

Chairman's Statement

Dear Shareholders,

I am pleased to report our eleventh year of profitability since we were listed in 1992.

Fiscal year 2003 was marked by the most unusual combination of events, to say the least. We entered the year with the Middle East conflict in full swing and the eventual outbreak of war in March. To add salt to the wound, SARS (Severe Acute Respiratory Syndrome) broke out in the beginning of 2003 and ground several Asian economies to a halt, raising health alarm across the globe. Fortunately it's not all gloom and doom, as the year ended with SARS coming under control and further brightened up when China and Hong Kong entered into the CEPA (Closer Economic Partnership Arrangement) which aims at accelerating the development of trade and investment relations between the two places.

I'm quite upbeat at this point in time delivering this message to our shareholders, a few weeks after further agreement under CEPA was reached on the liberalization of the telecommunications sector, which allows market access in five areas of value-added services.

For wireless opportunities, sky is the limit

In our 1995 Annual Report, I talked about accessing and receiving Internet data and information via the wireless mobile receiver as part of the evolution of our enhanced messaging services alongside the growth of the Net. In 1999, I highlighted wireless Internet as the next big wave. Indeed, even in 2003, wireless has only just begun enhancing and enriching the way we live, work, and play.

Thanks to the Internet and the development of IP-based networks, workers are now able to access wirelessly corporate data in a secure manner via a number of different devices, ranging from pagers, cell phones, smartphones, PDAs,

mobile PCs, and set-top boxes. These devices now rival desktop devices in computing power and memory, and have battery life performance that permits workers to be away from the office for extended periods of time.

Portable device capabilities, wireless and mobile networking speeds, and communication service price points are now reaching a level where they can be used in the widespread deployment of mobile enterprise applications.

At Champion Technology, our focus on wireless communications solutions is to enable total mobility, as well as to re-organise and re-engineer processes to improve productivity and return on investment for our customers, which cover a wide array of

sectors including government, hospitality, emergency services, telecommunications, healthcare, retail, and chemical plants.

Our results

For fiscal year 2003 we showed consistent improvement in our operational and financial results. We adjusted to a tough economic market and attempted to position ourselves for where we want to be in three to five years. With a focus on higher profitability and better return on our invested capital, we re-prioritised our initiatives to reduce the ongoing level of capital expenditure and streamline our cost structure through increased use of outsourcing and third party distributors and licensees to promote our

products and services. Our financial performance improved across the board:

- revenues reached HK\$1,852 million, a growth of 13 percent over the previous year.
- EBITDA was HK\$670 million, 19 percent over HK\$563 million of last year.*
- Net profit was HK\$191 million, 44 percent over previous year's figure of HK\$133 million.*

* Due to adoption of SSAP 34, last year's EBITDA and net profit were restated. Had it not been for the restatement, EBITDA was HK\$629 million, and net profit was HK\$171 million. See Management Discussion and Analysis for details.

The Group's continuing strong financial position, with cash on hand of HK\$573 million at balance sheet date, will allow for further investments, especially in light of the bright prospects of the Mainland's economy and the positive effects of CEPA.

In view of the improved performance, our directors have recommended a final dividend of HK2.6 cents per share (2002: HK2.5 cents per share). Taking into account the interim dividend payment, total

dividend payment for the year increases 18 percent over last year.

Outlook

I remain optimistic about the wireless market across the board. In China today, which is our main market, only 20% of the population has access to wired or wireless phone lines – compared with over 90% in Hong Kong, and 70% in America. That means almost 1 billion people are waiting for service. The demand is so high that China alone probably accounts for 50% of worldwide telecom growth. By 2005, the Chinese market will be double the size of the US market.

While Champion has been doing business in China for over a decade, the latest addition of five types of value-added services under the liberalization of the telecoms sector within the CEPA framework has further boosted the opportunities in mobile communications and wireless services. Our key areas of interest are content, Internet access,

and call center, where increased investment is under review.

We have made and will continue to consider making strategic business investments and alliances and acquisitions, if necessary, to gain access to key technologies that we believe will augment our existing technical capability or enable us to achieve faster time to market. We will work more closely with third party vendors and technology partners to develop more highly integrated solutions and building block products targeted towards applications in the wireless market.

In conclusion, I would like to thank you, my fellow shareholders and investors, for the trust and confidence you have shown in us throughout the years. My thanks also go to the members of the Board for their continued guidance and support, and to the Group's management and staff for their diligence and dedication.

Paul KAN Man Lok
Chairman
24 October 2003