

**Dear Shareholders,**

Fiscal 2004 marked another year of solid performance in Champion Technology's history of uninterrupted profitability. For over a decade, 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.

2004 was all the more rewarding as the global economy has started to recover from several years of slowdown, and the sentiment of the investment community has greatly improved. On top of this, the ties between China and the Hong Kong SAR continue to be strengthened.

**OUR RESULTS**

We have achieved satisfactory growth across all fronts. For the year ended 30 June 2004, the Group's financial performance is summarised as below:

- Turnover increased by 20 percent to HK\$2,250 million
- Net profit rose 55 percent to HK\$297 million
- Shareholders' funds grew 32 percent to HK\$4,232 million

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 fast-growing telecoms industry. As at 30 June 2004, China's mobile subscribers exceeded 300 million, making China the world's single largest mobile market. Yet this represented only approximately 23 percent penetration, compared with over 90 percent in Hong Kong, and 70 percent in the US. Elsewhere in Europe, US, and South America, sales maintained steady growth.

**DIVIDENDS AND BONUS ISSUE OF WARRANTS**

The Board has recommended a final dividend of HK2.7 cents per share for approval by the shareholders at the forthcoming Annual General Meeting. At the proposed level of HK2.7 cents per share, together with the interim dividend of HK1.6 cents per share, total dividend payment for the full year would amount to HK\$55.3 million, an increase of 100 percent from last year. I'm proud of our record of uninterrupted dividend payment which has been sustained since the Company was listed in 1992. We hope to be able to maintain a competitive dividend yield in the coming years.

The Board has also proposed a bonus issue of warrants to subscribe for shares of the Company. The New Warrants will be issued upon the expiry of the Existing Warrants in February 2005.

## NEW BUSINESS OPPORTUNITY – SAFE DRIVING STARTS WITH i-KEY

For several years the Group has been involved in telematics and other in-car technologies targeted at addressing critical life-saving issues and improving the efficiency of mobile force. For example we provided customised software solutions for vehicle-mounted PCs which allow mobile crews to manage operational intelligence. This has helped to deliver improved standards of public service and enhances mobile crew safety in emergency situations, enabling officers to make critical decisions with confidence.

During the year under review, the Group made a strategic investment in a technology project related to in-car safety. The Group's **Champion In-Car Telematics** division was engaged in the brand-building, marketing, promotion, and product development of **i-KEY**, a technological breakthrough integrating a simple-to-use car key with a breath analyzer for drink driving prevention, whose IP (intellectual property) rights are owned by our Japan-based partner, with worldwide invention patents pending.

Market response to **i-KEY** has been very encouraging, with worldwide media coverage and TV interviews, reflecting widespread concern for drink driving. In some countries, over 40 percent of fatal traffic accidents are alcohol related. The **i-KEY** Drink Driving Prevention System is the world's first working car key device for drink driving prevention. As the global partner, the Group has already embarked on, and will continue throughout the coming year, an intensive marketing programme on a global basis to build a network of partners and licensees for the product launch.

## A PROMISING FUTURE

With better global economic prospects and China's stable and continued robust economy, the Directors believe that the Group is well-positioned to benefit from further business growth. A strong financial position and low gearing ratio will also place the Group favourably in capturing viable investment opportunities as these arise. In the meantime, we will continue to make product development advances that will make it easier and faster for customers to use and apply, and invest in technology innovations for niche markets that expand our portfolio of solutions and offerings.

As technology development continues at an unprecedented pace, the demands on investment and resources are getting enormous, and time-to-market has presented a major challenge. Naturally we cannot expect to deliver such technology advances all by ourselves. Neither would it be prudent for us to engage singlehandedly in our search for technological excellence. We therefore will continue to build relationships and strategic alliances, as well as pursue co-operation with industry leaders and international technology partners who share our vision. Above all, we are going to do all of this with the same financial discipline we have always shown by staying true to our strategy of balancing returns with appropriate investment to capitalise on the Group's long-term opportunities.

**Paul KAN Man Lok**

*Chairman*

21 October 2004