

**CCT** TECHNOLOGY HOLDINGS LIMITED  
中建科技集團有限公司

TECHNOLOGY

科技

中期報告  
**Interim Report**

For the six months ended 31 March 2002

截至二零零二年三月三十一日

## CHAIRMAN'S LETTER

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### **Completion of the Restructuring of the Group**

I am pleased to report that the restructuring of the Group (the “Group Restructuring”) pursuant to the Restructuring Agreements (as defined in the composite document (the “Composite Document”) of the Company (then known as Wireless InterNetworks Limited), CCT Telecom Holdings Limited and Dongguan Defa Investment Limited dated 31 March 2002) was successfully completed on 17 May 2002. The name of the Company was changed from Wireless InterNetworks Limited to CCT Technology Holdings Limited with effect from 22 May 2002.

### **Financial Results for the Period under Review and Information in this Report**

As completion of the Group Restructuring took place after 31 March 2002, the unaudited consolidated results of the Group under review had not reflected the impact on the Group's financial position arising from the Group Restructuring.

On 17 May 2002, being the date of completion of the Group Restructuring, all existing directors of the Company (the “Former Directors”, as described in note 1 to the condensed consolidated financial statements) resigned and new directors of the Company (the “Current Directors”, as described in note 1 to the condensed consolidated financial statements) were appointed.

Under normal circumstances, directors of a company should take all reasonable steps to ensure that company have maintained proper books and records and to comply with all relevant regulatory requirements.

The Current Directors have taken all reasonable steps and have used their best endeavours to prepare the financial results for the period under review as well as to disclose in this report relevant information of the Group as required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and the Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants. However, due to the receivership of the Company and changes in

management, certain underlying books and records of the Group were either lost, or could not be located and hence, the extent of work of the Current Directors were limited to those company books and records passed to them by the Former Directors and the Receivers (as defined in the Composite Document) (who resigned as receivers of the Company on 17 May 2002) of the Company. The financial statements of the Group for the period under review and the information of the Group disclosed in this report were disclaimed for reasons which included the significance of the possible effects of the following limitations:

- (i) incomplete books and records of the Group;
- (ii) matters which prevented the Current Directors from satisfying themselves concerning the Former Directors and/or the Receivers; and
- (iii) matters which prevented the Current Directors from satisfying themselves concerning the business of the Group which were handled by the Former Directors including, without limitation, information on the share option scheme previously adopted by the Company.

Because of the significance of the above matters, the Current Directors were unable to satisfy themselves as to whether the financial and other information of the Group contained in this report are complete and accurate.

### **Future Prospects**

Trading in the shares of the Company was suspended since 12 February 2001 and was resumed on 7 June 2002.

Upon completion of the Group Restructuring, the Company will remain focused on the Group's core business of manufacturing and development of telecommunication products. With the injection of Electronic Sales Limited (the principal activities of

which are the manufacturing of switching mode and linear mode power supplies) and a new management team, the Group has now maintained a steady stream of revenue and cash flows. The Group's businesses have been revitalised and have strong prospects.

In June 2002, the Company placed 1,780 million shares and successfully raised approximately HK\$17.3 million for the Company. There is also a placing of convertible notes pending completion, subject to the shareholders' approval and listing approval, which is expected to be in early July 2002, and if completed, will raise another approximately HK\$19.2 million for the Company. The total funds raised and to be raised totalling approximately HK\$36.5 million will be used for the operation and expansion of the Company.

The Current Directors has already implemented sufficient internal controls in the Group. The Group is now operating under a healthy environment with a significant reduction of its financial burden, with a total cash balance of approximately HK\$36 million (after completion of the placing of shares in June 2002 but before completion of the placing of convertible notes) as compared with the current liabilities of approximately HK\$164 million (almost all of which has been released and discharged under the Restructuring Agreements and the Company's Scheme upon completion of the Group Restructuring on 17 May 2002) as at 31 March 2002.

## FINANCIAL REVIEW

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### **Financial Highlights**

During the period under review, the Company was under receivership and the production of the Group was suspended. Therefore, there was no turnover recorded by the Group for the period under review (31 March 2001: HK\$83.8 million). The Group's net loss for the period under review was approximately HK\$10 million (31 March 2001: HK\$38 million). As at 31 March 2002, there were no other significant changes when compared with last period since the production of the Group has been suspended pending completion of the Group Restructuring.

### **Segment Information**

As there was no turnover during the period under review, segment information is therefore not presented.

### **Interim Dividend**

The Directors do not recommend the payment of an interim dividend for the period under review.

### **Liquidity and Financial Resources**

The total indebtedness of the Group was approximately HK\$164 million as at 31 March 2002. There was no significant change as compared with the position as at 30 September 2001. Since there was a negative equity as at 31 March 2002, the calculation of a gearing ratio is not applicable.

In respect of the total indebtedness of approximately HK\$164 million as mentioned above, almost all of the amounts were released and discharged under the Restructuring Agreements and the Company's Scheme upon completion of the Group Restructuring on 17 May 2002. Further, the Group's cash position was increased from approximately HK\$3 million as at 31 March 2002 to approximately HK\$36 million after completion of the Restructuring Agreements as well as the subsequent share placement in June 2002. A further approximately HK\$19.2 million will be raised from the placing of convertible notes in July 2002. The Group's liquidity has returned to a healthy position.

Information in respect of the capital commitment of the Group as at 31 March 2002 is not available. After the Group Restructuring, funding for the Group's existing operation and future expansion will primarily be sourced internally within the Group and from the placing of shares and convertible notes in June and July 2002.

### **Treasury Management**

Cash and borrowings of the Group as at 31 March 2002 were mainly denominated in Hong Kong dollars. The Group did not expose to any significant foreign currency or interest rate risk nor have any financial instruments used for hedging purposes as at 31 March 2002.

With a new management team, the Group now maintains a conservative approach to cash management and risk controls and all treasury activities are centralised.

### **Significant Investments**

During the period under review, the Group did not have any significant investments held.

### **Acquisition and Disposal of Subsidiaries and Associated Companies**

During the period under review, the Group had no material acquisition and disposals of subsidiaries and associated companies.

## **Employees and Remuneration Policies**

The Group employed less than 3 employees throughout the period under review due to the suspension of production. Subsequent to the injection of Electronic Sales Limited upon completion of the Group Restructuring, the number of employees of the Group has increased to over 1,000. Remuneration packages are normally reviewed annually.

## **Pledge of Assets**

The Group's freehold land and buildings with net book value of approximately HK\$14.5 million (30 September 2001: HK\$14.8 million) were pledged to secure the general credit facilities granted to the Group.

## **Contingent Liabilities**

Information in respect of the Group's contingent liabilities as at 31 March 2002 is not available.

## CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors of CCT Technology Holdings Limited (the “Company”, formerly known as Wireless InterNetworks Limited) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 March 2002 as follows:

### Condensed Consolidated Income Statement For the six months ended 31 March 2002

		Six months ended	
		31 March 2002	31 March 2001
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
<b>TURNOVER</b>		–	83,768
<b>COST OF SALES</b>		–	(95,073)
		–	(11,305)
Other revenue		2,238	4,151
Selling and administrative expenses		(10,088)	(23,377)
Allowances for bad and doubtful debts		–	(4,675)
<b>LOSS FROM OPERATIONS</b>	6	(7,850)	(35,206)
Finance costs	7	(2,179)	(2,628)
Allowances for amounts due from associates		–	(189)
<b>LOSS BEFORE TAXATION</b>		(10,029)	(38,023)
<b>TAXATION</b>	8	–	–
<b>NET LOSS FOR THE PERIOD</b>		(10,029)	(38,023)
<b>DIVIDEND</b>	9	–	–
<b>LOSS PER SHARE – basic and diluted</b>	10	(HK1.57 cents)	(HK6.11 cents)

There were no recognised gains or losses other than the loss for the period.



**Condensed Consolidated Balance Sheet**  
**As at 31 March 2002**

		<b>31 March 2002</b>	<b>30 September 2001</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		76,781	78,756
Other investments		368	368
		<u>77,149</u>	<u>79,124</u>
<b>CURRENT ASSETS</b>			
Inventories		23,438	23,438
Bank balances and cash		2,995	7,275
		<u>26,433</u>	<u>30,713</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	94,172	92,577
Amount due to an associate		3,765	3,765
Obligations under hire purchase contracts		314	314
Convertible notes	12	51,067	48,888
Bank and other borrowings	13	14,657	14,657
		<u>163,975</u>	<u>160,201</u>
<b>NET CURRENT LIABILITIES</b>		<u>(137,542)</u>	<u>(129,488)</u>
		<u>(60,393)</u>	<u>(50,364)</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	14	127,681	127,681
Reserves	15	(188,074)	(178,045)
		<u>(60,393)</u>	<u>(50,364)</u>

**Condensed Consolidated Cash Flow Statement**  
**For the six months ended 31 March 2002**

	<b>Six months ended</b>	
	<b>31 March 2002</b>	<b>31 March 2001</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operating activities	(4,353)	(4,628)
Net cash inflow/(outflow) from returns on investments and servicing of finance	12	(765)
Net cash inflow from investing activities	61	41,430
Net cash (outflow)/inflow before financing	(4,280)	36,037
Net cash outflow from financing	–	(37,575)
Decrease in cash and cash equivalents	(4,280)	(1,538)
Cash and cash equivalents at beginning of the period	7,275	9,195
Cash and cash equivalents at end of the period, represented by bank balances and cash	<u>2,995</u>	<u>7,657</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL

The Company was incorporated as an exempted company in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The trading in the shares of the Company on the Stock Exchange was suspended on 12 February 2001. Following the completion of the Group Restructuring (as detailed in note 2 below), the trading in the shares of the Company on the Stock Exchange was resumed on 7 June 2002.

Pursuant to a special resolution passed by the shareholders of the Company at a special general meeting (the “Special General Meeting”) held on 24 April 2002, the name of the Company was changed from Wireless InterNetworks Limited to CCT Technology Holdings Limited effective from 22 May 2002. Upon the change of name of the Company, the Chinese translation of the Company for identification purposes was changed from 浩宇科技有限公司 to 中建科技集團有限公司.

On 17 May 2002, the Board of Directors of the Company (the “Board”) has resolved that the Company changed the financial year end date from 30 September to 31 December effective from the year of 2002. Accordingly, the current financial year end date was changed from 30 September 2002 to 31 December 2002.

On 17 May 2002, the Board has appointed Mr. Mak Shiu Tong, Clement, Ms. Cheng Yuk Ching, Flora and Mr. Tam Ngai Hung as the executive directors of the Company and Mr. Lau Ho Kit, Ivan and Mr. Chow Siu Ngor as the independent non-executive directors of the Company. Mr. Mak Shiu Tong, Clement, Ms. Cheng Yuk Ching, Flora, Mr. Tam Ngai Hung, Mr. Lau Ho Kit, Ivan and Mr. Chow Siu Ngor were collectively referred to as the “Current Directors”.

On the same date, the Board has accepted the resignation of Mr. Gerald Clive Dobby and Mr. Wu Sai Wing as the independent non-executive directors of the Company and Mr. Leung Howard as the executive director of the Company. Mr. Gerald Clive Dobby, Mr. Wu Sai Wing and Mr. Leung Howard were collectively referred to as the “Former Directors”.

### 2. COMPLETION OF THE GROUP RESTRUCTURING

Details of the appointment of Receivers#, the Company’s Scheme# and the Restructuring Proposal# are described in notes 2 and 4 to the audited financial statements of the Company for the year ended 30 September 2001 (the “2001 Audited Financial Statements”) contained in the Composite Document.

At a hearing held on 25 March 2002, The High Court of Hong Kong granted a sanction to the Company's Scheme.

The announcement of the Company dated 24 April 2002 reported that:

- (a) On 5 April 2002, the Bermuda Monetary Authority granted its approval for:
- the issue of the new shares which were issued and allotted under the Restructuring Agreements#, the transfer of assets and shares in S. Megga Telecommunications Limited (“S. Megga Telecom”, a former wholly-owned subsidiary of the Company) and the S. Megga's Scheme#;
  - the issue of the New Notes (as defined in the Composite Document); and
  - the issue of the new shares falling to be issued on the conversion of the New Notes.
- (b) In the Special General Meeting, the then shareholders of the Company passed each of the resolutions set out in the notice of the Special General Meeting (the “SGM Notice”) contained in the Composite Document by the requisite majorities on 24 April 2002.

The announcement of the Company dated 7 May 2002 reported that the Company has received written resolutions (the “Written Resolutions”) signed by the 3 & 7 Years Noteholders# representing the majority of the 3 Years Convertible Notes and 7 Years Convertible Notes (collectively referred to as “3 & 7 Years Convertible Notes”) and accordingly, the 3 & 7 Years Noteholders have therefore approved the debt restructuring of the 3 & 7 Years Convertible Notes as described in note 4(e)I to the 2001 Audited Financial Statements by the requisite majorities.

The announcement of the Company dated 17 May 2002 reported that all the conditions precedent under the Restructuring Agreements have been fulfilled and that completion of the restructuring of the Group (the “Group Restructuring”) took place on 17 May 2002. In addition, the effective date for each of the Capital Reduction#, Share Consolidation# and increase of authorised share capital of the Company to HK\$150,000,000 was 17 May 2002 (note 14 (a), (b) and (c)).

The Receivers resigned on 17 May 2002.

Immediately after the completion of the Group Restructuring, CCT and Defa became the substantial shareholders of the Company.

# *Terms used in this interim financial report have the same meaning as those defined in the 2001 Audited Financial Statements.*

### 3. BASIS OF PREPARATION OF INTERIM FINANCIAL REPORT

The condensed consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (the “HKSA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

Despite the deficiency of shareholders’ funds of approximately HK\$60,393,000 and the net current liabilities of approximately HK\$137,542,000, following the completion of the Group Restructuring on 17 May 2002 as described in note 2 above, the productions and businesses of the Group have been reactivated and the financial difficulties of the Group resolved, and the condensed consolidated financial statements are prepared on a going concern basis.

As explained under the section headed “Financial results for the period under review and information in this report” in the “Chairman’s letter” in this report, although the Current Directors have used their best endeavours to relocate all the financial and business records of the Group as all the former directors (including the Former Directors) of the Company, former senior management and former accounting personnel of the Group have left the Group, the Current Directors have been unable to locate sufficient documentary information to satisfy themselves regarding the matters described below.

- (a) As explained in details in the 2001 Audited Financial Statements, the Former Directors were unable to satisfy themselves regarding the treatment of various balances of the Group as at 30 September 2001. Accordingly, the Current Directors have been unable to satisfy themselves that the assets and liabilities of the Group as at that date were fairly stated. Any adjustments to the opening balances of the condensed consolidated financial statements of the Group as at 1 October 2001 would affect the results of the Group for the six months ended 31 March 2002. Also the comparative figures in respect of the net liabilities of the Group as at 30 September 2001 shown in the condensed consolidated balance sheet may not be comparable with the figures as at 31 March 2002.
- (b) The Current Directors have been unable to satisfy themselves as to whether the following amounts included in the condensed consolidated income statement of the Group for the six months ended 31 March 2002 are free from material misstatement:

- Turnover with nil amount;
- Cost of sales with nil amount;
- Other revenue of HK\$2,238,000;
- Selling and administrative expenses of HK\$10,088,000;
- Finance costs of HK\$2,179,000; and
- Taxation (including deferred taxation) with nil amount.

The Current Directors have been unable to satisfy themselves as to whether the following amounts included in the condensed consolidated balance sheet as at 31 March 2002 are free from material misstatement:

- Property, plant and equipment of HK\$76,781,000;
- Other investments of HK\$368,000;
- Inventories of HK\$23,438,000;
- Bank balances and cash of HK\$2,995,000;
- Trade and other payables of HK\$94,172,000;
- Amount due to an associate of HK\$3,765,000;
- Obligations under hire purchase contracts of HK\$314,000;
- Convertible notes of HK\$51,067,000; and
- Bank and other borrowings of HK\$14,657,000.

(c) The Current Directors are unable to represent as to the completeness of recording of the transactions entered into by the Group for the period from 1 October 2001 to 31 March 2002 and of the completeness of disclosure of claims, commitments, contingent liabilities, pledge of assets and related party transactions and balances in the condensed consolidated financial statements as at 31 March 2002.

(d) Against the background described above, the Current Directors have been unable to satisfy themselves that the results and cash flows of the Group for the six months ended 31 March 2001 shown as comparative figures to the condensed consolidated income statement and the condensed consolidated cash flow statement respectively are comparable with the figures for the current period.

#### **4. ACCOUNTING POLICIES / ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE**

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties.

Except for the adoption of the new and revised SSAPs described below, in the opinion of the Current Directors, the accounting policies adopted are consistent with those followed in the 2001 Audited Financial Statements.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by HKSA. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these condensed consolidated financial statements.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies.

**(a) Leases**

In accordance with SSAP 14 (Revised) “Leases”, the basis of recognition of finance income from finance leases has been changed from the net cash investment method to the net investment method. Finance lease income is therefore allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s net investment outstanding in respect of its finance leases. This change in accounting policy has been applied retrospectively.

**(b) Dividends proposed or declared after the balance sheet date**

In accordance with SSAP 9 (Revised) “Events after the Balance Sheet Date”, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity on the face of the balance sheet.

**(c) Provisions**

In accordance with SSAP 28 “Provisions, Contingent Liabilities and Contingent Assets”, provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

**(d) Segment reporting**

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 “Segment reporting”.

**(e) Goodwill and negative goodwill**

In the current period, the Group has adopted SSAP 30 “Business Combinations” and has elected not to restate goodwill or negative goodwill previously eliminated against or credited to reserves. However, impairment losses in respect of goodwill that arose between the date of acquisition of the relevant subsidiary, associate or jointly controlled entity and the date of adoption of SSAP 30 have been recognised retrospectively. Goodwill arising on acquisitions prior to 1 October 2001 continues to be held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as further impairment losses are identified. Negative goodwill arising on acquisitions prior to 1 October 2001 will be credited to income at the time of disposal of the relevant subsidiary, associate or jointly controlled entity.

Goodwill arising on acquisitions after 1 October 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1 October 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

In the opinion of the Current Directors, the adoption of these SSAPs has no material effect on the results for the current or prior accounting periods.

## 5. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION

The Group is mainly engaged in the manufacture and sale of telecommunications products.

Following the appointment of the Receivers in February 2001, the Group suspended all its production activities and accordingly, financial information in respect of business and geographical segment for the six months ended 31 March 2002 is not presented.

Segment information for the six months ended 31 March 2001 is presented below:

### Business segments

	<b>For the six months ended 31 March 2001</b>		
	<b>Manufacture and sale of tele- communications products</b>	<b>Others</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue	83,571	197	83,768
Segment results	(15,791)	(189)	(15,980)
Unallocated corporate items			
– other revenue			4,151
– selling and administrative expenses			(23,377)
Loss from operations			(35,206)



## Geographical segment

No analysis of the Group's segment revenue and results for the six months ended 31 March 2001 by geographical market has been presented as the information is not available.

### 6. LOSS FROM OPERATIONS

During the period, depreciation and amortisation of HK\$1,798,000 (six months ended 31 March 2001: HK\$1,473,000) was charged in respect of the Group's property, plant and equipment.

### 7. FINANCE COSTS

	Six months ended 31 March	
	2002 HK\$'000	2001 HK\$'000
Amortisation of premium payable upon the final redemption of the convertible notes	2,179	2,179
Interest on bank loans and other borrowings wholly repayable within five years	—	446
Hire purchase charges	—	3
Total finance costs	<u>2,179</u>	<u>2,628</u>

### 8. TAXATION

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no estimated assessable profits for the period.

### 9. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 31 March 2002 and 2001.

### 10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the six months ended 31 March 2002 of HK\$10,029,000 (six months ended 31 March 2001: HK\$38,023,000) and on 638,403,562 shares (six months ended 31 March 2001: weighted average number of 622,015,696 shares) in issue, adjusted for the effect of the Capital Reduction and the Share Consolidation as described in note 14(a) and (b) in accordance with the requirement of paragraph 42 of SSAP 5.

The computation of diluted loss per share for the six months ended 31 March 2002 and 2001 has not assumed the exercise of the convertible notes as their exercise would be anti-dilutive.

## 11. TRADE AND OTHER PAYABLES

No aged analysis in respect of trade and other payables as at 31 March 2002 and 30 September 2001 has been presented as the information is not available.

## 12. CONVERTIBLE NOTES

	31 March 2002			30 September 2001		
	3 Years	7 Years	Total	3 Years	7 Years	Total
	Convertible	Convertible		Convertible	Convertible	
	Notes	Notes	Notes	Notes	Notes	Notes
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance of convertible notes						
brought forward	46,691	22,684	69,375	49,802	24,743	74,545
Amortisation of premium payable upon the final redemption of the convertible notes during the period/year	1,620	559	2,179	3,240	1,117	4,357
Conversion during the period/year	–	–	–	(6,351)	(3,176)	(9,527)
	<u>48,311</u>	<u>23,243</u>	<u>71,554</u>	<u>46,691</u>	<u>22,684</u>	<u>69,375</u>
Balance of convertible notes carried forward						
Less: Conversion option credited to conversion option reserve during the period/year	(10,332)	(10,155)	(20,487)	(11,879)	(11,674)	(23,553)
Reversal of conversion option reserve upon the conversion of convertible notes into shares in the Company during the period/year	–	–	–	1,547	1,519	3,066
	<u>(10,332)</u>	<u>(10,155)</u>	<u>(20,487)</u>	<u>(10,332)</u>	<u>(10,155)</u>	<u>(20,487)</u>
Total liability of the convertible notes	<u>37,979</u>	<u>13,088</u>	<u>51,067</u>	<u>36,359</u>	<u>12,529</u>	<u>48,888</u>
Principal value of convertibles notes outstanding as at end of the period/year	<u>42,455</u>	<u>21,217</u>	<u>63,652</u>	<u>42,455</u>	<u>21,217</u>	<u>63,652</u>

- (a) The 3 Years Convertible Notes are non-interest bearing and may be converted, at the option of the holders, into shares of HK\$0.02 each in the Company at the conversion price of HK\$0.02 per share, subject to customary adjustments, at any time during the period commencing on 21 July 2000 and ending 10 business days before 21 July 2003. Unless previously converted in accordance with the terms of the 3 Years Convertible Notes, the Company will redeem the 3 Years Convertible Notes at their principal outstanding amount on the third anniversary of their issue date.
- (b) The 7 Years Convertible Notes are non-interest bearing and may be converted, at the option of the holders, into shares of HK\$0.02 each in the Company at the conversion price of HK\$0.10 per share, subject to customary adjustments, at any time during the period commencing on 21 July 2000 and ending 10 business days before 21 July 2007. Unless previously converted in accordance with the terms of the 7 Years Convertible Notes, the 7 Years Convertible Notes will be mandatory converted into shares of HK\$0.02 each in the Company at a conversion price of HK\$0.10 per share on the seventh anniversary of their issue date.

All of the 3 Years Convertible Notes and 7 Years Convertible Notes were fully released and discharged under the Restructuring Agreements upon completion of the Group Restructuring on 17 May 2002.

### 13. BANK AND OTHER BORROWINGS

	<b>31 March 2002</b>	<b>30 September 2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank and other borrowings, which are repayable within one year, comprise:		
Bank loans	2,177	2,177
Other loans	12,480	12,480
	<u>14,657</u>	<u>14,657</u>
Analysed as:		
Secured	2,177	2,177
Unsecured	12,480	12,480
	<u>14,657</u>	<u>14,657</u>

## 14. SHARE CAPITAL

	Number of ordinary shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.02 each		
Authorised		
At 30 September 2001 and 31 March 2002	<u>10,000,000,000</u>	<u>200,000</u>
Issued and fully paid		
At 30 September 2001 and 31 March 2002	<u><u>6,384,035,621</u></u>	<u><u>127,681</u></u>

Upon completion of the Group Restructuring and with effective from 17 May 2002, the Company's share capital was restructured by way of the Capital Reduction, the Share Consolidation and the increase of the authorised share capital of the Company as follows:

### (a) Capital Reduction

The par value of each of the issued then existing shares (the "Existing Shares") was reduced by HK\$0.019 to HK\$0.001 and each of the unissued Existing Shares was sub-divided into 20 shares of HK\$0.001 each. The Company's issued share capital of HK\$127,680,712 comprising 6,384,035,621 Existing Shares was reduced by HK\$121,296,677 to HK\$6,384,035 comprising 6,384,035,621 reduced shares of HK\$0.001 each (the "Reduced Shares").

### (b) Share Consolidation

Immediately upon the Capital Reduction became effective, every 10 Reduced Shares were consolidated into 1 new share of HK\$0.01 each (the "New Share"). The issued share capital of the Company comprising 6,384,035,621 Reduced Shares was consolidated into 638,403,562 New Shares.

### (c) Increase of authorised share capital (the "Authorised Share Capital Increase")

Immediately upon the Share Consolidation became effective, the Company's authorised share capital was increased from HK\$10,000,000 to HK\$150,000,000 divided into 15,000,000,000 New Shares. As a result, the new authorised share capital comprises 638,403,562 issued New Shares and 14,361,596,438 unissued New Shares immediately upon the Authorised Share Capital Increase became effective, but prior to the issue and allotment of any New Shares.

On 17 May 2002, the Company allotted and issued 4,500,000,000 New Shares, 2,000,000,000 New Shares, 1,820,000,000 New Shares and 100,000,000 New Shares to CCT (including the subsidiaries of CCT), Defa, the 3 & 7 Years Noteholders and S.Megga Telecom, respectively under the terms of the Restructuring Agreements.

On 17 June 2002, the Company allotted and issued 1,780,000,000 New Shares to Jade Assets Company Limited, a subsidiary of CCT, under a subscription agreement dated 5 June 2002 for a net proceed of approximately HK\$17,300,000. The net proceeds will be used for research and development purpose and to provide additional working capital for the Group. The shares were issued pursuant to the general mandate to allot, issue and deal with shares granted to the directors by a resolution of the then shareholders of the Company at the Special General Meeting.

## 15. RESERVES

	Share premium	Contributed surplus	Capital reserve	Conversion option reserve	Property revaluation reserve	Deficit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 2000	731,190	34,600	47,926	23,553	20,176	(990,011)	(132,566)
Premium on issue of shares	2,540	-	-	-	-	-	2,540
Transfer	-	-	-	-	(20,176)	20,176	-
Reversal of conversion option reserve upon the conversion of the convertible notes into shares	-	-	-	(3,066)	-	-	(3,066)
Loss for the year	-	-	-	-	-	(44,953)	(44,953)
At 30 September 2001 and							
1 October 2001	733,730	34,600	47,926	20,487	-	(1,014,788)	(178,045)
Loss for the period	-	-	-	-	-	(10,029)	(10,029)
At 31 March 2002	<u>733,730</u>	<u>34,600</u>	<u>47,926</u>	<u>20,487</u>	<u>-</u>	<u>(1,024,817)</u>	<u>(188,074)</u>

Upon completion of the Group Restructuring on 17 May 2002, the entire credit balance arising from the Capital Reduction of HK\$121,296,677 (as mentioned in note 14 (a) above) was applied to write-off part of the deficit of the Company.

## **16. POTENTIAL DEFERRED TAXATION**

No financial information in respect of the potential deferred taxation as at 31 March 2002 and 30 September 2001 has been presented as the information is not available.

## **17. PLEDGE OF ASSETS**

The Group's freehold land and buildings with net book value of approximately HK\$14,508,000 (30 September 2001: HK\$14,754,000) were pledged to secure the general credit facilities granted to the Group.

## **18. CONTINGENT LIABILITIES**

No financial information in respect of contingent liabilities as at 31 March 2002 and 30 September 2001 has been presented as the information is not available.

## **19. COMMITMENTS**

No financial information in respect of commitments as at 31 March 2002 and 30 September 2001 has been presented as the information is not available.

## **20. RELATED PARTY TRANSACTIONS AND BALANCES**

No financial information in respect of related party transactions for the six months ended 31 March 2002 and 2001 and balances as at 31 March 2002 and 30 September 2001 has been presented as the information is not available.

## INDEPENDENT REVIEW REPORT

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### **TO THE BOARD OF DIRECTORS OF CCT TECHNOLOGY HOLDINGS LIMITED (Formerly known as Wireless InterNetworks Limited)**

#### **Introduction**

We have been instructed by the Company to review the interim financial report set out on pages 7 to 21.

#### **Directors' responsibilities**

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provision thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

#### **Review work performed**

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" ("SAS 700") issued by the Hong Kong Society of Accountants, except that the scope of our review was limited as explained below.

A review consists principally of making enquires of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

The scope of our review was limited as set out below.

- (a) Our auditors' report on the financial statements of the Group for the year ended 30 September 2001 was disclaimed in view of the pervasive nature of the limitations on the scope of our audit resulting from the inability of the Former Directors (as defined in note 1 to the condensed consolidated financial statements) to locate sufficient documentary information as explained in note 3(a) to the condensed consolidated financial statements. Accordingly, we were unable to form an opinion as to whether the assets and liabilities of the Group as at 30 September 2001 were fairly stated. Any adjustments to the opening balances as at 1 October 2001 would affect the results of the Group for the six months ended 31 March 2002.
- (b) As explained in note 3(b) to the condensed consolidated financial statements, the Current Directors (as defined in note 1 to the condensed consolidated financial statements) have been unable to satisfy themselves as to whether the following amounts included in the condensed consolidated income statement of the Group for the six months ended 31 March 2002 are free from material misstatement:
- Turnover with nil amount;
  - Cost of sales with nil amount;
  - Other revenue of HK\$2,238,000;
  - Selling and administrative expenses of HK\$10,088,000;
  - Finance costs of HK\$2,179,000; and
  - Taxation (including deferred taxation) with nil amount.

The Current Directors have been unable to satisfy themselves as to whether the following amounts included in the condensed consolidated balance sheet as at 31 March 2002 are free from material misstatement:

- Property, plant and equipment of HK\$76,781,000;
- Other investments of HK\$368,000;
- Inventories of HK\$23,438,000;
- Bank balances and cash of HK\$2,995,000;
- Trade and other payables of HK\$94,172,000;
- Amount due to an associate of HK\$3,765,000;
- Obligation under hire purchase contracts of HK\$314,000;
- Convertible notes of HK\$51,067,000; and
- Bank and other borrowings of HK\$14,657,000.



- (c) As explained in note 3(c) to the condensed consolidated financial statements, the Current Directors are unable to represent as to the completeness of recording of transactions entered into by the Group for the period from 1 October 2001 to 31 March 2002 and of the completeness of disclosure of claims, commitments and contingent liabilities, pledge of assets and related party transactions and balances in the condensed consolidated financial statements as at 31 March 2002.

There were no other satisfactory review procedures that we could adopt to satisfy ourselves as to the matters set out in paragraphs (a), (b) and (c) above. Any adjustment to the above amounts would affect the net liabilities of the Group as at 31 March 2002, the results and cash flows of the Group for the period then ended.

### **Inability to reach a review conclusion**

Because of the significance of the possible effect of the limitations in evidence available to us as set out in the review work performed section of this report, we are not able to reach a review conclusion as to whether material modifications should be made to the interim financial report for the six months ended 31 March 2002.

Without modifying our review conclusion, we draw the following to your attention:

- the comparative condensed consolidated income statement and the comparative condensed consolidated cash flow statement for the six months ended 31 March 2001 disclosed in the interim financial report have not been reviewed in accordance with SAS 700 and, as explained in note 3(d) to the condensed consolidated financial statements, the results and cash flows of the Group for this six month period shown in the condensed consolidated income statement and the condensed consolidated cash flow statement may not be comparable with the figures for the current period; and
- as explained in note 3(a) to the condensed consolidated financial statements, the comparative figures in respect of the net liabilities of the Group as at 30 September 2001 shown in the condensed consolidated balance sheet may not be comparable with the figures as at 31 March 2002.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, 27 June 2002

## DISCLOSURE OF INTERESTS

### Directors' Interests

The Current Directors disclaim their responsibilities on the accuracy of the information stated under this section for the reasons as detailed in the “Chairman’s Letter” of this report. So far as is known to, or can be ascertained after reasonable enquiry by, the Current Directors, as at 31 March 2002, the interests of the Former Directors and their respective associates in the securities of the Company and its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”)) which had been notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interest which they were deemed or taken to have under Section 31 of, or Part I of the Schedule to, the SDI Ordinance); or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein; or which were required, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:-

Name of director	Number of shares of HK\$0.02 each held as at 31 March 2002			Approximate % of interest in the Company
	Personal	Family	Other	
Leung Howard (resigned on 17 May 2002)	–	–	141,121,280 (Note)	2.21

*Note: According to the disclosure made to the Company under the SDI Ordinance, the 141,121,280 shares of HK\$0.02 each in the capital of the Company as at 31 March 2002 were beneficially owned by Kit Iu Limited, the entire share capital of which was according to that disclosure held by the trustee of a discretionary trust whose beneficiaries include Mr. Leung Ho Man Paul, Mr. Leung Winston and Mr. Leung Howard.*

Save as disclosed above, as at 31 March 2002, none of the Former Directors and their respective associates had any interest in any securities in the Company or any associated corporations (as defined in the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which were deemed or taken to have under Section 31 of, or Part

I of the Schedule to, the SDI Ordinance) or which they were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

### **Substantial Shareholder's Interests**

The Current Directors disclaim their responsibilities on the accuracy of the information stated under this section for the reasons as detailed in the "Chairman's Letter" of this report. Save as disclosed below, as at 31 March 2002, so far as is known to, or can be ascertained after reasonable enquiry by, the Current Directors, there was no person who was directly or indirectly, interested in 10% or more of the nominal value of any class of issued share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group or had any options in respect of such issued capital as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance:-

<b>Name</b>	<b>Number of shares of HK\$0.02 each held as at 31 March 2002</b>	<b>Approximate % of total shareholding</b>
Standard Chartered Bank	1,647,680,119 ( <i>Note</i> )	25.81

*Note: These shares are registered in the name of Horsford Nominees Limited, as the nominee for Standard Chartered Bank.*

As at 31 March 2002, CCT and/or its subsidiaries and/or its associates (the "CCT Group") and Defa, together with their directors and parties acting in concert with them, were not interested in the securities of the Company, other than by their agreement to acquire new shares of the Company pursuant to the Restructuring Agreements, details of which were described in the Composite Document.

As at the date of this interim report (i.e. after completion of the Group Restructuring and the placing and subscription of 1,780 million shares as announced by the Company on 6 June 2002), the percentage of interest in the Company held by Standard Chartered Bank was reduced from approximately 25.81% to approximately 13.14%. The CCT Group and Defa have become substantial shareholders of the Company holding approximately 41.52% and approximately 18.45% of the entire issued share capital of the Company respectively.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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During the six months ended 31 March 2002, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any securities (whether on the Stock Exchange or otherwise) of the Company.

## **AUDIT COMMITTEE**

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Upon completion of the Group Restructuring, the Former Directors resigned on 17 May 2002 and the audit committee which comprised the Former Directors was dismissed. Subsequently, the Current Directors were appointed and a new audit committee (the "New Audit Committee") was established on 17 May 2002 in accordance with Paragraph 14 of the Code of Best Practice as set out in Appendix 14 to the Listing Rules, comprising two independent non-executive directors of the Company, to review with the management the accounting principles and practices adopted by the Group and to discuss financial and accounting matters.

The New Audit Committee will meet at least twice a year and has written terms of reference. The New Audit Committee had reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 31 March 2002.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

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As stated in the sections headed "Chairman's Letter" and "Financial Review" in respect of the latest development of the Company, the Company's production and share trading on the Stock Exchange were suspended and Receivers were appointed during the period under review. Upon completion of the Group Restructuring on 17 May 2002, the Receivers and the Former Directors resigned and the Current Directors were appointed.

In view of the insufficient and incomplete records obtained from the Receivers and from the previous management, the Current Directors are unable to conclude whether the Company had complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules throughout the period for the six months ended 31 March 2002. However, the Current Directors will ensure full compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules in the future.

By Order of the Board  
**Mak Shiu Tong Clement**  
*Chairman*

Hong Kong, 27 June 2002