1. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

- manufacturing and sale of baby care products;
- sourcing of raw materials, distribution of mobile phones and provision of technical and management services; and
- provision of multimedia content and services, and magazine publishing (discontinued during the year - further details are set out in note 6 to these financial statements).

In the opinion of the directors, the ultimate holding company of the Company is CCT Telecom Holdings Limited ("CCT Telecom"), which is incorporated in the Cayman Islands with limited liability and is listed on The Stock Exchange of Hong Kong Limited.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations - subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill - continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs and Interpretations are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (continued)

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are further detailed in notes 30 and 36 to these financial statements.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to these financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life.

Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against reserves. The adoption of the SSAP and Interpretation has resulted in a prior year adjustment, further details of which are included in note 17 to these financial statements. The required new additional disclosures are included in notes 17 and 33 to these financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no significant impact on the preparation of these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 20 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years/periods may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	2.5%
Leasehold improvements	50%
Tools, moulds and equipment	20% - 50%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%
Plant and machinery	25%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year/period. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of the previous valuations is released to the profit and loss account.

Intangible asset

The intangible asset represents purchased publishing rights which are stated at cost and amortised on the straight-line basis over their estimated useful lives of 20 years.

Club memberships

Club memberships are intended to be held for long term purposes. They are stated at cost less any impairment losses, on an individual membership basis.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on an individual investment basis, as determined by the directors having regard to, such as, the prices of the most recently reported sale or purchase of the securities. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent that it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged or credited to the profit and loss account on the straight-line basis over the lease terms.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' relevant income and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions accumulated in previous retirement scheme made before 1 December 2000, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

In addition to the MPF Scheme, the Group operates a defined contribution retirement benefits scheme for those employees who were eligible to participate in this scheme. This scheme operates in a similar way to the MPF Scheme, except that the contributions are made based on a percentage of the employees' basic salary and when an employee leaves this scheme before his/her interest in the Group's employer contributions vest fully, the ongoing contributions payable by the Group are reduced by the relevant amount of the forfeited employer contributions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. Any resulting translation differences are included in the exchange fluctuation reserve.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) income from the provision of technical and management services, multimedia content and services and software and hardware designs, when the services are rendered;

(c) circulation income, when the magazines are delivered;

(d) advertising income, when the advertisements are published;

(e) rental income, on a time proportion basis over the lease terms; and

(f) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends (continued)

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services, which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the baby care product segment manufactures and sells baby care products;

(b) the multimedia segment provides multimedia content and services and publishes magazines which was discontinued during the year - note 6;

(c) the telecom product segment sources raw materials, distributes mobile phones and provides technical and management services and software and hardware designs; and

(d) the corporate and other segment includes general corporate income and expense items.

In determining the Group's geographical segments, revenue and results are attributed to the segments based on the location of the customers.

Further details of additional operations which were discontinued after the balance sheet date are set out in note 38(a).

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue and profit information regarding the Group's business segments for the year ended 31 December 2001 and period ended 31 December 2000, and certain asset and liability information regarding the Group's business segments at 31 December 2001 and 2000.

Group

	Baby care products		Multimedia (discontinued on 17 December 2001)		Telecom products (acquired on 17 December 2001)		Corporate and other		Eliminations		Consolidated	
HK$'000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000 (Restated)
Segment revenue:												
Sales to external customers	**155,476**	109,254	**50,305**	5,353	**18,327**	–	**22**	1,130	**–**	–	**224,130**	115,737
Intersegment sales	**–**	–	**9,000**	–	**–**	–	**–**	–	**(9,000)**	–	**–**	–
Other revenue from external sources	**–**	–	**–**	20,000	**–**	–	**6,783**	2,456	**–**	–	**6,783**	22,456
Total revenue	**155,476**	109,254	**59,305**	25,353	**18,327**	–	**6,805**	3,586	**(9,000)**	–	**230,913**	138,193
Segment results	**7,488**	3,454	**2,775**	14,860	**5,773**	–	**(17,244)**	(10,674)			**(1,208)**	7,640
Interest income											**569**	3,524
Profit/(loss) from operating activities											**(639)**	11,164
Finance costs											**(520)**	(22)
Share of loss of an associate											**(2,439)**	–
Impairment of goodwill											**–**	(1,133,556)
Loss before tax											**(3,598)**	(1,122,414)
Tax											**(1,432)**	(479)
Net loss from ordinary activities attributable to shareholders											**(5,030)**	(1,122,893)

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

HK$'000	Baby care products 2001	Baby care products 2000	Multimedia (discontinued on 17 December 2001) 2001	Multimedia (discontinued on 17 December 2001) 2000	Telecom products (acquired on 17 December 2001) 2001	Telecom products (acquired on 17 December 2001) 2000	Corporate and other 2001	Corporate and other 2000	Eliminations 2001	Eliminations 2000	Consolidated 2001	Consolidated 2000 (Restated)
Segment assets	77,857	161,847	–	160,956	1,638,632	–	354,267	1,094	(9,363)	(60,013)	2,061,393	263,884
Unallocated assets	–	1,036	–	(196)	–	–	–	–	–	–	–	840
Total assets	77,857	162,883	–	160,760	1,638,632	–	354,267	1,094	(9,363)	(60,013)	2,061,393	264,724
Segment liabilities	17,331	11,406	–	72,027	76,241	–	17,814	1,288	(9,363)	(60,013)	102,023	24,708
Unallocated liabilities	1,850	462	–	2,106	41,120	–	60,000	–	–	–	102,970	2,568
Total liabilities	19,181	11,868	–	74,133	117,361	–	77,814	1,288	(9,363)	(60,013)	204,993	27,276
Other segment information:												
Capital expenditure	877	653	2,417	1,091	89	–	74	799	–	–	3,457	2,543
Depreciation	2,567	3,054	3,878	693	30	–	1,127	13	–	–	7,602	3,760
Amortisation	–	–	78	–	3,432	–	–	–	–	–	3,510	–
Impairment losses recognised directly in the profit and loss account	–	–	–	–	–	–	–	–	–	–	–	1,133,556
Other non-cash expenses	528	346	–	2,230	–	–	3,335	–	–	–	3,863	2,576

(b) Geographical segments

The following table presents revenue and results regarding the Group's geographical segments for the year ended 31 December 2001 and period ended 31 December 2000. Over 90% of the Group's assets are located in Hong Kong.

Group

HK$'000	United States of America 2001	United States of America 2000	Hong Kong 2001	Hong Kong 2000	Elsewhere in the PRC 2001	Elsewhere in the PRC 2000	United Kingdom 2001	United Kingdom 2000	Unallocated 2001	Unallocated 2000	Eliminations 2001	Eliminations 2000	Consolidated 2001	Consolidated 2000
Segment revenue:														
Sales to external customers	147,145	105,131	54,944	8,114	2,732	–	12,692	–	6,617	2,492	–	–	224,130	115,737
Other revenue from external sources	–	–	6,783	22,456	–	–	–	–	–	–	–	–	6,783	22,456
Total revenue	147,145	105,131	61,727	30,570	2,732	–	12,692	–	6,617	2,492	–	–	230,913	138,193
Segment results	7,087	3,324	3,772	14,860	861	–	3,998	–	(16,926)	(10,544)	–	–	(1,208)	7,640

5. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered.

Revenue from the following activities has been included in turnover:

	Group	
		Period from 1 April 2000 to 31 December
	2001	2000
	HK$'000	*HK$'000*
Continuing operations:		
Manufacturing and sale of baby care products	**155,476**	109,254
Sourcing of raw materials, distribution of mobile phones and provision of technical and management services	**18,327**	–
Provision of advertising services	**22**	1,130
	173,825	110,384
Discontinued operations (note 6):		
Provision of multimedia content and services, and magazine publishing	**50,305**	5,353
Turnover	**224,130**	115,737

6. DISCONTINUED OPERATIONS

On 17 December 2001, the Group disposed of its entire interest in Master Base Investment Inc. ("Master Base") and Creditop International Inc. ("Creditop") as part of the consideration for the acquisition of certain subsidiaries. The principal activities of Master Base and its subsidiaries are the provision of multimedia content and services and magazine publishing, which were solely carried out in Hong Kong, and the principal activity of Creditop is the holding of investment in Mingpao.com Holdings Limited ("Mingpao.com"). Further details of this transaction are set out in note 39(a) to these financial statements.

Further details of additional operations which were discontinued after the balance sheet date are set out in note 38(a).

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging:

	2001 HK$'000	Period from 1 April 2000 to 31 December 2000 HK$'000 (Restated)
Depreciation	**7,602**	3,760
Amortisation of publishing rights*	**78**	–
Amortisation of goodwill**	**3,432**	–
Auditors' remuneration	**1,250**	950
Staff costs (including directors' remuneration - note 9):		
Wages, salaries, bonuses and other emoluments	**50,432**	19,777
Pension contributions	**803**	374
Less: Forfeited contributions	**–**	(63)
Net pension contributions***	**803**	311
	51,235	20,088
Minimum lease payments under operating leases in respect of land and buildings	**6,358**	3,538
Loss on disposal of fixed assets, net	**1,912**	11
Provision for bad and doubtful debts		
- Trade receivables	**1,484**	2,293
- Other receivables	**467**	125
Provision for obsolete and slowing-moving inventories	**–**	147
and after crediting:		
Foreign exchange gains, net	**629**	383
Gross rental income from an investment property	**481**	221
Interest income	**569**	3,524
Revaluation surplus of an investment property	**–**	500
Unrealised holding gain on short term investment	**–**	20,000

* *The amortisation of the publishing rights for the year is included in "Cost of sales" on the face of the profit and loss account.*

** *The amortisation of goodwill for the year is included in "Other operating expenses" on the face of the profit and loss account.*

*** *At 31 December 2001, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (period ended 31 December 2000: Nil).*

8. FINANCE COSTS

	Group 2001 HK$'000	Period from 1 April 2000 to 31 December 2000 HK$'000
Interest on bank loans wholly repayable within five years	**287**	2
Interest on finance leases	**233**	20
	520	22

9. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Companies Ordinance is as follows:

	Group 2001 HK$'000	Period from 1 April 2000 to 31 December 2000 HK$'000
Executive directors:		
Fees	**–**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**5,049**	6,262
Performance related bonuses	**10,091**	2,270
Pension scheme contributions	**242**	86
	15,382	8,618
Independent non-executive directors:		
Fees	**240**	176

9. DIRECTORS' REMUNERATION (continued)

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
		Period from 1 April 2000 to 31 December
	2001	2000
Nil - HK$1,000,000	**13**	13
HK$1,000,001 - HK$1,500,000	**1**	1
HK$1,500,001 - HK$2,000,000	**2**	1
HK$2,500,001 - HK$3,000,000	**–**	2
HK$5,500,001 - HK$6,000,000	**1**	–

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, 31,000,000 share options were granted to the directors in respect of their services to the Group, further details of which are set out under the heading "Share option scheme" in the Report of the Directors on page 26.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2000: four) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining non-director, highest paid employee for the prior period are as follows:

	Group	
		Period from 1 April 2000 to 31 December
	2001	2000
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**–**	520
Performance related bonuses	**–**	-
Pension scheme contributions	**–**	24
	–	544

11. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, practices and interpretations in respect thereof.

	Group	
		Period from 1 April 2000 to 31 December
	2001	2000
	HK$'000	*HK$'000*
Hong Kong profits tax	**2,676**	590
(Over)/underprovision in prior period	**(1,244)**	119
Deferred tax (note 31)	**–**	(230)
Tax charge for the year/period	**1,432**	479

12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2001 dealt with in the financial statements of the Company is approximately HK$1,161,552,000 (period ended 31 December 2000: HK$2,513,000).

13. DIVIDENDS

No dividends have been paid or declared by the Company during the year (period ended 31 December 2000: Nil).

14. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of approximately HK$5,030,000 (period ended 31 December 2000: restated loss of HK$1,122,893,000) and the weighted average of 1,857,193,397 (period ended 31 December 2000: 635,973,455) ordinary shares in issue during the year.

The calculation of diluted loss per share is based on the net loss attributable to shareholders for the year of HK$5,030,000. The weighted average number of ordinary shares used in the calculation is the 1,857,193,397 ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average of 2,149,155 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

The diluted loss per share for the period ended 31 December 2000 has not been shown as the potential ordinary shares outstanding during the period had no dilutive effect on the basic loss per share.

15. FIXED ASSETS

Group

HK$'000	Investment property	Leasehold land and buildings	Leasehold improve- ments	Tools, moulds and equipment	Furniture, fixtures and office equipment	Motor vehicles	Plant and machinery	Total
Cost:								
At beginning of year	5,200	3,494	9,379	11,927	6,708	4,623	11,379	52,710
Additions	–	–	1,131	585	420	555	766	3,457
Acquisition of subsidiaries	–	–	229	81	2,141	1,034	–	3,485
Disposals	(5,200)	–	(2,097)	(2,989)	(522)	(3,526)	–	(14,334)
Disposal of subsidiaries	–	–	(4,648)	(3,224)	(1,096)	(263)	(9,192)	(18,423)
Reclassification	–	–	543	122	(665)	–	–	–
At 31 December 2001	–	3,494	4,537	6,502	6,986	2,423	2,953	26,895
Accumulated depreciation :								
At beginning of year	–	587	4,134	4,668	3,472	1,738	3,020	17,619
Depreciation provided during the year	–	77	1,461	2,078	997	648	2,341	7,602
Acquisition of subsidiaries	–	–	4	7	263	197	–	471
Disposals	–	–	(353)	(673)	(175)	(1,995)	–	(3,196)
Disposal of subsidiaries	–	–	(1,051)	(1,851)	(358)	(123)	(3,651)	(7,034)
Reclassification	–	–	118	32	(150)	–	–	–
At 31 December 2001	–	664	4,313	4,261	4,049	465	1,710	15,462
Net book value:								
At 31 December 2001	–	2,830	224	2,241	2,937	1,958	1,243	11,433
At 31 December 2000	5,200	2,907	5,245	7,259	3,236	2,885	8,359	35,091

15. FIXED ASSETS (continued)

Company

	Leasehold improvements *HK$'000*
Cost:	
At beginning of year	806
Disposals	(806)
At 31 December 2001	–
Accumulated depreciation:	
At beginning of year	13
Provided during the year	78
Disposals	(91)
At 31 December 2001	–
Net book value:	
At 31 December 2001	–
At 31 December 2000	793

The net book value of fixed assets of the Group held under finance leases included in the total amount of motor vehicles at 31 December 2001 amounted to approximately HK$1,572,000 (2000: HK$3,770,000).

The land and buildings are situated in Hong Kong and are held under medium term leases.

Certain of the Group's fixed assets were pledged to secure general banking facilities granted to the Group, as detailed in note 37 to the financial statements.

16. INTANGIBLE ASSET

Group	**Publishing rights** *HK$'000*
Cost:	
At beginning of year	–
Acquisition of subsidiaries	2,000
Disposal of subsidiaries	(2,000)
At 31 December 2001	–
Accumulated amortisation:	
At beginning of year	–
Acquisition of subsidiaries	59
Provided during the year	78
Disposal of subsidiaries	(137)
At 31 December 2001	–
Net book value:	
At 31 December 2001	–
At 31 December 2000	–

17. GOODWILL

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. The amounts of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

Group

	Goodwill HK$'000
Cost:	
At beginning of year:	–
Acquisition of subsidiaries (note 34(c))	1,461,433
Disposal of subsidiaries (note 34(d))	(12,396)
At 31 December 2001	1,449,037
Accumulated amortisation:	
At beginning of year:	–
Amortisation provided during the year	3,432
Disposal of subsidiaries (note 34(d))	(413)
At 31 December 2001	3,019
Net book value:	
At 31 December 2001	1,446,018
At 31 December 2000	–

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves.

During the current year, the Group has adopted a policy to assess goodwill eliminated against consolidated reserves for impairment. This change of accounting policy has been accounted for retrospectively as a prior year adjustment in accordance with the transitional provisions of SSAP 30. This prior year adjustment has had no effect on the current year.

17. GOODWILL (continued)

The amounts of the goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries prior to 1 January 2001, are as follows:

Group

HK$'000	**Goodwill eliminated against contributed surplus**	**Goodwill eliminated against consolidated retained profits**	**Total**
Cost:			
At beginning of year	1,200,960	57,321	1,258,281
Disposal of subsidiaries (note 34(d))	(120,960)	(3,765)	(124,725)
At 31 December 2001	1,080,000	53,556	1,133,556
Accumulated impairment:			
At beginning of year:			
As previously reported	–	–	–
Prior year adjustment	1,080,000	53,556	1,133,556
As restated	1,080,000	53,556	1,133,556
Impairment provided during the year	–	–	–
At 31 December 2001	1,080,000	53,556	1,133,556
Net amount:			
At 31 December 2001	–	–	–
At 31 December 2000	120,960	3,765	124,725

18. LONG TERM RECEIVABLE

The balance represents a receivable from CCT Technology Group Holdings Limited ("CCT Technology"), a fellow subsidiary of the Company and an indirect wholly-owned subsidiary of CCT Telecom, relating to the provision of technical and management services to the Group in accordance with the technical service and management agreement and a supplemental agreement (collectively the "Management Agreements") entered into between Foreland Agents Limited, an indirect wholly-owned subsidiary of the Company, and CCT Technology on 21 September 2000 and 27 August 2001, respectively. Under the terms and conditions set out in the Management Agreements, the payment of this balance shall fall due after 2002. The balance is unsecured and repayable on demand. Further details of the transactions are set out in note 39(b) to these financial statements.

19. DEPOSIT FOR ACQUISITION OF A SUBSIDIARY

The prior year's balance represented a deposit paid for the acquisition of a 100% interest in City Howwhy Limited ("City Howwhy").

The transaction was completed in March 2001 and the Group's interest in City Howwhy was thereafter accounted for as a subsidiary. In December 2001, the Group's interest in City Howwhy was fully disposed of as part of the consideration for the acquisition of certain subsidiaries. Further details of the acquisition are set out in notes 34(c) and 39(a) to these financial statemens.

20. SHORT TERM INVESTMENT

	Group	
	2001	2000
	HK$'000	HK$'000
Unlisted equity investment, at fair value	**–**	120,000

The prior year's balance represented the fair value of 9.8% interest in Mingpao.com. The investment was disposed of as part of the consideration for the acquisition of certain subsidiaries during the year. Further details of the acquisition are set out in note 39(a) to these financial statements.

21. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK$'000	HK$'000
Unlisted shares, at cost	**2,719,835**	1,405,310
Due from subsidiaries	**55**	89,558
Due to subsidiaries	**(9,282)**	(42,959)
	2,710,608	1,451,909
Provision for impairment	**(1,201,691)**	–
	1,508,917	1,451,909

The amounts due from/(to) subsidiaries are unsecured, interest-free and are repayable on demand.

21. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ operations	Nominal value of issued share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Wiltec Industries Limited	Hong Kong	Ordinary HK$100 Deferred HK$1,000,000#	–	100	Manufacturing and sale of baby care products
Foreland Agents Limited*	British Virgin Islands/ Hong Kong	Ordinary US$2	–	100	Provision of technical and management services
Haier CCT (H.K.) Telecom Co., Limited*	Hong Kong	Ordinary HK$20,000,000	–	100	Sourcing of raw materials and distribution of mobile phones

The non-voting deferred shares carry no rights to dividends, to receive notice of or to attend or vote at any general meeting of the Company, or to participate in any distribution on winding-up.

* *Acquired during the year.*

On 17 December 2001, the Group acquired the entire interest in Foreland Agents Limited ("Foreland Agents") and Haier CCT (H.K.) Telecom Co., Limited ("Haier HK") from CCT Telecom and Orient Rich (H.K.) Limited ("Orient Rich"), an indirect wholly-owned subsidiary of Haier Group Corporation and disposed of Master Base and Creditop to CCT Telecom. Further details of this acquisition are set out in notes 32, 34(c) and 39(a) to these financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

22. INVENTORIES

	Group 2001 HK$'000	Group 2000 HK$'000
Raw materials	**37,619**	1,763
Finished goods	**790**	1,639
	38,409	3,402

The carrying amount of inventories carried at net realisable value included in the above balance was Nil (2000: Nil) as at the balance sheet date.

23. TRADE AND BILLS RECEIVABLES

The Group normally allows an average credit period of 60 to 90 days to its trade customers. An aged analysis of the trade receivables as at the balance sheet date is as follows:

	Group 2001 HK$'000	Group 2001 Percentage	Group 2000 HK$'000	Group 2000 Percentage
Within 1 month	**27,479**	**41**	19,946	48
1 - 2 months	**9,778**	**14**	11,762	28
2 - 3 months	**6,261**	**9**	8,297	20
Over 3 months	**24,493**	**36**	1,759	4
Total	**68,011**	**100**	41,764	100

Included in the Group's trade and bills receivables are trade receivables of HK$19,329,000 (2000: Nil) from Haier CCT (Qingdao) Telecom Co., Limited ("Haier Qingdao"). Haier Qingdao is 49% indirectly owned by CCT Telecom. The balance arose from transactions relating to the sales of raw materials pursuant to the terms and conditions set out in an agreement and a supplemental agreement entered into between Haier HK and Haier Qingdao on 3 July 2001 and 15 August 2001, respectively. The balance is repayable with a credit period of 30 days. Further details of the transactions are set out in note 39(b) to these financial statements.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
HK$'000	**2001**	2000	**2001**	2000
Prepayments	**319**	4,132	**–**	271
Deposits and other receivables	**42,693**	7,713	**919**	30
	43,012	11,845	**919**	301

25. DUE FROM A RELATED COMPANY

Group

HK$'000	**31 December 2001**	**Maximum amount outstanding during the year**	**1 January 2001**
Haier CCT (Qingdao) Telecom Co., Limited	24,402	24,402	–

The balance mainly arose from transactions relating to the provision of software and hardware design services pursuant to the terms and conditions set out in an agreement and a supplemental agreement entered into between Haier HK and Haier Qingdao on 3 July 2001 and 15 August 2001, respectively. Further details of the transactions are set out in note 39(b) to these financial statements.

The balance is unsecured, interest-free and is repayable on demand.

26. CASH AND CASH EQUIVALENTS

	Group		Company	
HK$'000	**2001**	2000	**2001**	2000
Cash and bank balances	**268,114**	9,881	**245,481**	2
Time deposits	**101,993**	15,623	**101,986**	–
	370,107	25,504	**347,467**	2

27. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date is as follows:

Group

	2001		2000	
	HK$'000	**Percentage**	HK$'000	Percentage
Within 1 month	**54,619**	**74**	8,554	60
1 - 2 months	**6,395**	**9**	3,242	23
2 - 3 months	**2,748**	**4**	939	7
Over 3 months	**9,731**	**13**	1,570	10
Total	**73,493**	**100**	14,305	100

Included in the Group's trade and bills payables are trade payables of HK$52,232,000 (2000: Nil) due to Haier Qingdao. The balance arose from transactions relating to the purchases of mobile phones pursuant to the terms and conditions set out in a letter of intent and a supplemental agreement entered into between Haier HK and Haier Qingdao on 3 July 2001 and 15 August 2001, respectively. The balance is repayable with a credit period of 30 days. Further details of the transactions are set out in note 39(b) to these financial statements.

28. OTHER PAYABLES AND ACCRUALS

	Group		**Company**	
HK$'000	**2001**	2000	**2001**	2000
Other payables	**7,094**	2,464	**–**	–
Accruals	**21,436**	7,939	**7,451**	1,058
	28,530	10,403	**7,451**	1,058

29. LOAN NOTE

The loan note was issued by the Company to an indirect wholly-owned subsidiary of CCT Telecom on 17 December 2001. Further details of this transaction are set out in notes 34(c) and 39(a) to these financial statements.

The loan note bears interest from the date of its issue at the rate of 5% per annum and the interest is payable annually in arrears. The loan note will mature on the second anniversary of the date of its issue.

Subsequent to the balance sheet date, on 4 March 2002, the loan note was fully discharged by way of a disposal of one of the Group's subsidiaries, and details of which are set out in note 38(a) to these financial statements.

30. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles for its baby care product business and mobile phone business. These leases are classified as finance leases and have remaining lease terms ranging from two to three years.

At 31 December 2001, the total future minimum lease payments under finance leases and their present values were as follows:

Group

HK$'000	**Minimum lease payments 2001**	Minimum lease payments 2000	**Present value of minimum lease payments 2001**	Present value of minimum lease payments 2000
Amounts payable:				
Within one year	**576**	1,299	**556**	1,182
In the second year	**576**	956	**503**	759
In the third to fifth years, inclusive	**426**	505	**339**	387
Total minimum finance lease payments	**1,578**	2,760	**1,398**	2,328
Future finance charges	**(180)**	(432)		
Total net finance lease payables	**1,398**	2,328		
Portion classified as current liabilities	**(472)**	(1,080)		
Long term portion	**926**	1,248		

SSAP 14 was revised and implemented during the year, as detailed in note 2 to the financial statements. Certain new disclosures are required and have been included above. The prior year comparative amounts for the new disclosures have also been included where appropriate.

31. DEFERRED TAX

HK$'000	Group 2001	2000
Balance at beginning of year/period	**240**	470
Credit for the year/period - note 11	**–**	(230)
At 31 December	**240**	240

The principal components of the Group's provision for deferred tax, and the net deferred tax asset position not recognised in the financial statements are as follows:

	Provided		Not Provided	
HK$'000	**2001**	2000	**2001**	2000
Accelerated depreciation allowances	**240**	240	**1,219**	1,007
Tax losses	**–**	–	**(12,447)**	(11,011)
	240	240	**(11,228)**	(10,004)

The benefit of any future tax relief has not been included as an asset in the balance sheet because the directors consider that the benefit should not be recognised until it is assured beyond reasonable doubt.

The Company had no unprovided deferred tax at the balance sheet date (2000: Nil).

32. SHARE CAPITAL

Shares

	Company	
	2001 HK$'000	2000 HK$'000
Authorised: 20,000,000,000 (2000: 3,000,000,000) shares of HK$0.10 each	**2,000,000**	300,000
Issued and fully paid: 8,569,966,000 (2000: 1,548,916,000) shares of HK$0.10 each	**856,996**	154,891

32. SHARE CAPITAL (continued)

Pursuant to an ordinary resolution passed on 14 September 2001, the authorised share capital of the Company was increased from HK$300,000,000 to HK$2,000,000,000 by the creation of 17,000,000,000 additional ordinary shares of HK$0.10 each in the capital of the Company, ranking pari passu in all respect with the existing issued shares of the Company.

A summary of the transactions involving the Company's share capital during the year is as follows:

	Carrying amount *HK$'000*	**Number of shares issued**
At 1 January 2001	154,891	1,548,916,000
Issue of consideration shares	573,400	5,734,000,000
Issue upon private placements	116,000	1,160,000,000
Exercise of share options	12,705	127,050,000
At 31 December 2001	856,996	8,569,966,000

Issue of consideration shares

Pursuant to a conditional agreement and a supplemental agreement dated 4 July 2001 and 11 July 2001, respectively, the Company allotted and issued 5,734,000,000 ordinary shares, as to 3,774,000,000 ordinary shares to certain subsidiaries of CCT Telecom and as to 1,960,000,000 ordinary shares to Orient Rich, at a price of HK$0.20 per share on 17 December 2001, aggregating approximately HK$1,147 million, as part of the consideration for the acquisition of certain subsidiaries. Further details of these transactions are set out in notes 34(c) and 39(a) to these financial statements.

Private placements

(i) Pursuant to a resolution passed on 26 March 2001, the Company allotted and issued 40,000,000 ordinary shares of HK$0.10 each of the Company to an independent third party at a subscription price of HK$0.10 per share for a total cash consideration, before expenses, of HK$4,000,000.

(ii) As a result of the issue of the above-mentioned consideration shares by the Company on 17 December 2001, the percentage of the total issued share capital of the Company in the hands of the public fell to approximately 7.98%, which is lower than the minimum percentage prescribed by Rule 8.08 of the Listing Rules.

To ensure that at least 25% of the total issued share capital of the Company remained in public hands, on 19 December 2001, TingKong-RexCapital Securities International Limited has agreed to place, on a fully underwritten basis (a) 1,281,000,000 existing ordinary shares (the "First Placing Shares"), as to 1,021,000,000 existing ordinary shares on behalf of CCT Telecom and as to 260,000,000 existing ordinary shares on behalf of Orient Rich (the "First Placing"); and (b) 368,000,000 new ordinary shares of HK$0.10 each (the "Second Placing Shares") on behalf of the Company (the "Second Placing"), in each case, at a price of HK$0.30 per share (the "Placing Price"). In addition, on 19 December 2001, CCT Telecom and Orient Rich as subscribers have entered into a conditional agreement with the Company as issuer for the subscription of a total of 1,120,000,000 ordinary shares of HK$0.10 each of the Company at a price of HK$0.30 per share (the "Subscription").

32. SHARE CAPITAL (continued)

The First Placing and the Second Placing were completed on 27 December 2001 and 16 January 2002, respectively. The Subscription was completed on 2 January 2002 and a total cash consideration, before expenses, of HK$336,000,000 had been received as at the balance sheet date.

Share options

The Company operated a share option scheme during the year, further details of which are set out under the section of "Share option scheme" in the Report of the Directors on page 26.

Details of the current year movements in the number of ordinary shares under the share option scheme of the Company adopted on 24 November 1997 and subsequently amended on 4 December 1997 were as follows:

		Number of ordinary shares under option (in thousands)					
Exercise price per share	Exercise period	As at 1 January 2001	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2001
HK$0.167	31 January 2001 to 30 January 2003	20,000	–	(20,000)	–	–	–
HK$0.167	9 May 2001 to 8 November 2002	50,000	–	(42,000)	(5,650)	–	2,350
HK$0.152	1 July 2001 to 31 December 2002	–	6,000	–	(6,000)	–	–
HK$0.170	29 June 2001 to 28 June 2003	–	28,350	(25,000)	–	–	3,350
HK$0.190	13 July 2001 to 12 July 2003	–	44,750	(40,050)	–	–	4,700
		70,000	79,100	(127,050)	(11,650)	–	10,400

During the year, 62,000,000, 25,000,000 and 40,050,000 fully paid ordinary shares of HK$0.10 each in the Company were issued at subscription prices of HK$0.167, HK$0.170 and HK$0.190 per ordinary share, respectively, upon exercise of the share options, for an aggregate cash consideration of approximately HK$22,213,000.

No options have been granted under the new share option scheme of the Company adopted on 28 February 2002 since the date of its adoption.

Warrants

Subsequent to the balance sheet date, on 22 February 2002, the Company made a bonus issue of warrants to the shareholders whose names appeared on the register of members of the Company on 22 February 2002, on the basis of one unit of warrant for every ten shares of HK$0.10 each in the share capital of the Company held on that date. As a result, 893,876,600 units of warrants in the amount of HK$464,815,832 were issued pursuant to the bonus issue. Each unit of warrant entitles the holder thereof to subscribe for new ordinary shares of the Company at an initial subscription price of HK$0.52 per share, payable in cash and subject to adjustment, at any time between 26 February 2002 and 26 February 2004 (both dates inclusive).

33. RESERVES

Group

HK$'000	Share premium account	Investment property revaluation reserve	Contributed surplus	Retained profits/ (accumulated loss)	Total
At 1 April 2000	29,861	–	890	98,264	129,015
Issue of consideration shares	–	–	1,200,960	–	1,200,960
Goodwill arising from acquisition of subsidiaries	–	–	(1,200,960)	(57,321)	(1,258,281)
Surplus on revaluation	–	200	–	–	200
Net profit for the period	–	–	–	10,663	10,663
At 31 December 2000 and beginning of year	29,861	200	890	51,606	82,557
Prior year adjustment: SSAP 30 - Impairment of goodwill remaining eliminated against contributed surplus	–	–	1,080,000	(1,080,000)	–
As restated	29,861	200	1,080,890	(1,028,394)	82,557
Issue of consideration shares	–	–	573,400	–	573,400
Placement of shares	224,000	–	–	–	224,000
Share issue expenses	(9,556)	–	–	–	(9,556)
Exercise of shares options	9,508	–	–	–	9,508
Goodwill written back on disposal	–	–	120,960	3,765	124,725
Revaluation reserve released on disposal	–	(200)	–	–	(200)
Net loss for the year	–	–	–	(5,030)	(5,030)
At 31 December 2001	253,813	–	1,775,250	(1,029,659)	999,404

33. RESERVES (continued)

Included in the movements in the Group's contributed surplus and retained profits for the year ended 31 December 2000 was an adjustment to retrospectively recognise an impairment in the net amount of goodwill remaining eliminated against consolidated reserves by HK$1,133,556,000. The adjustment resulted in a net decrease of retained profits by HK$1,080,000,000 for the reason explained in note 17 to these financial statements.

Company

HK$'000	**Share premium account**	**Contributed surplus**	**Retained profits/ (accumulated losses)**	**Total**
At 1 April 2000	29,861	68,727	21	98,609
Issue of consideration shares	–	1,200,960	–	1,200,960
Loss for the period	–	–	(2,513)	(2,513)
At 31 December 2000 and beginning of year	29,861	1,269,687	(2,492)	1,297,056
Issue of consideration shares	–	573,400	–	573,400
Placement of shares	224,000	–	–	224,000
Share issue expenses	(9,556)	–	–	(9,556)
Exercise of share options	9,508	–	–	9,508
Loss for the year	–	–	(1,161,552)	(1,161,552)
At 31 December 2001	253,813	1,843,087	(1,164,044)	932,856

The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor.

The contributed surplus of the Company represents the excess of the fair values of the shares of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders in certain circumstances.

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) from operating activities to net cash inflow/(outflow) from operating activities

	2001 HK$'000	Period from 1 April 2000 to 31 December 2000 HK$'000
Profit/(loss) from operating activities	**(639)**	11,164
Interest income	**(569)**	(3,524)
Depreciation	**7,602**	3,760
Provision for obsolete and slow-moving inventories	**–**	147
Provision for bad and doubtful debts		
- Trade receivables	**1,484**	2,293
- Other receivables	**467**	125
Loss on disposal of fixed assets, net	**1,912**	11
Amortisation of goodwill	**3,432**	–
Amortisation of publishing rights	**78**	–
Revaluation surplus of an investment property	**–**	(500)
Unrealised holding gain on short term investment	**–**	(20,000)
Decrease/(increase) in inventories	**9,074**	(159)
Decrease/(increase) in trade and bills receivables	**4,414**	(15,003)
Increase in long term receivable	**(2,903)**	–
Increase in prepayments, deposits and other receivables	**(8,677)**	(826)
Increase in an amount due from a related company	**(1,436)**	–
Increase/(decrease) in trade and bills payables	**6,172**	(1,577)
Decrease in other payables and accruals	**(1,075)**	(12,304)
Net cash inflow/(outflow) from operating activities	**19,336**	(36,393)

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year

HK$'000	**Issued capital (including share premium)**	**Finance lease obligations**	**Other loan**
Balance at 31 March 2000	51,312	–	–
Par value of shares issued for non-cash consideration	133,440	–	–
Inception of finance lease contracts	–	306	–
Subsidiaries acquired during the period	–	2,189	40,249
Cash outflow from financing activities, net	–	(167)	(40,249)
Balance at 31 December 2000 and beginning of year	184,752	2,328	–
Par value of shares issued for non-cash consideration	573,400	–	–
Inception of finance lease contracts	–	555	–
Subsidiaries acquired during the year	–	740	–
Subsidiaries disposed of during the year	–	(1,132)	–
Cash inflow/(outflow) from financing activities, net	352,657	(1,093)	–
Balance at 31 December 2001	1,110,809	1,398	–

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Acquisition of subsidiaries

	2001 HK$'000	2000 HK$'000
Net assets acquired:		
Fixed assets	**3,014**	19,942
Intangible asset	**1,941**	–
Long term receivable	**40,731**	–
Short term investment	**–**	100,000
Cash and bank balances	**25,765**	5,865
Inventories	**44,081**	198
Trade and bills receivables	**46,572**	8,747
Prepayments, deposits and other receivables	**38,114**	8,033
Due from a related company	**22,966**	–
Trade and bills payables	**(59,758)**	(10,138)
Other payables and accruals	**(25,057)**	(11,898)
Finance lease payables	**(740)**	(2,189)
Tax payable	**(3,000)**	(196)
Other loan	**–**	(40,249)
Trust receipts with maturity within three months	**(56,659)**	–
	77,970	78,115
Goodwill on acquisition (note 17)	**1,461,433**	1,258,281
	1,539,403	1,336,396
Satisfied by:		
Cash paid for incidental acquisition costs	**7,429**	1,996
Reclassification from deposit for acquisition of a subsidiary	**10,000**	–
Issue of consideration shares	**1,146,800**	1,334,400
Issue of loan note	**60,000**	–
Disposal of subsidiaries (note 34(d))	**315,174**	–
	1,539,403	1,336,396

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Acquisition of subsidiaries (continued)

Analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries

	2001 **HK$'000**	2000 HK$'000
Cash paid	**(7,429)**	(1,996)
Trust receipts with maturity within three months	**(56,659)**	–
Cash and bank balances acquired	**25,765**	5,865
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries	**(38,323)**	3,869

On 2 March 2001, the Group acquired the entire interest in City Howwhy, which is engaged in the magazine publishing.

On 17 December 2001, the Group acquired the entire interest in Foreland Agents and Haier HK. Foreland Agents and Haier HK are engaged in the sourcing of raw materials, the distribution of mobile phones and the provision of technical and management services. Further details of the transaction are included in note 39(a) to the financial statements.

The subsidiaries acquired during the year utilised approximately HK$4,581,000 to the Group's net operating cash outflows, contributed approximately HK$14,786,000 in respect of investing activities and had no significant impact in respect of tax, financing activities and the net returns of investment and service of finance.

The subsidiaries acquired during the year contributed approximately HK$31,891,000 to the Group's turnover, and post-acquisition profits of approximately HK$8,496,000 to the Group's loss after tax for the year.

In respect of cash flows for the period ended 31 December 2000, the subsidiaries acquired in the prior period utilised approximately HK$16,852,000 of the Group's net operating cash flows and contributed approximately HK$13,908,000 for financing activities.

The subsidiaries acquired in the prior period contributed approximately HK$6,483,000 to the Group's turnover and post-acquisition profit of approximately HK$7,096,000 to the Group's loss after tax (restated) for the period ended 31 December 2000.

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(d) Disposal of subsidiaries

	2001 HK$'000
Net assets disposed of:	
Short term investment	120,000
Fixed assets	11,389
Intangible asset	1,863
Goodwill (note 17)	11,983
Cash and bank balances	25,501
Interest in an associate	3,858
Trade receivables	14,427
Prepayments and other receivables	15,157
Trade payables	(6,742)
Other payables and accruals	(5,855)
Finance lease payables	(1,132)
	190,449
Goodwill written back on disposal (note 17)	124,725
	315,174
Satisfied by:	
Acquisition of subsidiaries (note 34(c))	315,174

Analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries

	2001 HK$'000
Cash consideration	–
Cash and bank balances disposed of	(25,501)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(25,501)

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(d) Disposal of subsidiaries (continued)

The subsidiaries disposed of during the year contributed approximately HK$8,004,000 to the Group's net operating cash outflows, paid approximately HK$99,000 in respect of the net returns of investments and servicing of finance, utilised approximately HK$32,942,000 in respect of investing activities and had no significant impact in respect of tax and financing activities.

The subsidiaries disposed of during the year contributed approximately HK$50,305,000 to the Group's turnover and profits of approximately HK$237,000 to the Group's loss after tax for the year.

(e) Major non-cash transactions

During the year, the Group had the following major non-cash transactions:

(i) The Company allotted and issued a total of 5,734,000,000 ordinary shares of HK$0.10 each, credited as fully paid, at HK$0.20 per ordinary share and issued a loan note of HK$60,000,000 as part of the consideration for the acquisition of certain subsidiaries, as further detailed in notes 32, 34(c) and (d).

(ii) During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK$555,000.

35. CONTINGENT LIABILITIES

At 31 December 2001, the Company had executed bank guarantees of HK$202,000,000 (2000: HK$42,000,000) for banking facilities granted to subsidiaries, which were utilised to the extent of approximately HK$67,662,000 (2000: Nil).

36. COMMITMENTS

(a) Capital commitments

At 31 December 2001, the Group had the following capital commitments contracted, but not provided for:

	Group	
	2001	2000
	HK$'000	HK$'000
Acquisition of fixed assets	**603**	–
Acquisition of a subsidiary	**–**	5,000
	603	5,000

36. COMMITMENTS (continued)

(b) Commitments under operating leases

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for an average term of two years.

At 31 December 2001, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
		(Restated)
Within one year	**1,937**	4,563
In the second to fifth years, inclusive	**371**	1,567
	2,308	6,130

SSAP 14 (Revised), which was adopted during the year, requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts have been restated to accord with the current year's presentation.

37. PLEDGE OF ASSETS

At the balance sheet date, certain of the Group's fixed assets, with a net book value of HK$2,830,000 (2000: HK$8,107,000) and time deposits of HK$2,628,000 (2000: HK$2,539,000), were pledged to secure general banking facilities granted to the Group.

38. POST BALANCE SHEET EVENTS

(a) On 14 January 2002, the Company and CCT Telecom entered into a sale and purchase agreement pursuant to which CCT Telecom agreed to acquire from the Company the entire interest of Current Profits Limited ("Current Profits"), a wholly-owned subsidiary of the Company, for a total purchase price of HK$60,000,000. Current Profits and its subsidiaries are engaged in the manufacturing and sale of baby care products.

The purchase price was payable by CCT Telecom on completion by way of a set-off against the entire amount of the HK$60,000,000 loan note which was issued by the Company to an indirect wholly-owned subsidiary of CCT Telecom on 17 December 2001.

The transaction was completed on 4 March 2002 and the estimated profit from this disposal, which will be accounted for as discontinued operations for the year ending 31 December 2002, was approximately HK$2,000,000. Current Profits contributed HK$155,476,000 (period ended 31 December 2000: HK$109,254,000) to the Group's turnover and HK$7,865,000 (period ended 31 December 2000: HK$4,046,000) to the Group's loss from operating activities for the year ended 31 December 2001.

38. POST BALANCE SHEET EVENTS (continued)

(b) On 22 February 2002, the Company made a bonus issue of warrants to the shareholders whose names appeared on the register of members of the Company on 22 February 2002. Further details of this bonus issue of warrants are included in note 32 to these financial statements.

39. RELATED PARTY TRANSACTIONS

(a) On 4 July 2001 and 11 July 2001, the Company, CCT Telecom and Orient Rich entered into a conditional agreement and a supplemental agreement (collectively the "Agreements"), respectively, to acquire (1) a 100% equity interest in Foreland Agents (and the relevant shareholder's loan), which holds 51% of the issued share capital in Haier HK, from CCT Telecom; and (2) 49% of the issued share capital of Haier HK from Orient Rich for an aggregate consideration of HK$1,446,800,000.

The consideration was satisfied by (1) the transfer of the Company's 100% equity interest in Master Base (and the relevant shareholder's loan) and Creditop; (2) the issue of a HK$60,000,000 loan note in favour of an indirect wholly-owned subsidiary of CCT Telecom and (3) the issue of 3,774,000,000 and 1,960,000,000 new ordinary shares of HK$0.10 each in the capital of the Company to CCT Telecom and Orient Rich, respectively, at a subscription price of HK$0.20 per share.

The transaction was completed on 17 December 2001.

Under the Agreements, the Company has the option granted by Haier Group Corporation (the "PRC JV Option") to purchase the 51% interest in Haier CCT (Qingdao) Telecom Co., Ltd. ("Haier Qingdao"), a Sino-foreign equity joint venture, from Qingdao Haier Investment Development Co., Limited, a wholly-owned subsidiary of Haier Group Corporation, for HK$673,200,000 which shall be satisfied by the issue to Haier Group Corporation or its nominee(s) 3,366,000,000 new ordinary shares of the Company at HK$0.20 each. In addition, the Company has the option granted by CCT Telecom (the " CCT Technology Option") to purchase 100% interest in CCT Technology from CCT Telecom at a cash price equal to the net assets value of CCT Technology at the time of exercise. Both the PRC JV Option and the CCT Technology Option are exercisable in full or in part any time during the two-year period after the first anniversary of the date of completion of the Agreements.

The above transactions are also disclosed under the "Connected transactions" section in the Report of the Directors on page 32.

(b) The Group had the following material transactions with Haier Qingdao and CCT Technology during the year:

		GROUP	
	Notes	**2001**	2000
		HK$'000	HK$'000
Purchases of mobile phones from Haier Qingdao	(i)	**13,170**	–
Sales of raw materials to Haier Qingdao	(ii)	**2,732**	–
Technical and management service fee income from CCT Technology	(iii)	**2,903**	–
Software and hardware design fee income from Haier Qingdao	(iv)	**1,225**	–

39. RELATED PARTY TRANSACTIONS (continued)

Notes:

(i) *The purchases of mobile phones were made in accordance with the terms and conditions set out in a letter of intent and a supplemental agreement (collectively the "Export Agreements") entered into between Haier HK and Haier Qingdao on 3 July 2001 and 15 August 2001, respectively.*

(ii) *The sales of raw materials were made in accordance with the terms and conditions set out in an agreement and a supplemental agreement (collectively the "Sourcing Agreements") entered into between Haier HK and Haier Qingdao on 3 July 2001 and 15 August 2001, respectively.*

(iii) *The technical and management service fee income was charged in accordance with the terms and conditions set out in a technical service and management agreement and a supplemental agreement (collectively the "Management Agreements") entered into between Foreland Agents and CCT Technology on 21 September 2000 and 27 August 2001, respectively.*

(iv) *The software and hardware design fee income was charged in accordance with the terms and conditions set out in the Sourcing Agreements entered into between Haier HK and Haier Qingdao on 3 July 2001 and 15 August 2001, respectively.*

The above transactions occurred after the Company acquired the mobile phone business on 17 December 2001 were defined as "ongoing connected transactions" in the circular to the shareholders of the Company dated 29 August 2001 and were approved by the shareholders at a special general meeting of the Company held on 14 September 2001.

The Stock Exchange has granted conditional waivers to the Company from strict compliance with the connected transactions requirements as set out in the Listing Rules for the two financial years ending 31 December 2001 and 2002. The ongoing connected transactions have obtained the approval of the independent non-executive directors of the Company.

The aggregate value of the transactions under the Sourcing Agreements and the Export Agreements for the year ended 31 December 2001 did not exceed HK$3 billion and HK$2.2 billion, respectively, and the monthly service fee under the Management Agreements did not exceed the monthly service fee specified in the Management Agreements.

The above transactions are also disclosed under the "Connected transactions" section in the Report of Directors on page 32.

40. COMPARATIVE AMOUNTS

As further explained in note 2 to these financial statements, due to the adoption of new SSAPs during the current year, the presentation of the profit and loss account, the balance sheets and certain supporting notes have been revised to comply with the new requirements. Accordingly certain comparative amounts have been reclassified to conform with the current year's presentation.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 22 April 2002.