1. CORPORATE INFORMATION

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

- the manufacture and sale of telecommunications products and accessories (including the sourcing of raw materials and distribution of mobile phones);
- the trading of telecommunications and network equipment and provision of related consultancy services;
- the manufacture and sale of baby care products; and
- the provision of multimedia content and services, and magazine publishing.

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. The revisions to this SSAP have had no major impact on these financial statements.

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 38 to the financial statements.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. The revisions to this SSAP have had no major impact on these financial statements.

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

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 the 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. This SSAP has had no major impact on these financial statements.

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 and negative goodwill in the non-current assets section of the balance sheet. It requires that goodwill is amortised to the 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 16 to the financial statements. The required new additional disclosures are included in notes 16 and 34 to the 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 and equity investments 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities 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 and jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than 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.

On disposal of subsidiaries, associates or jointly-controlled entities, 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation

Fixed assets, other than investment properties and construction in progress, 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 a increase in the future economic benefits expected to be obtained from the use of the fixed assets, the expenditure is capitalised as an additional cost of that asset.

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

Leasehold land	2% - 5%
Buildings	2.5% - 5%
Plant and machinery	10% - 25%
Tools, moulds and equipment	10% - 50%
Furniture and office equipment	12.5% - 50%
Motor vehicles	18% - 33-1/3%

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.

Construction in progress

Construction in progress represents buildings under construction. It is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

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. 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 previous valuations is released to the profit and loss account.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Publishing rights

Purchased publishing rights are stated at cost less accumulated amortisation and any impairment losses, and are amortised on the straight-line basis over their estimated useful lives of 20 years.

Deferred development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less accumulated amortisation and any impairment losses, and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding four years, commencing from the date when the products are put into commercial production.

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.

Long term investments

Long term investments are stated at cost less any impairment losses, on an individual investment basis.

Short term investments

Short term investments are investments in equity securities held for trading purposes. Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. Unlisted securities are stated at their estimated fair values on an individual basis, as determined by the directors having regard to the prices of the most recent reported sales or purchases of the securities, or professional valuations performed at the end of each financial year. 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.

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 work in progress and 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 assets 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. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged 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 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 based on percentage of the employees' basic salary and when an employee leaves this scheme before his/her interest in the Group's employer contributions vested fully, the ongoing contributions payable by the Group are reduced by the relevant amount of the forfeited employer contributions.

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, jointly-controlled entities and associates are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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;

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

(g) dividend income, when the shareholders' right to receive payment is established.

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.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association 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 other 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.

4. SEGMENT INFORMATION (continued)

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the 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 telecommunications product segment engages in the manufacture and sale of telecommunications products (including cordless phone and mobile phone) and accessories;

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

(c) the multimedia segment provides multimedia content and services and publishes magazines; and

(d) the corporate and other segment comprises the Group's network equipment business which engages in the trading of network equipment and the provision of related consultancy services; together with corporate income and expense items.

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

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.

(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 2000, and certain asset and liability information regarding the Group's business segments at 31 December 2001 and 2000.

Group	Telecommunications products		Baby care products		Multimedia		Corporate and other		Eliminations		Consolidated	
HK$'million	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000 (Restated)
Segment revenue:												
Sales to external customers	2,851	1,856	156	109	54	15	34	184	–	–	3,095	2,164
Intersegment sales	–	–	–	–	9	–	–	–	(9)	–	–	–
Other revenue from external sources	–	–	–	–	–	20	48	146	–	–	48	166
Total revenue	2,851	1,856	156	109	63	35	82	330	(9)	–	3,143	2,330
Segment results	140	33	7	4	(1)	(43)	(793)	(291)	–	–	(647)	(297)
Interest income											11	26
Unallocated revenue											62	497
Unallocated expenses											(56)	(4)
Profit/(loss) from operating activities											(630)	222
Finance costs											(36)	(34)
Share of profits and losses of:												
Jointly-controlled entities											9	5
Associates											(9)	1
Impairment of goodwill											–	(426)
Loss before tax											(666)	(232)
Tax											(6)	(13)
Loss before minority interests											(672)	(245)
Minority interests											(13)	40
Net loss from ordinary activities attributable to shareholders											(685)	(205)

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group HK$'million	Telecommunications products 2001	2000	Baby care products 2001	2000	Multimedia 2001	2000	Corporate and other 2001	2000	Eliminations 2001	2000	Consolidated 2001	2000 (Restated)
Segment assets	2,399	1,473	78	163	36	159	9,341	6,595	(7,413)	(4,014)	4,441	4,376
Interests in associates	–	–	–	–	6	–	77	112	–	–	83	112
Interests in jointly-controlled entities	–	–	–	–	–	–	119	53	–	–	119	53
Total assets	2,399	1,473	78	163	42	159	9,537	6,760	(7,413)	(4,014)	4,643	4,541
Segment liabilities	1,785	1,459	17	11	16	12	6,381	3,529	(7,413)	(4,014)	786	997
Unallocated liabilities	216	164	2	1	1	2	291	346	–	–	510	513
Total liabilities	2,001	1,623	19	12	17	14	6,672	3,875	(7,413)	(4,014)	1,296	1,510
Other segment information:												
Capital expenditure	164	200	1	1	3	24	140	452	–	–	308	677
Deprecation	51	53	3	3	5	1	61	54	–	–	120	111
Amortisation	45	25	–	–	–	–	1	–	–	–	46	25
Impairment losses recognised directly in the profit and loss account	–	–	–	–	–	–	157	527	–	–	157	527
Other non-cash expenses	34	6	1	–	5	–	581	113	–	–	621	119

(b) Geographical segments

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

Group HK$'million	United States of America 2001	2000	PRC, including HK 2001	2000	Europe 2001	2000	Others 2001	2000	Eliminations 2001	2000	Consolidated 2001	2000
Segment revenue:												
Sales to external customers	1,783	1,199	767	715	365	212	180	38	–	–	3,095	2,164
Other revenue from external sources	–	–	48	166	–	–	–	–	–	–	48	166
Total revenue	1,783	1,199	815	881	365	212	180	38	–	–	3,143	2,330
Segment results	85	44	(32)	(162)	19	8	(719)	(187)	–	–	(647)	(297)

5. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowance for returns and trade discounts; income from the provision of multimedia content and services, and telecommunications related consultancy services.

Revenue from the following activities has been included in turnover:

HK$'million	2001	2000
Manufacture and sale of telecommunications products (cordless phone and mobile phone) and accessories	2,851	1,856
Provision of Internet services	—	114
Trading of telecommunications and network equipment and provision of related consultancy services	34	70
Manufacture and sale of baby care products	156	109
Provision of multimedia content and services, and magazine publishing	54	15
Interest income	11	26
	3,106	2,190

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Group	
HK$'million	**2001**	2000
Depreciation	**120**	111
Minimum lease payments under operating leases in respect of land and buildings:	**8**	8
Research and development costs:		
Deferred expenditure amortised *	**45**	25
Current year expenditure	**65**	37
Amortisation of goodwill **	**1**	–
Auditors' remuneration	**5**	4
Staff costs (excluding director's remuneration - note 8)***	**221**	252
Provision against loan to an associate	**–**	44
Provision against loan to a jointly-controlled entity	**–**	51
Impairment of an investment in a jointly-controlled entity	**33**	–
Bad and doubtful debt provisions on trade receivables	**44**	7
Bad and doubtful debt provisions on other receivables	**2**	8
Loss on disposal of fixed assets, net	**10**	4
Write-off of deferred development costs **	**24**	1
Loss on disposals/deemed disposal of associates, net	**13**	–
and after crediting:		
Gross rental income from investment properties	**8**	3
Dividend income from listed equity investments	**2**	7
Gain on disposal/deemed disposal of subsidiaries	**60**	447
Gain on disposal of jointly-controlled entities	**–**	43
Recovery of a long term investment	**–**	36
Interest income on loan to a jointly-controlled entity	**–**	1
Other loan interest income	**–**	3

* The amortisation of deferred development expenditure is included in "Cost of sales" on the profit and loss account.

** The amortisation of goodwill and write-off of deferred development costs for the year are included in "Other operating expenses" on the face of the profit and loss account.

*** The effect of forfeited contributions on the Group's contributions to the pension schemes for the year, and the amounts of forfeited contributions available to reduce contributions in future years, were not material.

7. FINANCE COSTS

HK$'million	Group 2001	Group 2000
Interest on bank loans and overdrafts wholly repayable within five years	**11**	12
Interest on bank loans repayable after five years	**8**	14
Interest on convertible debt	**13**	7
Interest on finance leases	**4**	1
	36	34

8. 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:

HK$'million	Group 2001	Group 2000
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**–**	–
	–	–
Executive directors' other emoluments:		
Salaries, allowances and benefits in kind	**19**	14
Performance related bonus	**11**	–
Pension scheme contributions	**1**	1
	31	15

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

	Number of directors 2001	Number of directors 2000
Nil - HK$1,000,000	**4**	6
HK$1,000,001 - HK$1,500,000	**–**	1
HK$2,000,001 - HK$2,500,000	**–**	1
HK$3,000,001 - HK$3,500,000	**1**	1
HK$4,500,001 - HK$5,000,000	**1**	–
HK$5,000,001 - HK$5,500,000	**1**	–
HK$7,000,001 - HK$7,500,000	**–**	1
HK$17,500,001 - HK$18,000,000	**1**	–
	8	10

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

During the year, 9,500,000 and 30,000,000 share options of the Company and Haier-CCT Holdings Limited ("Haier-CCT"), respectively, 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 37. No value in respect of the share options granted during the year has been charged to the profit and loss account.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2000: three) directors, details of whose remuneration are set out in note 8 above. The details of the remuneration of the remaining (2000: two) non-director, highest paid employee are as follows:

	Group	
HK$'million	**2001**	2000
Salaries, allowances and benefits in kind	**3**	3
Performance related bonus	**1**	1
Pension scheme contributions	**–**	–
	4	4

The number of the non-director, highest paid employee fell within the following bands is as follows:

	Number of employees	
	2001	2000
HK$1,500,001 - HK$2,000,000	**–**	1
HK$2,000,001 - HK$2,500,000	**–**	1
HK$3,500,001 - HK$4,000,000	**1**	–
	1	2

During the year, no share option of the Company was granted to the non-director, highest paid employee in respect of his services to the Group.

10. TAX

The Company is exempted from tax in the Cayman Islands until 2010. 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, interpretations and practices in respect thereof.

Certain PRC subsidiaries of the Group, which are categorised as wholly foreign-owned enterprises, are entitled to preferential tax treatments including full exemption from the PRC income tax for two years starting from their first profit-making year following by a 50% reduction for the next consecutive three years.

	Group	
HK$'million	**2001**	2000
Group:		
Hong Kong:		
Provision for the year	**9**	12
Overprovision in prior years	**(4)**	(1)
	5	11
Elsewhere	**–**	–
	5	11
Share of tax attributable to associates	**1**	2
Tax charge for the year	**6**	13

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is approximately HK$425 million (2000: net profit of HK$303 million). The Group's share of the profits or losses for the year retained by the jointly-controlled entities and associates amounted to profits of HK$9 million and losses of HK$9 million, respectively (2000: profits of HK$5 million and HK$1 million, respectively).

12. DIVIDEND

HK$'million	**2001**	2000
Special dividend in specie of 420,623,514 shares of HK$0.10 each in Haier-CCT	**–**	421

No dividends have been paid or declared by the Company during the year.

The special dividend in 2000 was declared out of the Company's share premium account as permitted by the Company's Articles of Association and was approved in the extraordinary general meeting of the Company held on 15 September 2000. Haier-CCT is a company incorporated in Bermuda with limited liability, whose securities are listed on The Stock Exchange of Hong Kong Limited and is a subsidiary of the Company.

13. 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$685 million (2000: restated loss of HK$205 million), and the weighted average number of 409,734,112 (2000: 245,356,398) ordinary shares in issue during the year.

The weighted average number of ordinary shares in issue during the year has taken into account the rights share issue, the bonus share issue and the share consolidation in 2001. Accordingly, the weighted average number of ordinary shares in issue during 2000 has been retrospectively adjusted for the effects of the rights share issue, the bonus share issue and the share consolidation in 2001, in accordance with SSAP 5 "Earnings per share".

The diluted loss per share for the years ended 31 December 2001 and 31 December 2000 are not shown as the impact of the potential ordinary shares is anti-dilutive for both years.

14. FIXED ASSETS

Group HK$'million	Investment properties	Leasehold land and buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
Cost or valuation:								
At beginning of year	79	1,111	202	115	125	19	113	1,764
Additions	–	95	45	17	31	5	50	243
Disposals	(5)	–	(1)	(5)	(14)	(7)	–	(32)
Capital contribution to a jointly-controlled entity	–	–	–	(10)	(34)	–	–	(44)
Transfers	(16)	179	–	–	–	–	(163)	–
At 31 December 2001	58	1,385	246	117	108	17	-	1,931
Analysis of cost or valuation:								
At cost	–	1,385	246	117	108	17	–	1,873
At 31 December 2001 valuation	58	–	–	–	–	–	–	58
	58	1,385	246	117	108	17	–	1,931
Accumulated depreciation and impairment:								
At beginning of year	–	74	69	61	50	8	–	262
Depreciation provided during the year	–	48	36	16	17	3	–	120
Impairment during the year recognised in the profit and loss account	–	127	–	–	–	–	–	127
Disposals	–	–	(1)	(1)	(6)	(3)	–	(11)
Capital contribution to a jointly-controlled entity	–	–	–	–	(4)	–	–	(4)
At 31 December 2001	–	249	104	76	57	8	–	494
Net book value:								
At 31 December 2001	58	1,136	142	41	51	9	–	1,437
At 31 December 2000	79	1,037	133	54	75	11	113	1,502

The net book value of the fixed assets of the Group held under finance leases included in the total amounts of tools moulds and equipment, furniture and office equipment and motor vehicles at 31 December 2001, amounted to approximately HK$1,000,000 (2000: Nil), HK$3,000,000 (2000: HK$1,000,000), and HK$5,000,000 (2000: HK$5,000,000), respectively.

The Group's land and buildings included above are held under the following lease terms:

HK$'million	Hong Kong	Elsewhere	Total
Long term leases	417	–	417
Medium term leases	82	886	968
	499	886	1,385

14. FIXED ASSETS (continued)

The Group's investment properties included above are held under the following lease terms:

HK$'million	Hong Kong	Elsewhere	Total
Long term leases	13	–	13
Medium term leases	–	45	45
	13	45	58

The Group's investment properties were revalued on 31 December 2001 by Grant Sherman Appraisal Limited and E. N. Surveyors & Co., independent professionally qualified valuers, on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further details of which are included in note 38(a) to the financial statements.

15. INTANGIBLE ASSETS

Group

HK$'million	Deferred development costs	Publishing rights	Total
Cost:			
At beginning of year	109	–	109
Additions	65	–	65
Acquisition of a subsidiary	–	2	2
Write-off	(93)	–	(93)
At 31 December 2001	81	2	83
Accumulated amortisation:			
At beginning of year	72	–	72
Amortisation provided during the year	45	–	45
Written back	(69)	–	(69)
At 31 December 2001	48	–	48
Net book value:			
At 31 December 2001	33	2	35
At 31 December 2000	37	–	37

16. 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 balance sheet, arising from the acquisition of subsidiaries and minority interests, are as follows:

Group HK$'million	
Cost:	
At beginning of year	-
Acquisition of subsidiaries and minority interests	386
At 31 December 2001	386
Accumulated amortisation:	
At beginning of year	-
Amortisation provided during the year	1
At 31 December 2001	1
Net book value:	
At 31 December 2001	385
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 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. Because this goodwill remains eliminated against consolidated accumulated losses (see note 34), this prior year adjustment has resulted in no net overall effect on the amount of consolidated accumulated losses previously reported in reserves as at 31 December 2000. This prior year adjustment has had no effect on the current year.

16. 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$'million	Goodwill eliminated against accumulated losses
Cost:	
At beginning of year	954
Disposal of an associate	(2)
At 31 December 2001	952
Accumulated impairment:	
At beginning of year	
As previously reported	–
Prior year adjustments	680
As restated	680
Impairment provided during the year	–
As at 31 December 2001	680
Net amount:	
At 31 December 2001	272
At 31 December 2000	954

17. INTERESTS IN SUBSIDIARIES

Company

HK$'million	2001	2000
Unlisted shares, at cost	25	–
Due from subsidiaries	4,810	3,472
Due to subsidiaries	(716)	(742)
	4,119	2,730
Provision for impairment	(2,024)	(715)
	2,095	2,015

The balances with the subsidiaries are unsecured, interest-free and are repayable on demand.

17. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
CCT Marketing Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	–	100	Trading of telecommunications products
Haier-CCT Holdings Limited * (Formerly known as CCT Multimedia Holdings Limited)	Bermuda	HK$856,996,000 Ordinary	–	53.52	Investment holding
CCT Industrial Limited	British Virgin Islands	US$100 Ordinary	–	100	Property holding
CCT Telecom (HK) Limited	Hong Kong	HK$2,600,000 Ordinary	–	100	Sourcing of telecommunications products
CCT Technology Holdings Limited	British Virgin Islands	US$100 Ordinary	–	100	Investment holding
Electronic Sales Limited	Hong Kong	HK$5,948,000 Ordinary	–	100	Manufacturing and trading of transformers and adaptors
Full Triumph International Limited	British Virgin Islands	US$1 Ordinary	–	100	Property holding
Goldbay Investments Limited	Hong Kong	HK$2 Ordinary	–	100	Property holding
Haier CCT (H.K.) Telecom Co., Limited	Hong Kong	HK$20,000,000 Ordinary	–	53.52	Distribution of mobile phones

17. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Huge Partner Limited	Hong Kong	HK$10,000 Ordinary	–	100	Property holding
Neptune Holding Limited	Hong Kong	HK$10,000,000 Non-voting** class 'A' shares HK$1,000,000 voting class 'B' shares	–	100	Trading of plastic casings and parts
Wiltec Industries Limited	Hong Kong	HK$100 Ordinary HK$1,000,000 Deferred***	–	53.52	Manufacturing and sale of baby care products
Huiyang CCT Telecommunications Products Co., Ltd.	People's Republic of China	HK$80,000,000 Registered****	–	100	Manufacturing of telecommunications products
Huiyang CCT Plastic Products Co., Ltd.	People's Republic of China	HK$40,000,000 Registered****	–	100	Manufacturing of plastic casings and parts

* *Listed on the main board of the Stock Exchange.*

** *The non-voting shares carry no rights to dividends and no rights to vote at general meetings.*

*** *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.*

*****Registered under the laws of the PRC as a wholly foreign-owned enterprise.*

17. INTERESTS IN SUBSIDIARIES (continued)

During the year, the Group acquired City Howwhy Limited ("City Howwhy") from an independent third party. Further details of this acquisition are set out in notes 35(d) and 35(e).

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.

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
HK$'million	**2001**	2000	**2001**	2000
Unlisted shares, at cost	**–**	–	**–**	284
Share of net assets	**95**	53	**–**	–
Due from a jointly-controlled entity	**24**	–	**–**	–
Loan to a jointly-controlled entity	**–**	51	**–**	–
	119	104	**–**	284
Provision against loan to a jointly-controlled entity	**–**	(51)	**–**	–
	119	53	**–**	284

The amount due from the jointly-controlled entity is unsecured, interest-free and is repayable on demand.

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of registration and operations	Registered or issued share capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
Haier CCT (Qingdao) Telecom Co., Ltd. ("Haier Qingdao")	Corporate	People's Republic of China	US$12,000,000 Registered	49	44	49	Manufacturing and trading of mobile phones

19. INTERESTS IN ASSOCIATES

	Group	
HK$'million	**2001**	2000
Share of net assets	**46**	69
Loans to associates	**59**	66
Due from associates	**22**	21
	127	156
Provision against loans to associates	**(44)**	(44)
	83	112

The amounts due from associates are unsecured, interest-free and are repayable on demand.

19. INTERESTS IN ASSOCIATES (continued)

Particulars of the principal associates, all held indirectly through subsidiaries, are as follows:

Name	Business structure	Place of incorporation and operations	Issued share capital	Percentage of ownership interest attributable to the Group 2001	2000	Principal activities
Modernet Company Limited	Corporate	British Virgin Islands	US$1 Ordinary	25	40	Investment holding
Team Work Corporation Limited	Corporate	British Virgin Islands	US$100 Ordinary	40	40	Provision of agency services and movie production

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

20. OTHER ASSETS

	Group	
HK$'million	**2001**	2000
Club memberships, at cost	**14**	14
Deposit for acquisition of a subsidiary	**–**	10
	14	24

21. INVESTMENTS

	Group		Company	
HK$'million	**2001**	2000	**2001**	2000
Long term investments				
Unlisted equity investments, at cost	**499**	489	**–**	–
Provisions for impairment	**(131)**	(101)	**–**	–
	368	388	**–**	–
Short term investments				
Listed equity investments, at market value:				
Hong Kong	**90**	275	**–**	–
Elsewhere	**20**	173	**20**	124
	110	448	**20**	124
Unlisted equity investments, at fair value	**354**	676	**–**	–
	464	1,124	**20**	124

21. INVESTMENTS (continued)

As at 31 December 2001, the amount of the Group's holding in the following company exceeded 10% of total assets of the Group:

Name	Place of incorporation	Description of shares held	Percentage holding
Sendo Holdings PLC	United Kingdom	GBP31,526,000 Ordinary and GBP31,474,000 Preference	32.1

As at 31 December 2001, the number of shares of the following company held by the Group exceeded 20% of its total issued shares:

Name	Place of incorporation	Description of shares held	Percentage holding
Tradeeasy.com Limited	Cayman Islands	HK$6,671,236 Ordinary and HK$3,300,000 Preference	33.6

22. INVENTORIES

	Group	
HK$'million	**2001**	2000
Raw materials	**65**	156
Work in progress	**32**	90
Finished goods	**24**	60
	121	306

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

23. TRADE AND BILLS RECEIVABLES

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

	Group		Company	
	2001		2000	
HK$'million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**195**	**50**	276	60
31 to 60 days	**100**	**25**	137	30
61 to 90 days	**66**	**17**	36	8
Over 91 days	**33**	**8**	10	2
	394	**100**	459	100

The Group normally allows an average credit period of 30-60 days to its trade customers.

23. TRADE AND BILLS RECEIVABLES (continued)

Included in the Group's trade and bills receivables are trade receivables of approximately HK$19 million (2000: Nil) due from Haier Qingdao, the Group's jointly-controlled entity. 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 dated 3 July 2001 and 15 August 2001, respectively.

Further details of the transactions are set out in note 41(c) to the financial statements.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
HK$'million	**2001**	2000	**2001**	2000
Prepayments	**3**	8	**—**	—
Deposits and other receivables	**83**	31	**5**	6
	86	39	**5**	6

25. CASH AND CASH EQUIVALENTS

	Group		Company	
HK$'million	**2001**	2000	**2001**	2000
Cash and bank balances	**472**	259	**5**	181
Time deposits	**485**	108	**383**	78
	957	367	**388**	259

26. TRADE AND BILLS PAYABLES

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

	Group		Group	
	2001		2000	
HK$'million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**208**	**39**	197	35
31 to 60 days	**111**	**21**	153	27
61 to 90 days	**80**	**15**	150	26
Over 91 days	**136**	**25**	67	12
	535	**100**	567	100

Included in trade and bills payables are trade payables of approximately HK$52 million (2000: Nil) due to Haier Qingdao, the Group's jointly-controlled entity. 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 dated 3 July 2001 and 15 August 2001, respectively.

Further details of the transactions are set out in note 41(c) to the financial statements.

27. OTHER PAYABLES AND ACCRUALS

HK$'million	Group 2001	Group 2000	Company 2001	Company 2000
Accruals	127	83	10	10
Other payables	124	347	–	–
	251	430	10	10

28. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

HK$'million	Notes	Group 2001	Group 2000
Bank overdrafts	29	–	40
Current portion of bank loans	29	161	178
Current portion of finance lease payables	30	4	3
		165	221

29. INTEREST-BEARING BANK LOANS AND OVERDRAFTS

HK$'million	Group 2001	Group 2000
Bank overdrafts:		
Secured	–	40
Bank loans:		
Secured	363	299
Bank overdrafts repayable within one year or on demand	–	40
Bank loans repayable:		
Within one year or on demand	161	178
In the second year	55	18
In the third to fifth years, inclusive	115	62
Beyond five years	32	41
	363	299
	363	339
Portion classified as current liabilities - note 28	(161)	(218)
Long term portion	202	121

30. FINANCE LEASE PAYABLES

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

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

	Group			
HK$'million	**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	**4**	4	**4**	4
In the second year	**4**	3	**3**	2
In the third to fifth years inclusive	**2**	1	**2**	1
Total minimum finance lease payments	**10**	8	**9**	7
Future finance charges	**(1)**	(1)		
Total net finance lease payables	**9**	7		
Portion classified as current liabilities (note 28)	**(4)**	(3)		
Long term portion	**5**	4		

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. CONVERTIBLE DEBT

	Group and Company	
HK$'million	**2001**	2000
Convertible bonds	**120**	150

(a) On April 2001, the Company and the convertible bond holder entered into the supplemental deed pursuant to which the Company and the convertible bond holder agreed to reduce the conversion price from HK$1.57 to HK$0.85 (subject to adjustment), to extend the maturity date from 27 October 2001 to 27 October 2002 and to increase the interest rate borne by the convertible bond from 5% to 8% per annum. As a result of the share consolidation, the rights issue and the bonus share issue by the Company in 2001, the conversion price of convertible bonds was adjusted to HK$4.233 per share with effect from 30 November 2001.

In December 2001, the Company redeemed HK$30 million worth of the convertible bonds.

(b) On 18 June 2001, the Company and a subscriber entered into a subscription agreement pursuant to which the Company agreed to issue and the subscriber agreed to subscribe for further convertible bond in an aggregate principal amount of HK$100 million. The convertible bond bore interest at the rate of 8% per annum and were due on the second anniversary of the date of issue of the convertible bonds.

In December 2001, the Company fully redeemed HK$100 million worth of the convertible bonds.

32. DEFERRED TAX

HK$'million	Group 2001	Group 2000
Balance at beginning of year	**4**	4
Credit for the year	**(1)**	–
At 31 December	**3**	4

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$'million	**2001**	2000	**2001**	2000
Accelerated depreciation allowances	**3**	4	**11**	11
Tax losses	**—**	–	**(53)**	(43)
	3	4	**(42)**	(32)

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 revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

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

33. SHARE CAPITAL

HK$'million	2001	2000
Authorised:		
800,000,000 (2000: 4,000,000,000) ordinary		
shares of HK$5.00 (2000: HK$0.50) each	**4,000**	2,000
Issued and fully paid :		
422,105,230 (2000: 1,565,332,060) ordinary		
shares of HK$5.00 (2000: HK$0.50) each	**2,110**	783

33. SHARE CAPITAL (continued)

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

	Notes	Carrying amount HK$'million	Number of ordinary shares of HK$0.50 each (in millions)
At 1 January 2001		783	1,565
Issue upon private placement	(a)	60	120
Issue of consideration shares	(b)	5	11
Repurchases of shares	(d)	(4)	(8)
Before consolidation	(e)	844	1,688

	Notes	Carrying amount HK$'million	Number of ordinary shares of HK$5.00 each (in millions)
After consolidation	(e)	844	169
Rights issue	(e)	211	42
Bonus issue	(e)	1,055	211
As 31 December 2001		2,110	422

Notes:

(a) Private placement

On 29 October 2001, the Company allotted and issued 120,000,000 ordinary shares of HK$0.50 each of the Company, payable in cash, to an independent third party at par.

(b) Issue of consideration shares

Pursuant to an underwriting agreement dated 29 June 2001, the Company allotted and issued 10,868,867 ordinary shares of HK$0.50 each of the Company at HK$0.89 per share as the consideration for the acquisition of additional interests in a long term investment.

33. SHARE CAPITAL (continued)

(c) Share options

The Company operated two share option schemes 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 37.

Details of the current year's movements in the number of ordinary shares under the share option scheme adopted by the Company on 21 October 1991 were as follows:

		Number of ordinary shares under option (in thousands)					
Exercise price per share	Exercise period	At 1 January 2001	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	At 31 December 2001
HK$1.200*	6 April 2000 to 5 October 2001	4,150	–	–	(4,150)	–	–
HK$1.270*	28 October 2000 to 27 April 2002	8,000	–	–	(8,000)	–	–
HK$1.310*	10 November 2000 to 9 May 2002	12,550	–	–	(12,550)	–	–
HK$0.750	9 May 2001 to 20 October 2001	4,000	–	–	(4,000)	–	–
Total		28,700	–	–	(28,700)	–	–

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

Details of the current year's movements in the number of ordinary shares under the share option scheme adopted by the Company on 25 May 2001 were as follows:

		Number of ordinary shares under option (in thousands)					
Exercise price per share	Exercise period	At 1 January 2001	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	At 31 December 2001
HK$3.732*	13 June 2001 to 12 June 2003	–	875*	–	–	–	875*
HK$3.553*	29 December 2001 to 28 June 2003	–	625*	–	–	–	625*
HK$3.533*	30 June 2001 to 30 December 2003	–	1,000*	–	–	–	1,000*
HK$3.085*	8 February 2002 to 7 August 2003	–	750*	–	–	–	750*
HK$2.936*	16 August 2001 to 15 August 2003	–	13,525*	–	–	–	13,525*
Total		–	16,775*	–	–	–	16,775*

** Adjusted to take into account of the share consolidation, rights issue and bonus share issue of the Company in 2001.*

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

33. SHARE CAPITAL (continued)

(d) *Repurchases of shares*

During the year, the Company repurchased a total of 7,780,000 ordinary shares of HK$0.50 each on the open market. The repurchased shares were cancelled during the year and the issued share capital was reduced by the par value thereof.

Details of the repurchases of shares during the year were as follows:

Trading months in 2001	Number of ordinary shares repurchased	Price per ordinary share Highest	Lowest	Total cost (before expenses)
		HK$	HK$	HK$'million
January	4,566,000	1.06	0.84	5
February	904,000	1.01	0.93	1
March	2,310,000	1.00	0.88	2
	7,780,000			8

The premium of approximately HK$4 million on the shares repurchased, being the difference between the total cost of approximately HK$8 million, including the related expenses paid by the Company, and the aggregate amount of approximately HK$4 million being the nominal value of the 7,780,000 ordinary shares repurchased, was deducted from the share premium account of the Company.

The repurchases of the Company's shares during the year were effected by the directors of the Company, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

(e) *Share consolidation, rights issue and bonus issue*

Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 29 November 2001, the Company consolidated every ten issued and unissued shares of HK$0.50 each in the capital of the Company into one consolidated share (the "Consolidated Shares") of HK$5.00 each then in issue.

On 24 December 2001, the Company issued, by way of a rights issue, 42,210,523 Consolidated Shares (the "Rights Shares") of HK$5.00 each at its par value, in the proportion of one Rights Share for every four Consolidated Shares. The cash proceeds of the rights issue before expenses totalled approximately HK$211 million. Furthermore, a total of 211,052,615 Consolidated Shares (the "Bonus Shares") of HK$5.00 each were issued as fully paid by way of the capitalisation of approximately HK$1,055 million standing to the credit of the share premium account of the Company, on the basis of five Bonus Shares for every fully paid Rights Share.

34. RESERVES

Group HK$'million	Share premium account	Accumulated losses	Total
At 1 January 2000	2,618	(724)	1,894
Placement of shares	921	–	921
Share issue expenses	(16)	–	(16)
Exercise of warrants and share options	108	–	108
Repurchases of shares	(105)	–	(105)
Conversion of convertible bonds	22	–	22
Goodwill arising from acquisition of subsidiaries	–	(56)	(56)
Goodwill arising from acquisition of jointly-controlled entities	–	(276)	(276)
Goodwill arising from acquisition of associates	–	(298)	(298)
Reversal of goodwill on disposal of jointly-controlled entities	–	58	58
Reversal of goodwill on partial disposal of a subsidiary	–	101	101
Net profit for the year	–	221	221
Dividend in specie	(421)	–	(421)
At 31 December 2000 and beginning of year	3,127	(974)	2,153
Placement of shares	5	–	5
Bonus issue of shares	(1,055)	–	(1,055)
Share issue expenses	(4)	–	(4)
Repurchases of shares	(4)	–	(4)
Net loss for the year	–	(685)	(685)
At 31 December 2001	2,069	(1,659)	410
Reserves retained by:			
Company and subsidiaries	3,127	(980)	2,147
Jointly-controlled entities	–	5	5
Associates	–	1	1
31 December 2000	3,127	(974)	2,153
Company and subsidiaries	2,069	(1,655)	414
Jointly-controlled entities	–	4	4
Associates	–	(8)	(8)
31 December 2001	2,069	(1,659)	410

34. RESERVES (continued)

Included in the accumulated losses movement for the year ended 31 December 2000 was an adjustment to retrospectively recognise impairments in the amount of goodwill which remained eliminated against consolidated reserves by HK$426 million. The adjustment had no net effect on the amount of accumulated losses, for the reasons explained in note 16.

Company

HK$'million	Share premium account	Accumulated losses	Total
Balance at 1 January 2000	2,618	(1,627)	991
Placement of shares	921	–	921
Share issue expenses	(16)	–	(16)
Exercise of warrants and share options	108	–	108
Repurchases of shares	(105)	–	(105)
Conversion of convertible bonds	22	–	22
Net profit for the year	–	303	303
Dividend in specie (note)	(421)	–	(421)
At 31 December 2000 and beginning of year	3,127	(1,324)	1,803
Placement of shares	5	–	5
Bonus issue of shares	(1,055)	–	(1,055)
Share issue expenses	(4)	–	(4)
Repurchases of shares	(4)	–	(4)
Net loss for the year	–	(425)	(425)
At 31 December 2001	2,069	(1,749)	320

Note:

Under the Companies Law (2001 Revision) Chapter 22 of the Cayman Islands, the share premium account of the Company is available for distribution of dividends to shareholders subject to the provisions of the Company's 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 the profits and reserves available for distribution, including the share premium account of the Company. As at 31 December 2001, the Company had a net credit balance of approximately HK$320 million (2000: HK$1,803 million) maintained in the reserve accounts which is available for distribution.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

HK$'million	2001	2000
Profit/(loss) from operating activities	(630)	222
Interest income	(11)	(26)
Interest income from a jointly-controlled entity	–	(1)
Dividend income from listed equity investments	(2)	(7)
Depreciation	120	111
Amortisation of goodwill	1	–
Amortisation of intangible assets	45	25
Provision against loan to an associate	–	44
Provision against loan to a jointly-controlled entity	–	51
Impairment of an investment in a jointly-controlled entity	33	–
Bad and doubtful debt provisions on trade receivables	44	7
Bad and doubtful debt provisions on other receivables	2	8
Loss on disposal of fixed assets, net	10	4
Write-off of deferred development costs	24	1
Loss on disposal/deemed disposal of associate, net	13	–
Gain on disposal/deemed disposal of subsidiaries	(60)	(447)
Gain on disposal of jointly-controlled entities	–	(43)
Recovery of a long term investment	–	(36)
Net unrealised holding losses/(gains) on short term investments	452	(127)
Net realised losses on disposal of short term investments	43	4
Impairment of long term investments	30	101
Impairment of fixed assets	127	–
Decrease/(increase) in inventories	185	(164)
Decrease/(increase) in trade and bills receivables	24	(255)
Decrease/(increase) in prepayments, deposits and other receivables	(49)	24
Increase/(decrease) in trade and bills payables and accruals	(213)	483
Net cash inflow/(outflow) from operating activities	188	(21)

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

(b) Analysis of changes in financing during the year

HK$'million	Issued share capital (including share premium account)	Bank loans	Finance lease obligations	Convertible debt	Minority interests	Pledged time deposits
Balance at 1 January 2000	3,269	155	4	180	36	191
Cash inflow/(outflow) from financing activities, net	908	32	(5)	–	–	(61)
Acquisition of a subsidiary	–	–	2	–	53	–
Disposal of subsidiaries	–	–	–	–	13	–
Placement of shares	124	–	–	–	–	–
Share of loss for the year	–	–	–	–	(40)	–
Deemed disposal of a subsidiary	–	–	–	–	33	–
Inception of finance lease obligations	–	–	6	–	–	–
Conversion of convertible bonds	30	–	–	(30)	–	–
Dividend in specie	(421)	–	–	–	–	–
Balance at 31 December 2000 and beginning of year	3,910	187	7	150	95	130
Cash inflow/(outflow) from financing activities, net	259	115	(5)	(30)	362	50
Placement of shares	10	–	–	–	–	–
Share of profit for the year	–	–	–	–	13	–
Contribution by minority interests	–	–	–	–	327	–
Purchase of minority interests	–	–	–	–	33	–
Disposal of minority interests	–	–	–	–	(3)	–
Inception of finance lease obligations	–	–	7	–	–	–
Balance at 31 December 2001	4,179	302	9	120	827	180

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

(c) Major non-cash transactions

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

(i) The Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the finance leases of HK$7 million (2000: HK$6 million).

(ii) The Company allotted and issued 10,868,867 ordinary shares of HK$0.50 each, credited as fully paid, at HK$0.89 per share amounting to, approximately HK$10 million, as the consideration for acquisition of additional interests in a long term investment.

(d) Acquisition of subsidiaries

HK$'million	**2001**	2000
Net assets acquired:		
Fixed assets	**–**	27
Intangible assets	**2**	–
Other assets	**–**	14
Cash and bank balances	**–**	116
Trade receivable	**3**	28
Inventories	**–**	3
Prepayments, deposits and other receivables	**–**	4
Trade payable	**(1)**	(6)
Other payables and accruals	**(1)**	(25)
Finance lease payables	**–**	(2)
Tax prepaid	**–**	1
Minority interests	**–**	(53)
	3	107
Goodwill on acquisition	**12**	56
	15	163
Satisfied by:		
Cash	**5**	149
Reclassification from other assets	**10**	–
Reclassification from interests in associates	**–**	3
Minority interests	**–**	11
	15	163

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

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

HK$'million	2001	2000
Cash consideration	(5)	(149)
Cash and bank balances acquired	–	116
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(5)	(33)

During the year, the Group acquired a 100% interest in City Howwhy from an independent third party for a cash consideration of HK$15 million. City Howwhy is principally engaged in magazine publishing.

The subsidiary acquired during the year contributed approximately HK$1 million (2000: HK$87 million) of the Group's net operating cash flows, paid approximately HK$1 million (2000: HK$3 million) in respect of investing activities, but had no significant impact in respect of net returns on investments and servicing of finance (2000: HK$4 million), tax (2000: Nil) and financing activities (2000: Nil).

The subsidiary acquired during the year contributed approximately HK$14 million (2000: HK$119 million) to the Group's turnover and a post-acquisition profit of approximately HK$1 million (2000: HK$11 million) to the Group's loss before minority interests.

(f) Purchases of minority interests in subsidiaries

HK$'million	2001	2000
Net assets acquired:		
Minority interests	3	–
Goodwill on acquisition	1	–
	4	–
Satisfied by:		
Cash	4	–

(g) Disposal of minority interests in subsidiaries

HK$'million	2001	2000
Net assets disposed of:		
Minority interests	31	–
Gain on disposal	16	–
	47	–
Satisfied by:		
Cash	47	–

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

(h) Partial disposal of a subsidiary

HK$'million	**2001**	2000
Net assets disposed of:		
Fixed assets	**–**	68
Cash and bank balances	**–**	66
Trade receivable	**–**	46
Deposits and other receivables	**–**	19
Trade payable and accruals	**–**	(225)
Minority interests	**–**	13
Goodwill	**–**	101
Reclassification to interests in associates	**–**	7
Gain on disposal	**–**	30
	–	125

(i) Analysis of the net inflow of cash and cash equivalents in respect of the partial disposal of a subsidiary

HK$'million	**2001**	2000
Cash consideration	**–**	125
Cash and bank balances disposed of	**–**	(66)
Net inflow of cash and cash equivalents in respect of the partial disposal of a subsidiary	**–**	59

The subsidiary disposed of in last year utilised approximately HK$63 million of the Group's net operating cash flows, paid HK$43 million in respect of investing activities and received HK$54 million in respect of financing activities.

The subsidiary disposed of during last year contributed approximately HK$114 million to the Group's turnover and a loss of approximately HK$78 million to the Group's loss before minority interests (restated).

36. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
HK$'million	**2001**	2000	**2001**	2000
Corporate guarantees given to banks in connection with facilities granted to subsidiaries	**–**	–	**360**	304

37. PLEDGED ASSETS

At the balance sheet date, the Group's bank borrowings were secured by:

(i) Pledges of the Group's fixed deposits amounting to approximately HK$180 million (2000: HK$130 million);

(ii) Fixed charges over certain of the Group's leasehold land and buildings with an aggregate net book value amounting to approximately HK$295 million (2000: HK$440 million);

(iii) Fixed charges over listed securities with a market value of approximately HK$88 million (2000: HK$275 million); and

(iv) Corporate guarantees given by the Company aggregating approximately HK$360 million (2000: HK$304 million).

38. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2001, the Group had total future minimum lease receivables under non-cancelable operating leases with its tenants falling due as follows:

	Group	
HK$'million	**2001**	2000
Within one year	**1**	1

(b) As lessee

The Group leases certain of its office properties under operating leases arrangement. 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	
HK$'million	**2001**	2000 (Restated)
Within one year	**8**	12
In the second to fifth years, inclusive	**1**	9
	9	21

38. OPERATING LEASE ARRANGEMENTS (continued)

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note (a) above. This disclosure was not previously required. SSAP 14 (Revised) also 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 for operating leases as lessee in note (b) above, have been restated to accord with the current year's presentation.

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38(b) above, the Group and the Company had the following commitments at the balance sheet date:

(a) Capital commitments contracted, but not provided for in respect of:

	Group		Company	
HK$'million	**2001**	2000	**2001**	2000
Capital contributions to certain subsidiaries established in the People's Republic of China	**15**	9	**–**	-
Loan to an associate	**–**	8	**–**	-
Purchases of equipment and motor vehicles	**1**	1	**–**	-
Leasehold improvements	**2**	92	**–**	-
	18	110	**–**	-

(b) Capital commitments authorised, but not yet contracted for in respect of:

	Group		Company	
HK$'million	**2001**	2000	**2001**	2000
Investment in a jointly-controlled entity established in the People's Republic of China	**–**	25	**–**	25
Acquisition of a subsidiary	**–**	5	**–**	-
	–	30	**–**	25

(c) At the balance sheet date, the Group had no share of capital commitments of the jointly-controlled entities themselves in respect of capital expenditures authorised but not contracted for (2000: HK$376 million) and of capital expenditures contracted but not provided for (2000: HK$3 million).

40. POST BALANCE SHEET EVENTS

(a) On 14 January 2002, the Company and Haier-CCT Holdings Limited ("Haier-CCT") entered into a sale and purchase agreement pursuant to which the Company agreed to acquire from Haier-CCT the entire interest of Current Profits Limited ("Current Profits"), a wholly-owned subsidiary of Haier-CCT, 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 the Company on completion by way of a set-off against the entire amount of the HK$60,000,000 loan note which was issued by Haier-CCT to an indirect wholly-owned subsidiary of the Company on 17 December 2001.

The transaction was completed on 4 March 2002. Further details of the transaction are set out in the Circular issued to the shareholders of Haier-CCT dated 4 February 2002.

(b) Pursuant to a special resolution passed at an extraordinary general meeting on 8 April 2002, the Company reduced the nominal value of each of the 422,105,230 issued ordinary shares of the Company by HK$4.90, from HK$5.00 to HK$0.10 per ordinary share (the "Capital Reduction"). Accordingly the Company's then existing issued share capital of HK$2,110,526,150 was reduced by HK$2,068,315,627 to HK$42,210,523.

The credit arising from the Capital Reduction, in the sum of HK$2,068,315,627, will first be applied towards the elimination of the accumulated losses of up to HK$934,298,000 of the Company and the balance of such credit will be credited to a distributable reserve of the Company.

The 377,894,770 unissued ordinary shares of the Company will be cancelled and the authorised share capital of the Company will immediately thereafter be increased to HK$200,000,000 by the subsequent creation of 1,577,894,770 unissued new ordinary shares of HK$0.10 each that the authorised share capital of the Company shall thereafter consist of 2,000,000,000 new ordinary shares of HK$0.10 each.

As at the date on which these financial statements were approved, the Capital Reduction is still conditional on the confirmation of each of the Grand Count of the Cayman Islands and the Registrar of Companies in the Cayman Islands of an office copy of the Court order and the minutes containing the particulars required under the Companies Law of the Cayman Islands.

41. RELATED PARTY TRANSACTIONS

(a) On 3 January 2001, Greatway International Corp., a wholly-owned subsidiary of the Company, acquired an additional 22,410,000 ordinary shares of Haier-CCT at a price of HK$0.20 each from two former directors of Haier-CCT for a cash consideration of HK$4,482,000. As a result, the Group's interest in Haier-CCT increased from 61.42% to 62.87%.

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

41. RELATED PARTY TRANSACTIONS (continued)

The consideration was satisfied by: (1) the transfer of Haier-CCT's 100% equity interest in Master Base Investment Inc. (and the relevant shareholder's loan) and Creditop International Inc., which holds a 9.8% equity interest in Mingpao.com Holdings Limited; (2) the issue of a HK$60,000,000 loan note in favour of an indirect wholly-owned subsidiary of the Company; 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 Haier-CCT to the Company and Orient Rich, respectively, at a subscription price of HK$0.20 per share.

The transactions were completed on 17 December 2001.

Under the Agreements, Haier-CCT has the option granted by Haier Group Corporation (the "PRC JV Option") to purchase the 51% interest in Haier Qingdao, 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 Haier-CCT at HK$0.20 each. In addition, Haier-CCT has the option granted by the Company (the "CCT Technology Option") to purchase 100% interest in CCT Technology Group Holdings Limited ("CCT Technology"), an indirectly-owned subsidiary of the Company, from the Company 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 were described to the shareholders in the Circular dated 29 August 2001 and were approved by the independent shareholders, in the extraordinary general meeting held on 14 September 2001.

The above transactions are also disclosed under the "Connected transactions" section in the Report of the Directors on page 44.

(c) The Group had the following material transactions with Haier Qingdao during the year:

		GROUP	
HK$'million	Notes	**2001**	2000
Purchases of mobile phones from Haier Qingdao	(i)	**192**	-
Sales of raw materials to Haier Qingdao	(ii)	**254**	-
Software and hardware design fee income from Haier Qingdao	(iii)	**15**	-

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 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, respectvely.

41. RELATED PARTY TRANSACTIONS (continued)

In addition to the above, Foreland Agents charged CCT Technology a technical and management service fee of HK$45 million 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.

The above transactions were defined as "ongoing connected transactions" in the circular to the independent shareholders of the Company dated 29 August 2001 and were approved by the independent shareholders at an extraordinary 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 as disclosed under the "Connected transactions" section in the Report of the Directors on page 44 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 the Directors on page 44.

(d) During the year, CCT Properties (Dongguan) Limited., an indirect wholly-owned subsidiary of the Company, entered into a construction contract with an associate of the Group, at a contract sum of approximately HK$37 million. The transaction was determined based on cost-plus method.

42. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

43. APPROVAL OF THE FINANCIAL STATEMENTS

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