

## **REPORT OF THE DIRECTORS**

The Current Directors herein present their report and the audited financial statements of the Company and the Group for the fifteen months ended 30 September 2000. However, due to the limitations as stated in the Disclaimer of the Board of Directors, the Current Directors expressly disclaim their responsibilities on the accuracy of the information stated under this section.

### **CHANGE OF COMPANY NAME**

The name of the Company was changed from S.Megga International Holdings Limited to Wireless InterNetworks Limited effective from 12 July 2000.

Upon completion of the Group Restructuring, the name of the Company was changed from Wireless InterNetworks Limited to CCT Technology Holdings Limited effective from 22 May 2002.

### **CHANGE OF FINANCIAL YEAR END DATE**

The Company changed its financial year end date from 30 June to 30 September with effect from the year of 2000. The current accounting period covers a period of fifteen months from 1 July 1999 to 30 September 2000.

Upon completion of the Group Restructuring, the Company changed its financial year end date from 30 September to 31 December with effect from the year of 2002.

### **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company. Details of the principal activities of the principal subsidiaries and associates of the Company are set out in notes 19 and 20 to the financial statements.

### **SEGMENTAL INFORMATION**

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the fifteen months ended 30 September 2000 is set out in note 9 to the financial statements.

### **RESULTS AND DIVIDENDS**

The results of the Group for the fifteen months ended 30 September 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 71.

The directors do not recommend a payment of any dividend for the period.

### **FIVE YEAR FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last five financial periods, as extracted from the audited financial statements and reclassified as appropriate, is set out on pages 72 to 73. This summary does not form part of the audited financial statements.

## **REPORT OF THE DIRECTORS** (continued)

### **INVESTMENT PROPERTIES AND FIXED ASSETS**

Details of movements in the investment properties and fixed assets of the Group during the period are set out in notes 17 and 18 to the financial statements.

### **CONVERTIBLE NOTES**

Details of movements in the convertible notes of the Group and the Company are set out in note 26 to the financial statements.

### **BANK AND OTHER BORROWINGS**

Details of bank and other borrowings of the Group are set out in note 27 to the financial statements.

### **SHARE CAPITAL**

Details of movements in the Company's share capital during the period, together with the reasons therefor, are set out in note 28 to the financial statements.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

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

The Current Directors disclaim their responsibilities on the accuracy of the information stated under this section due to insufficient and incomplete records received from the Receivers and from the Former Directors.

So far as is known to, or can be ascertained after reasonable enquiry by, the Current Directors, neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the listed securities of the Company during the period under review.

### **RESERVES**

Details of movements in the reserves of the Company and the Group during the period are set out in note 30 to the financial statements.

### **MAJOR CUSTOMERS AND SUPPLIERS**

The Current Directors disclaim their responsibilities on the accuracy of the information stated under this section for the reasons as detailed in the Disclaimer of the Board of Directors of this report. So far as is known to, or can be ascertained after reasonable enquiry by, the Current Directors, sales to the Group's five largest customers in the period under review accounted for approximately 45% (for the year ended 30 June 1999: 77%) of the total sales for the period and sales to the largest customer included therein amounted to approximately 13% (for the year ended 30 June 1999: 40%). Purchases from the Group's five largest suppliers accounted for less than 30% (for the year ended 30 June 1999: less than 30%) of the total purchases for the period.

## REPORT OF THE DIRECTORS (continued)

### MAJOR CUSTOMERS AND SUPPLIERS (continued)

The Current Directors confirm that, having made their best endeavours and all reasonable enquiries, no information in respect of any beneficial interest of the former directors of the Company or any of their associates or any shareholders in the Group's five largest customers is available.

### DIRECTORS

The directors of the Company during the period and up to the date of this report were:

#### Executive directors

Mak Shiu Tong Clement	(appointed on 17 May 2002)
Cheng Yuk Ching Flora	(appointed on 17 May 2002)
Tam Ngai Hung	(appointed on 17 May 2002)
Leung Howard	(resigned on 17 May 2002)
Leung Ho Man Paul	(removed on 4 June 2001)
Leung Winston	(resigned on 23 October 1999)

#### Non-executive director

Yeh Te-Chen	(appointed on 23 October 1999 and resigned on 30 November 2000)
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#### Independent non-executive directors

Lau Ho Kit Ivan	(appointed on 17 May 2002)
Chow Siu Ngor	(appointed on 17 May 2002)
Gerald Clive Dobby	(appointed on 4 June 2001 and resigned on 17 May 2002)
Wu Sai Wing	(appointed on 4 June 2001 and resigned on 17 May 2002)
Mark Curtis Blacker	(resigned on 30 November 2000)
James William Labboon Li	(resigned on 30 November 2000)
Minoru Kurabayashi	(appointed on 30 November 2000 and retired on 30 December 2000)
Fang Wei Chang William	(appointed on 30 November 2000 and retired on 30 December 2000)
Huang Peir Kuen	(appointed on 30 November 2000 and retired on 30 December 2000)

The independent non-executive directors are not appointed for specific term and are subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Company's bye-laws.

In accordance with bye-law 91 of the Company's bye-laws, Mr Mak Shiu Tong Clement, Ms Cheng Yuk Ching Flora, Mr Tam Ngai Hung, Mr Lau Ho Kit Ivan and Mr Chow Siu Ngor will hold their offices until the forthcoming annual general meeting and, being eligible, offer themselves for re-election at that meeting.

### BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 10 to 11 of this report.

## REPORT OF THE DIRECTORS (continued)

### DIRECTORS' SERVICE CONTRACTS

The Current Directors confirm, having made their best endeavours and all reasonable enquiries, that no sufficient information in respect of directors' service contracts for the period under review is available.

At completion of the Group Restructuring on 17 May 2002, all the Current Directors were appointed. No Current Directors proposed for re-election at the forthcoming annual general meeting had a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' INTERESTS IN CONTRACTS

The Current Directors confirm, having made their best endeavours and all reasonable enquiries, that the information in respect of directors' interests in contracts for the period under review is not available.

### SHARE OPTION SCHEME

The share option scheme adopted by the shareholders of the Company on 28 November 1991 (the "Old Share Option Scheme") has expired on 28 November 2001. As at the date of this report, no option was outstanding under the Old Share Option Scheme.

At a special general meeting of the Company held on 11 July 2002, the shareholders of the Company adopted a new share option scheme (the "New Share Option Scheme"). The purpose of the New Share Option Scheme is to provide incentives and rewards to eligible participants who will contribute or have contributed to the success of the Group's operations. Eligible participants of the New Share Option Scheme include any employee, executive or officer of the Group (including the executive and non-executive directors of members of the Group) who, in the sole discretion of the board of directors of the Company (the "Board"), will contribute or have contributed to the Group, and any supplier, consultant, agent, adviser, shareholder, customer, partner, business associate who, in the sole discretion of the Board, will contribute or have contributed to the Group. The New Share Option Scheme became effective on 11 July 2002 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

Pursuant to the New Share Option Scheme, the maximum number of shares in respect of which options may be granted under the New Share Option Scheme is such number of shares, when aggregated with shares subject to any other share option scheme(s) of the Company must not exceed 10% of the total number of the Company's shares in issue as at the date of adoption of the New Share Option Scheme. The maximum number of shares issuable under share options to each eligible participant in the New Share Option Scheme within any 12-month period is, in aggregate, limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

Share options granted to a director, chief executive or substantial shareholder of the Company or any of its associates (as defined in the Listing Rules) are subject to the approval in advance by the independent non-executive directors of the Company. In addition, any share option granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in aggregate, over 0.1% of the total number of the shares of the Company in issue as at the date of grant and with an aggregate value (based on the closing price of the Company's shares as stated in the daily quotation sheets of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to the issue of a circular by the Company and shareholders' approval in advance in a general meeting of the Company.

## REPORT OF THE DIRECTORS (continued)

### SHARE OPTION SCHEME (continued)

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the New Share Option Scheme, whichever is earlier.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

No option has been granted under the New Share Option Scheme since the date of its adoption.

Details of the Old Share Option Scheme are set out in note 29 to the financial statements.

The directors consider that it is not appropriate or helpful to the shareholders of the Company to state the value of all options that can be granted pursuant to the New Share Option Scheme as if they had been granted as at the date of this report. The directors believe that any statement regarding the value of the options as at the date of this report will not be meaningful to the shareholders of the Company, since the options to be granted shall not be assignable, and no holder of the option shall in any way sell, transfer, charge, mortgage or create any interest (legal or beneficial) in favour of any third party over or in relation to any option.

In addition, the calculation of the value of the options is based on a number of variables such as the exercise price, the exercise period, interest rate, expected volatility and other relevant variables. The directors believe that any calculation of the value of the options as at the date of this report based on a great number of speculative assumptions would not be meaningful and would be misleading to the shareholders of the Company.

### DIRECTORS' INTERESTS IN SHARES

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 Statement" and the "Disclaimer of the Board of Directors" of this report. So far as is known to, or can be ascertained after reasonable enquiry by, the Current Directors, as at 30 September 2000, 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 interests which 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, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, were as follows: –

Name of director	Number of shares of HK\$0.02 each held as at 30 September 2000			Approximate % of interest in the Company
	Personal	Family	Other	
Leung Ho Man Paul (removed on 4 June 2001)	2,400,000	57,148,512	141,121,280 (Note)	3.33
Leung Howard (resigned on 17 May 2002)	–	–	141,121,280 (Note)	2.34

## REPORT OF THE DIRECTORS (continued)

### DIRECTORS' INTERESTS IN SHARES (continued)

*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 30 September 2000 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 included Mr Leung Ho Man Paul, Mr Leung Winston and Mr Leung Howard.

Save as disclosed above and so far as is known to, or can be ascertained after reasonable enquiry by, the Current Directors, as at 30 September 2000, none of the former directors and their respective associates had any interest in any securities of 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 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.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES

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 Statement" and the "Disclaimer of the Board of Directors" of this report. So far as is known to, or can be ascertained after reasonable enquiry by, the Current Directors, no option under the Old Share Option Scheme was granted to, or exercised by, the Former Directors during the period under review and no option was outstanding as at 30 September 2000. No option has been granted to the Current Directors under the New Share Option Scheme since the date of its adoption on 11 July 2002.

Save as disclosed herein, at no time during the period was the Company or any of its subsidiaries and associated corporations a party to any arrangements to enable the Former Directors of the Company to acquire benefits by means of the acquisition of shares of the Company or any other body corporate.

### 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 Statement" and the "Disclaimer of the Board of Directors" of this report. Save as disclosed below, as at 30 September 2000, 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 the then 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 of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance: –

<b>Name</b>	<b>Number of shares of HK\$0.02 each held as at 30 September 2000</b>	<b>Approximate % of total shareholding</b>
Standard Chartered Bank	1,647,680,119 ( <i>Note</i> )	27.30

*Note:* As at 30 September 2000, these shares were registered in the name of Horsford Nominees Limited, as the nominee for Standard Chartered Bank.

As at 30 September 2000, CCT Telecom Holdings Limited and/or its subsidiaries and/or its associates (the "CCT Group") and Dongguan Defa Investment Limited ("Defa"), together with their directors and parties acting in concert with them, were not interested in the securities of the Company.

## REPORT OF THE DIRECTORS (continued)

### SUBSTANTIAL SHAREHOLDERS (continued)

As at the date of this report (i.e. after completion of the Group Restructuring and the placing and subscription of 1,780 million shares of HK\$0.01 each as announced by the Company on 6 June 2002), the percentage of interests in the Company held by Standard Chartered Bank has been further reduced 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 existing entire issued share capital of the Company respectively.

### CONNECTED TRANSACTIONS

The Current Directors confirm, having made their best endeavours and all reasonable enquiries, that the information in respect of connected transactions of the Group for the period under review is not available.

### COMPLIANCE WITH THE CODE OF BEST PRACTICE

As stated in the “Chairman’s Statement” and “Management Discussion and Analysis” in respect of the latest development of the Company, the Company’s production and share trading on the Stock Exchange were suspended and the Receivers of the Company were appointed on 12 March 2001. At completion of the Group Restructuring on 17 May 2002, the Receivers of the Company and the Former Directors resigned and the Current Directors were appointed.

In light of insufficient and incomplete records obtained from the Receivers and from the Former Directors, 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 under review. 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.

### AUDIT COMMITTEE

At completion of the Group Restructuring on 17 May 2002, the Former Directors resigned and the audit committee which comprised the former directors was dismissed. Subsequently, the Current Directors were appointed and a new audit committee was established on 17 May 2002 under written terms of reference in accordance with Paragraph 14 of the Code of Best Practice as set out in Appendix 14 to the Listing Rules, comprising two current 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.

### AUDITORS

Deloitte Touche Tohmatsu will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Mak Shiu Tong Clement**

*Chairman*

Hong Kong, 12 August 2002