

CHAIRMAN'S STATEMENT



DEAR SHAREHOLDERS,

I am pleased to report another year of solid performance for Champion Technology Holdings Limited (“Champion Technology”, or the “Company”) in its history of uninterrupted profitability. For fourteen years since our flotation on the Hong Kong Stock Exchange in 1992, we have continued to deliver on our promise with each passing year, expanding our global reach and generating steady growth, while continuing to make important investments to strengthen the unique long-term prospects of the Group.

Mr Kan was conferred the CBE honour by Her Majesty Queen Elizabeth II at Buckingham Palace in July 2006.

The good results are driven by our three-pronged thrusts, each of which is making good progress:

- Focus on wireless communications solutions in niche markets;
- Continued pursuit of innovation and strategic investments; and
- Building our technology platform and network in the global arena.

Over the past 50 years, Champion Technology and its subsidiaries have built up significant intellectual capital in commanding and maintaining leadership position in information and communications technologies. Our positioning in the three aforesaid directions remains well chosen to capture some of the best opportunities that they present.

OUR RESULTS

We have achieved satisfactory growth across all fronts for the year ended 30 June 2006. The Group's financial performance is summarised as below:

- Turnover increased by 22% to HK\$3 billion
- Profit attributable to equity holders jumped 20% to HK\$550 million
- Profit before taxation (excluding HK\$50.4 million loss on fair value change of convertible bonds) was HK\$755 million, up 32%
- EBITDA rose 40% to HK\$1,099 million
- Equity grew 12% to HK\$5.3 billion
- Earnings per share went up 14% to HK43.08 cents
- The Group maintains a strong financial position with net cash

Our core business, wireless systems and communications software solutions, continued to gather momentum. In particular, we have benefited from the continuing demand derived from China's intrinsic economic growth. Globally, the need for nations to invest in public safety and security, as well as for enterprises to raise productivity and efficiency amidst ever-increasing competition, is as clear now as ever. Meanwhile, the Group's strategic investments also reported steady progress, and during the period under review, we were able to realise favourable returns from our investment portfolio.

DIVIDENDS AND BONUS WARRANTS

In line with the favourable results, the following are proposed:

- Final dividend HK3.3 cents per share, with dividend yield of 4.1%
- Bonus issue of new warrants

The Board has recommended a final dividend of HK3.3 cents per share for approval by the shareholders at the forthcoming annual general meeting. At the above proposed level, together with the interim dividend of HK2.2 cents per share, total annual dividend per share would be HK5.5 cents, an increase of 15 percent over last year; and total dividend payment for the year would amount to HK\$73 million, an increase of 22 percent as compared with HK\$60 million over last year. At that rate, dividend yield would be 4.1 percent.

I'm proud of our record of uninterrupted dividend payout which has been sustained since 1992. I am also pleased to note that we have been able to maintain a dividend yield competitive with the market.

The Board has also proposed a bonus issue of warrants to subscribe for shares of the Company equal to 20 percent of the number of shares of the Company in issue in February 2007 upon the expiry of the existing warrants.

PROMISING FUTURE

Whilst there are concerns about the impact of higher interest rates, surging energy prices and political tensions on the global economy, the Group's operating environment remains generally positive, driven in particular by the robust economic growth in Mainland China. The recent measures to slow down the mainland economy are specific to certain over-heated sectors, which naturally do not include basic infrastructure projects such as telecommunications and IT services.

China's inflation has been tame and remains under control despite the forging ahead of its economy on all cylinders, therefore laying the foundation for continued strong growth. A combination of factors such as natural economic growth, improved standards of living, the success of China's aerospace projects, and upcoming international events to be held in China such as the 2008 Olympics, the 2010 World Expo, and the 2010 Asian Games are expected to help sustain spending in the sector of telecommunications and IT.

As a growing global entity, the Group will continue to keep a tight rein on costs and implement essential measures to ensure that we remain competitive in the international market. Alongside continued reinforcement of our core wireless business, we also strive for other growth drivers such as e-gaming and online entertainment to pave the way for top-line growth and bottom-line enhancement in the years ahead. Meanwhile, we look to our pool of talented employees and technology partners to continue to contribute to the development of our intellectual capital base by winning more contracts and exploiting our strengths in integrating different communications technologies into a comprehensive range of services and solutions.

APPRECIATION

Underpinning the solid performance throughout the years has been a substantial effort led by the management team to manage resources and deliver greater productivity. I take this opportunity to thank our colleagues on the Board, the staff members of the Group and our diligent employees worldwide for their hard work, loyal service, and contributions during the year.

Paul KAN Man Lok
Chairman

23 October 2006