

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. During the year, the Group continued the business of the manufacture and sale of telecommunications products and accessories, the provision of Internet access, the provision of Internet portals contents, international direct-dial telephone services and other telecommunications services, the trading of telecommunications and network equipment and the provision of related consultancy services. The Group also commenced the business of distribution of mobile phones.

During the year, the Group acquired 61.42% equity interest in CCT Multimedia Holdings Limited ("CCT Multimedia", formerly known as Wiltec Holdings Limited). The principal activities of CCT Multimedia and its subsidiaries included the manufacturing, sourcing and sale of baby care products, provision of multimedia contents and services.

During the year, the Group reduced its equity interest in HKNet Company Limited ("HKNet") from 51% to 21%. The principal activities of HKNet and its subsidiaries included the provision of Internet access and international direct-dial telephone services. As a result, HKNet became an associate of the Group having previously been an indirect non-wholly owned subsidiary of the Company.

Details of the principal activities of the principal subsidiaries and the Group's principal jointly-controlled entities and principal associates are set out in notes 15, 16 and 17, respectively to the financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit/(loss) from operating activities by principal activity and geographical area for the year ended 31 December 2000 is as follows:

HK\$'million	Turnover		Contribution to profit/(loss) from operating activities	
	2000	1999	2000	1999
By principal activity:				
Continuing operations:				
Manufacture and sale of telecommunications products and accessories	1,847	1,245	68	44
Distribution of mobile phones	9	-	(35)	-
Provision of Internet services	114	169	(76)	(59)
Trading of telecommunications and network equipment and provision of related consultancy services	70	31	(5)	(54)
Manufacturing, sourcing and sale of baby care products	109	-	4	-
Provision of multimedia contents and services	15	-	(43)	-
Interest income	26	27	26	27
Investment income	-	-	283	182
	2,190	1,472	222	140
Discontinued operations:				
Brokerage and trading of securities, futures commodities, options, bullions, leveraged foreign exchange, fees and commissions	-	95	-	(33)
Interest income	-	5	-	5
	-	100	-	(28)
	2,190	1,572	222	112



HK\$'million	2000	Turnover 1999	Contribution to profit/(loss) from operating activities	
			2000	1999
By geographical area:				
Continuing operations:				
USA	1,199	676	82	18
Europe	212	393	15	10
Asia:				
– People's Republic of China (including Hong Kong)	741	340	117	104
– Elsewhere	38	63	8	8
	2,190	1,472	222	140
Discontinued operations:				
People's Republic of China (including Hong Kong)	–	100	–	(28)
	2,190	1,572	222	112

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 December 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 41 to 84.

Particulars of dividend for the year recommended by the directors are set out in note 10 to the financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 85. This summary is not part of the audited financial statements.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and the investment properties of the Group are set out in note 12 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 15 to the financial statements.

JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

Particulars of the Company's and the Group's interests in principal jointly-controlled entities and principal associates are set out in notes 16 and 17 to the financial statements, respectively.

BORROWINGS

Details of the borrowings of the Group are set out in notes 27 to 29 to the financial statements.

CONVERTIBLE DEBT

Details of the convertible debt of the Company and the Group are set out in note 30 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

On 1 February 2000, the Company allotted and issued 200,000,000 ordinary shares of HK\$0.50 each of the Company to professional and institutional investors at HK\$4.60 per ordinary share. The placing proceeds have been applied to finance the capital expenditure of the Local Multipoint Distribution Service, Point to Multipoint network and the external satellite-based telecommunications facilities; the capital expenditure of the manufacture of telecommunications products and accessories; the investments in telecommunications and Internet related projects; and the working capital requirements of the Group.

Details of movements in the Company's share capital, share options and warrants during the year are set out in note 32 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the Companies Law (2000 Revision) Chapter 22 of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, the Company repurchased certain ordinary shares in the Company on The Stock Exchange of Hong Kong Limited, the summary particulars of which are as follows:

Trading months in 2000	Number of ordinary shares repurchased	Price per ordinary share		Total cost (before expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
February	11,634,000	3.225	2.650	35,044
March	11,220,000	3.000	2.425	32,343
April	598,000	1.800	1.800	1,076
May	5,432,000	2.000	1.700	10,212
June	10,856,000	2.025	1.940	21,643
July	1,582,000	2.000	1.850	3,072
October	29,922,000	1.120	0.800	28,870
November	8,454,000	1.290	0.940	9,210
December	7,280,000	1.000	0.810	6,537
	86,978,000			148,007

Further details of these transactions are set out in note 32 to the financial statements.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Law (2000 Revision) Chapter 22 of the Cayman Islands, the share premium of the Company is available for distribution of dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.



In accordance with the Company's Articles of Association, dividends can only be distributed out of profits and reserves available for distribution including the share premium of the Company. As at 31 December 2000, the Company had a net credit balance of approximately HK\$1,803 million (1999: HK\$991 million) maintained in the reserve accounts which would be available for distribution.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$1,030,000 (1999: HK\$36,900).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the aggregate turnover attributable to the Group's five largest customers accounted for approximately 72% (1999: 68%) of the Group's total turnover for the year and sales to the largest customer included therein amounted to approximately 50% (1999: 43%).

The aggregate purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases for the year ended 31 December 2000.

None of the directors of the Company or any of their associates or shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this Annual Report were as follows:

Executive directors:

Mak Shiu Tong Clement

Cheng Yuk Ching Flora

Tsoi Tong Hoo Tony

William Donald Putt

Tam Ngai Hung Terry

(appointed on 12 February 2000, resigned on 29 September 2000
and re-appointed on 26 March 2001)

Liu Zhen Yuan

(retired on 22 June 2000)

Zhang Guo Liang

(resigned on 18 November 2000)

Independent non-executive directors:

Samuel Olenick

Tam King Ching Kenny

Lau Ho Man Edward

(appointed on 12 February 2000)

In accordance with Article 91 of the Company's Articles of Association, Tam Ngai Hung Terry will retire and, being eligible, offer himself for re-election. In accordance with Article 99 of the Company's Articles of Association, William Donald Putt and Tsoi Tong Hoo Tony will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 22 to 23 of this Annual Report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the directors' emoluments and of the five highest paid individuals in the Group are set out in notes 6 and 7 to the financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

During the year, no director had a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory obligation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 31 December 2000, the interests of the directors or their respective associates in the share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

1. Interests in ordinary shares

i. The Company

Name of director	Notes	Number of shares beneficially held and nature of interest		
		Personal	Family	Corporate
Mak Shiu Tong Clement	(a)	2,200,000	4,406,000	325,945,797
Cheng Yuk Ching Flora		35,666,875	–	–
Tsoi Tong Hoo Tony		5,000,000	–	–
Samuel Olenick	(b)	–	–	500,000
William Donald Putt		686,000	–	–

ii. Associated Corporation - CCT Multimedia

Name of director	Notes	Number of shares beneficially held and nature of interest		
		Personal	Family	Corporate
Mak Shiu Tong Clement	(c)	574,412	1,150,391	85,103,220
Cheng Yuk Ching Flora		9,312,498	–	–
Tsoi Tong Hoo Tony		1,305,483	–	–
Samuel Olenick	(d)	–	–	130,548
William Donald Putt		179,112	–	–

Notes:

(a) The family interest of Mak Shiu Tong Clement in 4,406,000 shares is held by his wife, Yiu Yu Ying, and the corporate interest of Mak Shiu Tong Clement in 325,945,797 shares is held by Capital Interest Limited, the issued share capital of which his wife and two sons have a beneficial interest, pursuant to Section 31 and Clause 5 of Part I of the Schedule of the SDI Ordinance and which interest in shares has also been disclosed under the section of "Substantial Shareholders" below.

(b) The shares are deemed to be interested by Samuel Olenick pursuant to Clause 5 of Part I of the Schedule of the SDI Ordinance.



(c) *The family interest of Mak Shiu Tong Clement in 1,150,391 shares is held by his wife, Yiu Yu Ying, and the corporate interest of Mak Shiu Tong Clement in 85,103,220 shares is held by Capital Interest Limited, the issued share capital of which his wife and two sons have a beneficial interest, pursuant to Section 31 and Clause 5 of Part I of the Schedule of the SDI Ordinance.*

(d) *The shares are deemed to be interested by Samuel Olenick pursuant to Clause 5 of Part I of the Schedule of the SDI Ordinance.*

Save as disclosed above, as at 31 December 2000, none of the directors or their respective associates had any personal, family, corporate or other interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

2. Rights to acquire ordinary shares

i. The Company

Pursuant to the Company's share option scheme as detailed in note 32(c) to the financial statements, the Company has granted to certain directors of the Company the right to subscribe for ordinary shares in the share capital of the Company. Details of the movements in the share options granted to the directors of the Company during the year were as follows:

Name of director	Number of share options outstanding as at 31 December 1999	Number of share options granted during the year	Number of share options exercised during the year	Number of share options cancelled during the year	Number of share options outstanding as at 31 December 2000	Notes	Exercise price per share HK\$
Mak Shiu Tong Clement	2,200,000	–	(2,200,000)	–	–	(a)	1.92
Cheng Yuk Ching Flora	2,000,000	–	(2,000,000)	–	–	(a)	1.92
	2,000,000	–	(2,000,000)	–	–	(b)	2.00
	5,220,000	–	(5,220,000)	–	–	(c)	1.20*
	–	10,250,000	(10,250,000)	–	–	(e)	1.31*
Tsoi Tong Hoo Tony	5,000,000	–	(5,000,000)	–	–	(c)	1.20*
Tam Ngai Hung Terry**	–	2,000,000	–	(2,000,000)	–	(d)	2.89*
Zhang Guo Liang***	750,000	–	(750,000)	–	–	(b)	2.00
William Donald Putt	500,000	–	(500,000)	–	–	(a)	1.92
	17,670,000	12,250,000	(27,920,000)	(2,000,000)	–		

ii. Associated Corporation - CCT Multimedia

Name of director	Number of share options outstanding as at 31 December 1999	Number of share options granted during the year	Number of share options exercised during the year	Number of share options cancelled during the year	Number of share options outstanding as at 31 December 2000	Notes	Exercise price per share HK\$
Mak Shiu Tong Clement	-	10,000,000	-	-	10,000,000	(f)	0.167
Cheng Yuk Ching Flora	-	5,000,000	-	-	5,000,000	(f)	0.167
Tsoi Tong Hoo Tony	-	5,000,000	-	-	5,000,000	(f)	0.167
	-	20,000,000	-	-	20,000,000		

Notes:

- (a) Exercisable from 8 February 1998 to 7 February 2000
- (b) Exercisable from 27 August 1998 to 26 August 2000
- (c) Exercisable from 6 October 1999 to 5 October 2001
- (d) Exercisable from 15 February 2000 to 14 February 2002
- (e) Exercisable from 10 May 2000 to 9 May 2002
- (f) Exercisable from 9 May 2001 to 8 November 2002

* Adjusted on 29 September 2000 to take into account the special dividend of the Company.

** Tam Ngai Hung Terry resigned as an executive director of the Company on 29 September 2000 and was re-appointed as an executive director of the Company on 26 March 2001.

*** Zhang Guo Liang resigned as an executive director of the Company on 18 November 2000.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or its associated corporations granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its subsidiaries or its associated corporations a party to any arrangements to enable the directors to acquire such rights in any other body corporate.



SUBSTANTIAL SHAREHOLDERS

As at 31 December 2000, the following parties were interested in 10% or more of the issued share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholders	Number of shares held
Capital Interest Limited*	325,945,797
Yiu Yu Ying*	4,406,000
Mak Shiu Tong Clement	2,200,000
	332,551,797

* Pursuant to Section 8 of the SDI Ordinance, Mak Shiu Tong Clement, a director of the Company, is deemed to control or have an interest in Capital Interest Limited, the issued share capital of which his wife and two sons have a beneficial interest, and in the shares owned by his wife, Yiu Yu Ying. These interests have been disclosed under the section of "Directors' interests in shares and share options" above.

Save as disclosed above, as at 31 December 2000, no other parties, other than the directors and their respective associates of the Company, whose interests are set out above, had registered as having an interest of 10% or more in the share capital of the Company as recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance.

CONNECTED TRANSACTIONS

- (i) On 21 July 2000, the Company and CCT Multimedia entered into an acquisition agreement relating to the sale of Natural Winner Investment Limited ("Natural Winner"), an indirect wholly-owned subsidiary of the Company, which holds the entire interest in e-club International Limited ("E-club") pursuant to which CCT Multimedia agreed to acquire the entire equity interest of E-club from the Company. The aggregate consideration for the E-club acquisition was HK\$1,200,000,000 and CCT Multimedia agreed to issue 1,200,000,000 new shares of HK\$0.10 each in the capital of CCT Multimedia to the Company in lieu of cash. The transaction was completed on 29 September 2000.
- (ii) On 26 September 2000, the Company entered into a share purchase agreement ("the Agreement") with NTT Communications Corporation Limited ("NTT") pursuant to which NTT agreed to acquire from the Company 30,810,000 ordinary shares at HK\$1.00 each ("Sale Shares") in HKNet, an indirect 51%-owned subsidiary of the Company at that time. The Sale Shares constituted 26% of the then total issued share capital of HKNet. The total consideration payable for the Sale Shares was HK\$124,780,500 at the price of HK\$4.05 per Sale Share. The transaction pursuant to the Agreement resulted in an increase of NTT's shareholding in HKNet from 49% to 75% of the total issued share capital and the Company's shareholding in HKNet was reduced from 51% to 25%. The transaction was completed on 28 September 2000.

NTT was a substantial shareholder of HKNet holding 49% of the total issued share capital of HKNet prior to the completion of the above transaction.

- (iii) On 5 October 2000, CCT Multimedia, an indirect 64.88%-owned subsidiary of the Company at that time, entered into a sale and purchase agreement to acquire the entire issued share capital of Wellfit Multi Media Group Limited from Super Control Investments Limited ("Super Control"), an indirect wholly-owned subsidiary of the Company, and Lucky Club Management Limited ("Lucky Club") for a consideration of HK\$134,400,000 which was determined after what the directors considered to be arms' length negotiations between the relevant parties. The consideration was satisfied by the issue of 134,400,000 ordinary shares at HK\$1.00 each of CCT Multimedia. The transaction was completed on 29 November 2000.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 38 to the financial statements.

PENSION SCHEME

The Group operates two defined contribution provident fund schemes (the “Schemes”) pursuant to which certain employees of the Group are entitled to join upon fulfilling certain membership conditions. The Group contributes an amount equal to a fixed percentage of the salary of each participating employee. Forfeited contributions in respect of unvested benefits of staff leavers are used to reduce the Group’s ongoing contributions. The net contributions are charged to the profit and loss account in the year to which they relate. The employer’s pension costs charged to the profit and loss account for the year are set out in notes 2 and 4 to the financial statements, respectively.

The assets of the Schemes are held separately from those of the Group and are managed by independent fund administrators.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the Annual Report, save that the independent non-executive directors of the Company are not appointed for specific terms, but are subject to retirement by rotation at the annual general meeting in accordance with the Company’s Articles of Association.

AUDIT COMMITTEE

Pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Company has an audit committee comprising three independent non-executive directors. A written terms of reference, which described the authority and duties of the audit committee, was also adopted by the directors.

The Audit Committee is answerable to the Board and the principal duties of the Committee include the review and supervision of the Company’s financial reporting process and internal control.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Mak Shiu Tong Clement

Chairman

Hong Kong
19 April 2001

