

EXECUTIVE DIRECTORS

Paul KAN Man Lok (Chairman)
Leo KAN Kin Leung (CEO)
Sunny LAI Yat Kwong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Francis Gilbert KNIGHT
Jennifer CHEUNG Mei Ha
Terry John MILLER

PRINCIPAL PLACE OF BUSINESS

The Penthouse
Kantone Centre
1 Ning Foo Street
Chaiwan
Hong Kong

REGISTERED OFFICE

P.O. Box 1787
Second Floor
One Capital Place
Grand Cayman
Cayman Islands
British West Indies

COMPANY HOMEPAGE/WEBSITE
<http://www.championtechnology.com>

STOCK CODE
0092

COMPANY SECRETARY
Jennifer CHEUNG Mei Ha

PRINCIPAL BANKERS

Citibank, N.A.
Dao Heng Bank
Midland Bank plc
Standard Chartered Bank
The Hongkong and Shanghai Banking
Corporation Ltd.
The Sanwa Bank Ltd.
The Sumitomo Mitsui Banking Corp.

AUDITORS

Deloitte Touche Tohmatsu

Corporate Information

SHARE REGISTRARS

Cayman Islands:
The Harbour Trust Co. Ltd.
P.O. Box 1787
Second Floor
One Capital Place
George Town
Grand Cayman
Cayman Islands
British West Indies

Hong Kong:
Secretaries Limited
5th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

DEPOSITARY

Citibank, N.A.
American Depositary Receipts
111 Wall Street, 5th Floor
New York, NY 10043
U.S.A.

INFORMATION AND ENQUIRIES

Investor Relations
Champion Technology Holdings Ltd.
Kantone Centre
1 Ning Foo Street
Chaiwan
Hong Kong

email: ir@championtechnology.com

Chairman's Statement

Dear Shareholders,

Barely two years ago, the world celebrated the arrival of a new millennium which was marked by a mind-bending, path-breaking, and inspiring new Internet economy. Today, we've all woken up to a new world, shaken by the recent events in the US and the latest action against terrorism. Crisis management itself has taken on a new meaning, and managers' ability to comprehend and respond to crisis is put to the test.

Crisis or no crisis, we're still on track towards Digital Convergence, and I remain optimistic about the Group's e-Commerce strategy. As I mentioned in my last Annual Report, we need expertise in three specific disciplines in order to thrive in this new global economy, and these are Internet solutions, software, and telecommunications, which remain our core strengths.

Now that the dust has settled, we must lift our spirits and charge on with our lives.

THREE FUNDAMENTAL AREAS IN OUR FAVOUR

"First Mover" Advantage in China Promises Huge Opportunities

China's trade is expected to double in the five years after it joins the World Trade Organisation (WTO). This means that Hong Kong and our trading partners can, in future, not only source from the world and manufacture in China to sell to the world, but also - for the very first time - sell our products to China as a domestic market.

Our early foray into China in the late eighties and early nineties has helped establish ourselves firmly in the world's biggest economy, and has equipped ourselves with full knowledge of the market, especially in the telecommunications and IT arena.

We recently led a consortium of 12 solution partners, including technology leaders from across the Strait, as well as international ones, to pursue smart card related opportunities in the region and in the international markets. As a result of the terrorist attacks in the US, many governments are seriously considering issuing smart ID cards for their citizens as a matter of increased security measure. Our global footprint and wide network

of international partners will stand us in good stead both in sourcing leading technology combinations and tapping new markets hand in hand with our collaboration partners.

Pioneer in Radio Communications and IT

The acquisition of Multitone Electronics PLC in 1993 raised the international reach of the Group. Today the Group can leverage on its members which have an unrivalled 50 years of radio technology experience, and have spent over 60 years to build a market presence with a geographical footprint over 50 countries. The Group prides itself in owning a fully integrated communications and IT solutions operation with activities spanning from concept design, product development, manufacturing, customization, installation, to implementation, promotion, marketing, and distribution on a global basis.

In the wake of the terrorist attacks in New York and Washington, there has been a surge in demand for tightened security and defense quality radio systems and secure communications by law enforcement agencies as well as the private sector across the board. With a well-established network of such

operations in Europe, we see the time has come to expand the Group's proven security products and services into the Asian region. We're already working hand in hand on several communications projects in Hong Kong, and are keeping close touch with the law enforcement authorities in the major cities in China.

Early Investment in Information Security and Encryption

An early adopter and mover in the digital economy, Champion Technology made substantial investment in early years in both encryption and biometric technologies to address the issues of security, authenticity of data, and identification of users over the Internet.

Now it looks like that the floodgates are open for increasing security spending, giving promise to further opportunities for the Group's products and services.

NEW CLIMATE, NEW MINDSET

It's really difficult to predict what the future holds at this point. Hopefully the recent events will instill in people all over the world a greater sense of dare and risk-taking, and that we're always ready for new challenges.

We remain confident in our dedication, determination, and perseverance to ride through this very difficult cycle together with your support.



Paul KAN Man Lok
Chairman of the Board
October 2001

Management Discussion and Analysis

The global economic and investment climate was very tough during the year under review. Across the board, customers' budgets for new purchases have been affected. The Group has the comfort of a relatively stable operation supported by an established customer base with repeat business. Such income stream is also characterized by the recurrent nature of revenue from network maintenance and upgrade services.

RESULTS FOR THE YEAR

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 consolidation, the Group was able to sustain profitability amidst a general soft economic climate and less than palatable global environment.

Turnover

The Group recorded audited consolidated turnover for the year ended 30 June 2001 of HK\$1,511 million, a 4 per cent growth compared with HK\$1,457 million for the previous year. The relatively small turnover growth was

attributed to the lower turnover from subsidiary Kantone Holdings, which continued its realignment of product mix targeted at high margin value-added customization business. This was compensated by satisfactory growth in the Group's software and systems integration business. Meanwhile, the Group's e-commerce and internet-related business, which has been slow to gather momentum as a result of global economic downturn, started to contribute to the turnover.

In China, the Group has benefited from the country's robust economic growth, registering a rise of 18 per cent over last year. Turnover from China was HK\$1,177 million, which accounted for 78 per cent of total, compared to HK\$998 million last year. European sales accounted for HK\$239 million, or 16 per cent of total, compared to HK\$283 million or 19 per cent last year. The Group's customers in Europe are primarily government bodies which have not drastically reduced their IT spending. Elsewhere, business was tough as customers deferred their IT spending.

Profitability

Net profit for the year ended 30 June 2001 was HK\$253 million, compared to HK\$304 million of last year, and earnings per share was HK4.28 cents. Earnings before Interest, Taxation, Depreciation,

and Amortisation (EBITDA) was HK\$639 million, an improvement of 7 per cent over HK\$596 million of last year.

The Group's profitability was primarily affected by the commencement of amortisation in line with current accounting policy on new e-commerce investments which was not matched by corresponding revenue growth, as is common in the initial start-up phase of new business development. Yet the quality of the Group's e-commerce assets remained high, and some of these were quick to evolve into revenue-generating clicks-and-mortar businesses that integrate smoothly in synchronization with its core telecoms activities.

The lower profitability also reflected the time required to adjust and implement the Group's realignment of operations towards high margin business. Already such realignment efforts are being rewarded in higher profit margin in the Group's steadily growing telecoms software and services business. Meanwhile, the weak consumer demand in the regional markets had had its impact on the Group's profitability.

There was a major improvement in contribution from the Group's investments in telecoms projects, mainly due to a special write-off of related

expenses in the previous year. Excluding the effect of expense write-off in the prior year, the Group's contribution from its telecoms investments remained steady.

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 2001, the Group had HK\$566 million made up of deposits, bank balances and cash. The gearing ratio at the year end was 0.17 (2000: 0.19) which is calculated based on the Group's total borrowings of HK\$439.7 million (2000: HK\$453.2 million) and shareholders' funds of HK\$2,576 million (2000: HK\$2,331 million).

The total borrowings comprise bank borrowings of HK\$411.2 million (2000: HK\$419.6 million), other borrowings, which represent block discounting loans, of HK\$26.7 million (2000: HK\$30.1 million) and obligations under finance leases of HK\$1.8 million (2000: HK\$3.5 million). The bank borrowings are mainly borrowed as the working capital for the Group. The finance costs for the year ended 30 June 2001 amounted to HK\$40.8 million (2000: HK\$39.9 million).

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. Should management decide to seek financing for some of the telecom projects it is pursuing, the Group has sufficient room to draw on its unutilized credit line, and capitalize on the current low interest rate to fund such expansion through debt. And where market conditions permit, the Group may also consider the use of other alternative financial instruments composed of both equity and debt.

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, the management endeavoured to match foreign currency income with expense. The management will undertake to use appropriate hedging instrument for transactions with high exchange rate risk.

At 30 June 2001, certain land and buildings of the Group with a net book value of HK\$7,932,000 (2000: HK\$8,692,000) were pledged to a bank as security for banking facilities granted to the Group.

In November 2000, the Company announced a bonus issue of warrants to its shareholders. A total of 1,177,080,714 units of warrants with subscription rights of approximately HK\$248,364,030 were issued. Each warrant entitles the holder thereof to subscribe in cash at an initial subscription price of HK\$0.211 per share, subject to adjustment. The warrants will expire on 22 December 2001. During the year under review, warrants carrying subscription rights to subscribe for shares in an amount of HK\$18,914 were exercised.

Final Dividend and Scrip Dividend Scheme

Our Directors have recommended a final dividend of HK0.15 cent per share, subject to the approval of shareholders at the forthcoming Annual General Meeting. This, together with the interim dividend of HK0.125 cent paid on 17 April 2001, gives a total dividend of HK0.275 cent per share for the year.

Shareholders will have the option of receiving the dividend in cash or in the form of new shares in the Company. 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.

OPERATIONS REVIEW

The operations of the Group's two subsidiaries whose shares are listed in Hong Kong are highlighted below:

DIGITALHONGKONG.COM (Digital HK)

As e-commerce momentum has slowed, Digital HK, the e-commerce flagship of the Group, has adjusted and repositioned itself. Its efforts are already paying off, as evidenced by two consecutive profitable quarters ended 31 March 2001, and 30 June 2001 respectively.

While Digital HK continues to provide online payment solutions and services through its payment platform, and technical consultation on e-commerce integration, management has decided to broaden the business scope of its CSP (commerce service provider) endeavour to embrace other prospective revenue-generating activities such as systems development, security and smart card related opportunities, as well as IT consulting and government contracting services.

Kantone Holdings Limited

The Group continues to focus on the provision of services, applications and communications solutions in the wireless

area. The period was marked by the continued realignment of the Group's product mix based on higher margin business.

In China, equipment and systems sales remained steady. In Europe, the Group has achieved outstanding results in providing command, control, and communications services for the emergency and rescue services sectors. In UK in particular, the Group accounts for over 85 per cent market share of the fire services sector, and over 60 per cent of the healthcare services market. 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 Geographical Information System (GIS) technology.

A new division under the name of MultitoneNoMobile has been set up to develop, manufacture and market a unique range of radio communications devices for detecting and blocking mobile phone signals in specified areas. These products use proprietary technologies and are designed to manage safety, security and privacy risks associated with mobile telephones by providing a user-friendly and automated regulatory technology platform.

PROSPECTS

With global economic slowdown exacerbated by the US event, it's difficult to predict the future. Nonetheless, we feel the Group is well positioned to weather the storms. The Group will focus on four main areas by leveraging proven technologies and solid foundations accumulated over the years:

- high performance integrated wireless networking, with a focus on public safety
- information security and secure communications
- valued-added systems through mobile data and GIS technology
- Government IT outsourcing services, taking the lead where appropriate

In terms of geographical coverage, China is, and will, remain our primary focus. China's imminent accession to WTO and Beijing's successful bid to host 2008 Olympics will usher in enormous opportunities, especially in telecommunications. We remain confident that our efforts and investment over the years in technology, innovation, and in establishing a global footprint, are paying off, and will ensure that the Group remains in the forefront of telecoms and IT.

Directors and Senior Management

BOARD OF DIRECTORS

Mr. 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 Group in 1987, he was the general manager of Asiadata Limited, a computing services subsidiary of Cable & Wireless PLC. In 1992, Mr. Kan won the Young Industrialist Award. He has served twice on the Stock Exchange Working Group on Corporate Governance during 1994-95 and 1999-2000, and is currently a member of the Listing Committee of the GEM Board of the Stock Exchange of Hong Kong

Limited. He is also the elected Chairman of Software and Information Technology Group of the Federation of Hong Kong Industries, and an elected member of the Hong Kong Legislative Council Election Committee for the IT sector. Recently, he has been appointed as an independent non-executive director of CLP Holdings Limited.

Mr. Leo KAN Kin Leung is the Group's Executive Director and the Chief Executive Officer, as well as the 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 Software and Information Technology Group of the Federation of Hong Kong Industries, 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.

Mr. Sunny LAI Yat Kwong is the Group's Executive Director and the Chief Financial Officer, with responsibility for its financial and accounting policy and control. He is also the 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.

Ms. 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.

Mr. Terry John MILLER has been the Independent Non-executive Director of Champion since 1992. He is also the Deputy Chairman and Non-executive

Directors and Senior Management

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.

Mr. Francis Gilbert KNIGHT has been the 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.

SENIOR MANAGEMENT

Mr. Francis KAN is the Executive Vice President, Systems Development,

overseeing the Group's information systems. He holds a Master's degree from the University of Alberta.

Mr. Michael WALKER is the Senior Vice President of the Group's European operations and the Chief Executive of Multitone. He is a fellow of the UK Institute of Directors, and has over 28 years of experience in the consumer electronics and telecommunications industries.

Mr. Henry FUNG Kin Leung is the Senior Vice President of Microelectronics and Director of Web Hosting. He is a Chartered Engineer and a Member of the Institution of Electrical Engineers.

Ms. Iris KOO Kin Hing is the 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.

Mr. Roy GOSS, based in Macau, is the 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.

Mr. Luiz Octavio VILLA-LOBOS is the 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.

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

Ms. Julia LEUNG Yiu Lin is the 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 the abovenamed company (the “Company”) will be held at Room 1702, One Exchange Square, 8 Connaught Place, Hong Kong on 30 November 2001 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 2001.
2. To declare a final dividend of 0.15 cent per share for the year ended 30 June 2001.
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
Cheung Mei Ha, Jennifer
Company Secretary

Hong Kong, 22 October 2001

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 26 November 2001 to 30 November 2001, 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 warrant holders, 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 23 November 2001.