash. The gearing ratio at the year-end was 0.16 (2001: 0.17), which calculation was based on the Group's total borrowings of HK$465 million (2001: HK$440 million) and shareholders' funds of HK$2,983 million (2001: HK$2,585 million).

Total borrowings comprise bank borrowings of HK$433 million (2001: HK$411 million); other borrowings, which represent block discounting loans of HK$30 million (2001: HK$27 million); and obligations under finance leases of HK$2 million (2001: HK$2 million). The bank borrowings are mainly used as working capital for the Group. Finance costs for the year ended 30 June 2002 amounted to HK$31 million (2001: HK$41 million).

In May 2002, the Group took advantage of low interest rates to enter into a subscription agreement with Credit Suisse First Boston (Hong Kong) Limited for the issue of up to US$24 million 1.5 per cent unlisted and unsecured convertible bonds due 2005. This has the effect of further enhancing the liquidity of the Company's shares.

Barring unforeseen circumstances, management is confident that the Company has sufficient funds to meet its daily business operation requirements as well as to finance new product development.

It is the Group's policy to manage the foreign exchange risk directly and not to undertake any speculative derivative trading activities. To mitigate the foreign exchange risk of the Group arising from transactions during the normal course of business, management has endeavoured to match foreign currency income with expense. Management will continue to use appropriate hedging instrument for transactions with high exchange rate risk.

As at 30 June 2002, certain land and buildings of the Group with a net book value of HK$9 million (2001: HK$8 million) were pledged to a bank as security for banking facilities granted to the Group.

Share Capital Reorganisation

In April 2002, the Company changed the domicile from the Cayman Islands to Bermuda, and in May 2002, it reorganized its share capital through consolidating 25 shares into one share, followed by the simultaneous adjustment in nominal value of its shares to HK$0.10; and change of the board lot size to 2,000 new shares. The corporate exercise aimed at providing the Company with more flexibility to raise funds in the equity market to seize viable business opportunities.

Final Dividend and Scrip Dividend Scheme

Subject to the approval of shareholders at the forthcoming Annual General Meeting, the directors proposed a final dividend of HK2.5 cents per share for the year ended 30 June 2002 (2001: HK0.15 cent per share, before the adjustment for the bonus issue of shares in December 2001 and the share consolidation in May 2002) to shareholders whose names appear on the register of members of the Company on 29 November 2002. Taking into account of the interim dividend of HK0.0625 cent per share (before the adjustment for the share consolidation in May 2002) paid on 14 June 2002, total dividends for the year would amount to HK$23 million, an increase of 43 percent over HK$16 million of last year.

The final dividend will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to the shareholders to elect to receive such dividend (or part thereof) in cash in lieu of such allotment (the "scrip dividend scheme").

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

It is expected that certificates for shares to be issued under the scrip dividend scheme and dividend warrants will be despatched to those entitled thereto on or before 27 January 2003.

06 Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Paul KAN Man Lok is the founder and Chairman. He is also the Chairman of Kantone Holdings Limited, which is listed on the Main Board, and the Chairman of DIGITALHONGKONG.COM, which is listed on the GEM Board of the Stock Exchange of Hong Kong Limited. He holds a Master's degree in Business Administration from the Chinese University of Hong Kong, and brings over 30 years of experience in the computing and telecommunications industries to bear on fully leveraging the e-commerce technology that is a key success factor for business today. As the author of the books in The Hong Kong e-Commerce Studies Series published by Digital HK, he has forged a strong link between his IT legacy and the promise of an online-assisted life. Prior to setting up the Champion Technology Group in 1987, he was the general manager of Asiadata Limited, a computing services subsidiary of Cable & Wireless PLC, where he worked for more than 15 years.

In civic duties, Mr. Kan has served twice on the Stock Exchange Working Group on Corporate Governance during 1994-1995 and 1999-2000, and is currently a member of the Listing Committee of the GEM Board. He is also Chairman of the Hong Kong Information Technology Industry Council; council committee member of the Federation of Hong Kong Industries; and member of the Hong Kong Legislative Council Election Committee for the IT sector. Other memberships include the Hong Kong Trade Development Council Electronics and Electrical Appliances Advisory Committee; the Chinese People's Political Consultative Conference of Auhui Province in the PRC; and the Election Committee for the Hong Kong representatives of National People's Congress of China.

Mr. Kan also sits on the board of CLP Holdings Limited as an independent non-executive director.

Leo KAN Kin Leung is the Group's Executive Director and Chief Executive Officer, as well as a Non-executive Director of Kantone Holdings Limited. He is the brother of Paul Kan. He is responsible for formulating the Group's overall policy and development strategy as well as the Group's global operations and management. 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.

Mr. Kan serves on a number of sub-committees of the Hong Kong Information Technology Industry Council, including International Development and Co-operation Sub-committee, China Development and Co-operation Sub-committee, and Government and Sub-vented Funding Sub-committee. He also serves on the IT Committee of the Young Industrialist Council.

Sunny LAI Yat Kwong is the Group's Executive Director and Chief Financial Officer, with responsibility for its financial and accounting policy and control. He is also Chief Executive Officer (Acting) and Chief Financial Officer of Kantone Holdings Limited. He holds a Bachelor's degree in Business Administration from the Chinese University of Hong Kong and has over 25 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 Society of Accountants, and is also a certified public accountant.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Jennifer CHEUNG Mei Ha is a solicitor practising in Hong Kong. She has been the Group's Independent Non-executive Director and Company Secretary since 1992.

Terry John MILLER has been an Independent Non-executive Director of Champion since 1992. He is also the Deputy Chairman and Non-executive Director of Multitone. He is the Managing Director of Asia Pacific Financial Management Limited. Previously, he held the position of Deputy Chief Executive at Hong Kong Telecommunications Limited, and was the Regional Director, Asia/Pacific, of Cable & Wireless PLC. He is a fellow of the Institute of Chartered Accountants in England and Wales and is the former president of the Hong Kong Institute of the International Association of Financial Executives.

Francis Gilbert KNIGHT has been an Independent Non-executive Director since February 2000. Mr. Knight is the Chairman and Managing Director of Asian Security and Investigation Services Limited which is a private company. A fellow of the British Institute of Directors and the British Institute of Management, the American Society for Industrial Security and the International Association of Police Chiefs, Mr. Knight has over 17 years' experience in the field of copyright protection, security and commercial investigations, and acts as security adviser to a number of major organizations.

Professor LIANG Xiong Jian is an Independent Non-executive Director of the Company since November 2001. He has over 30 years of experience in telecommunications in China. He is presently a Professor of the Department of Management Engineering at the Beijing University of Posts and Telecommunications (BUPT), a post he has held since 1986, and the Director of the Institute of Telecommunications Management of BUPT. From 1986 to 1993, he was the Dean of Management Engineering Department of BUPT. His other positions include Member of National Committee of Chinese People's Political Consultative Conference (CPPCC); Representative of the People's Congress, Beijing Municipality; and Director of Communication Economy & Management Society, China Institute of

Communications. He is also an independent director of PRC company Unicom Guomai Communications Limited, which is listed on the Shanghai Stock Exchange and is a member of China Unicom Group responsible for data communications, messaging, and wireless telecommunications.

Professor Liang is well-known to the telecom community in Hong Kong, having been invited on numerous occasions to chair and lecture at major wireless and various other telecom conferences held in Hong Kong and the Region.

Professor YE Pei Da has been an Independent Non-executive Director of the Company since November 2001. He is a professor and Honorary President of Beijing University of Posts & Telecommunications in China and a director of Lucent Technologies Fibre Optic Cable Company. He is also a senior Member of the Chinese Academy of Science.

Frank BLEACKLEY has been an Independent Non-executive Director of the Company since November 2001. He was formerly the Managing Director of Chubb China Holdings Limited of Chubb Security Group, a manufacturer and distributor of security and safety products and systems based in the United Kingdom. He has over 28 years of experience in the management and business development of joint venture companies in Hong Kong and Mainland China.

SENIOR MANAGEMENT

Francis KAN is Executive Vice President, Systems Development, overseeing the Group's information systems. He holds a Master's degree from the University of Alberta.

Iris KOO Kin Hing is Senior Vice President, Finance, overseeing all financial operations of the Group. She is a member of the Hong Kong Society of Accountants and the Chartered Association of Certified Accountants.

Roy GOSS, based in Macau, is Director of International Business. He is a seasoned expert in finance and telecommunications, having served in the Middle East and Macau with Cable and Wireless companies for almost 20 years. He is a fellow member of the Institute of Chartered Accountants in England and Wales. Prior to joining the Champion Technology Group, he was the Finance Director of Macau Telecommunications Company, a subsidiary of Cable and Wireless PLC, where he worked for more than 17 years.

Luiz Octavio VILLA-LOBOS is Managing Director of Multitone Eletronica Ltda, with responsibility for running the Brazilian subsidiary of Multitone. He holds a Master's degree in Aerospace Engineering from Sup'Aero in France and an MBA from the London Business School.

Teresa TONG is Vice President, Interactive Operations, and is responsible for the customer care aspects of the Group's e-commerce and communications business.

Julia LEUNG Yiu Lin is Vice President of e-Business Development, focusing on expanding business opportunities.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of Champion Technology Holdings Limited (the "Company") will be held at Room 1702, One Exchange Square, 8 Connaught Place, Hong Kong on 29 November 2002 at 10:30 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 30 June 2002.

2. To declare a final dividend of HK2.5 cents per share for the year ended 30 June 2002.

3. To elect directors and to authorise the board of directors to fix their remuneration.

4. To appoint auditors and to authorise the board of directors to fix their remuneration.

By Order of the Board
Jennifer CHEUNG Mei Ha
Company Secretary

Hong Kong, 25 October 2002

Principal Office:
The Penthouse
Kantone Centre
1 Ning Foo Street
Chaiwan
Hong Kong

Notes:

(1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint proxies to attend and vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company's principal office in Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.

(2) The register of members of the Company will be closed from 25 November 2002 to 29 November 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend to be approved at the annual general meeting, all transfers of shares accompanied by the relevant share certificates and, in the case of warrantholders, all duly completed subscription forms accompanied by the relevant warrant certificates and the appropriate subscription moneys, must be lodged with the Company's Branch Share Registrars in Hong Kong, Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on 22 November 2002.