

During the year, the Company achieved revenue of HK\$224 million and a gross profit of HK\$66 million, representing increases of 94% and 137%, respectively, when compared with the nine-month period of 2000. In 2001, the major proportion of revenue came from the baby care product business and the multimedia production business. The baby care product business continued to achieve a steady growth with improvements in revenue and profit.

Chairman's Letter

I am particularly pleased to report that the Hong Kong mobile phone joint venture engaging in export and material sourcing, which was acquired on 17 December 2001, contributed an operating profit of HK\$6 million approximately to our 2001 results in only two weeks.

However, due to the unsatisfactory performance of the Internet content and portal operation, the Group recorded a net loss attributable to shareholders of HK\$5 million.

At the end of 2001, the Company underwent a restructuring process by acquiring a new mobile phone business jointly operated by Haier Group and CCT Telecom Holdings Limited ("CCT Telecom", the ultimate holding company of the Company) to replace its multimedia business. The business restructuring is wholesome for the long-term development of the Company. Now, the Group's financial resources can be refocused to develop the mobile phone business, which has great potential. The newly acquired business will function as a stable and strong revenue source for Haier-CCT and increase its overall value. Moreover, by having Haier as one of the major shareholders, the scale of the Group has been enlarged significantly.

Business Restructuring

The Company announced its plan to restructure its business by acquiring the mobile phone operation in July 2001.

The mobile phone acquisition has been divided into two phases. In December 2001, the first stage of the transaction, that is, the acquisition of the HK JV, was completed when the multimedia business was transferred back to CCT Telecom. The Internet content and portal business was gradually wound down in 2000, and ceased operation earlier this year due to the change of business focus. Subsequently, the new name of "Haier-CCT Holdings Limited" was formally adopted to reflect the new strategic alliance between the two major shareholders. Haier now owns 22% of Haier-CCT.

In March 2002, the baby care product business was sold to CCT Telecom. Haier-CCT is now a very unique company focusing on mobile phone operation.

Outlook for the Mobile Phone Business

It is expected that there will be increasing demand for mobile handsets in the PRC market. Hence, with the strong support of the Government, the prospects for domestic mobile phone manufacturers are optimistic. In addition, the economic situation in the US and European markets began to revive this year. All of these positive factors will together provide an impetus for the development of our mobile phone business.

Our unrivalled competitive advantage gives us a solid platform for the expansion in China.

Moving Forward

The second phase of the transaction, that is, the acquisition of the PRC JV, is in progress. The PRC JV is responsible for mobile phone manufacture and domestic distribution. Upon the completion of this transaction, Haier's stake in Haier-CCT will be increased. Given Haier's prestige and market position, the potential for the restructured Company is limitless.

As we face the imminent entry of China into the WTO and the opening up of the huge China market, Haier-CCT is in a most positive position because of its close relationship with Haier, the largest home electrical appliance manufacturer, exporter and distributor in China. This unrivalled competitive advantage provides a solid platform for us to expand our business in China.

Haier-CCT is in a cash-rich position with over HK\$450 million on hand after its successful share placements in December 2001 and January 2002, to restore the public float. We will acquire quality assets and prudently invest in relevant business so as to increase the value of the Group within a short period of time and bring about lucrative returns for shareholders.

It is our intention to reward our long-term investors for their faithful support all through the years by creating new avenues for revenue generation which will result in greater return on investment in the future.

Acknowledgements

I would like to take this opportunity to welcome our new board members from Haier, as well as thanking our staff and business partners for their contributions, and our shareholders for their support of this restructured company. I am optimistic about the bright future which lies ahead for Haier-CCT.

By Order of the Board

MAK Shiu Tong Clement

Chairman

Hong Kong, 22 April 2002