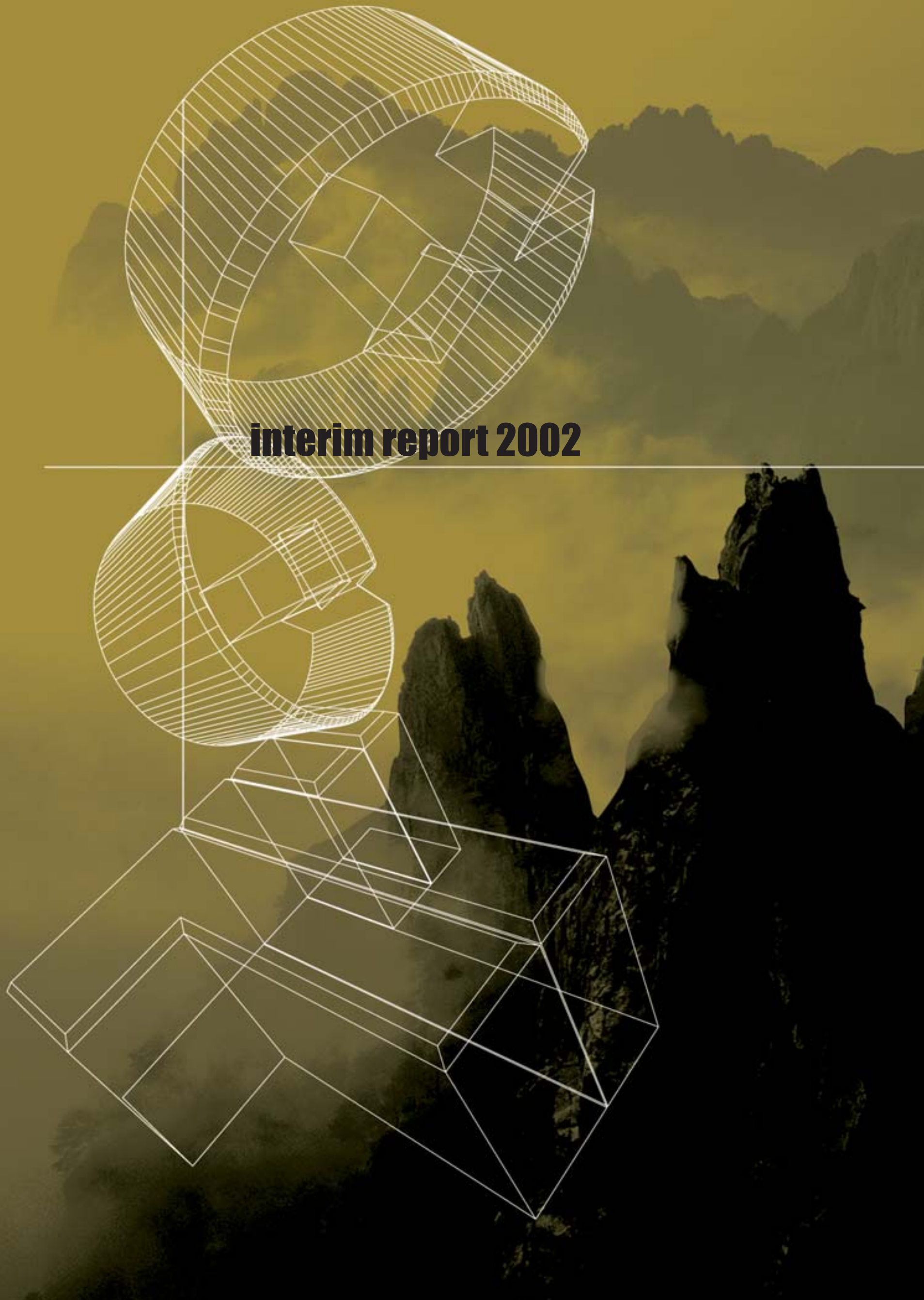
CCT TELECOM

CCT Telecom Holdings Limited



interim report 2002

Chairman's Letter

Financial Highlights

		Six months ended 30 June		
		2002 (Unaudited) HK$'million	2001 (Unaudited) HK$'million	Change +/(-)
Turnover		**1,311**	1,345	(3)%
EBITDA*	- telecom products business	**122**	97	26%
	- others	**22**	40	(45)%
		144	137	5%
Net profit before impairment of investments and goodwill		**49**	40	22%
Impairment of investments and goodwill		**(447)**	–	N/A
Profit/(loss) attributable to shareholders		**(398)**	40	N/A
Earnings/(loss) per share		**(94.3) cents**	10.3 cents	N/A
Proposed interim dividend per share		**1.0 cent**	–	N/A

I am pleased to report that the Group achieved an EBITDA of HK$144 million for the period under review, representing a 5% increase as compared with the corresponding period in 2001. Turnover slightly decreased by 3% to HK$1,311 million. Based on the current orders on hand as well as our operating experience, we anticipate a promising revenue for the year due to the increasing numbers of orders in the second half of the year.

The telecom products business continued to perform well in the current period, recording an EBITDA of HK$122 million (last period: HK$97 million), up 26% from the last period. The improvement of the business performance is due to the strong demand of our telecom products from the market, especially the 2.4 GHz cordless phones, and the improvement in efficiency caused by our strong research and development capability and effective cost control. EBITDA from other businesses, including the baby care business, the multimedia business and the corporate items, dropped to HK$22 million (last period: HK$40 million) as a result of the economic downturn of the US and Hong Kong.

Management continues to carry out extensive reviews of the Group's investments and non-core assets with a view to addressing under-performed investments. During the period under review, provisions of HK$447 million have been made for the impairment of those hi-tech investments and non-core assets as well as the related goodwill which are under-performing, including the Group's investment in Team Work (see further information under the paragraph "Pending Litigations"). Without such provisions, there would be a profit of HK$49 million attributable to the shareholders for the period under review, representing an increase of 22% as compared with the last period.

Chairman's Letter (cont'd)

Interim Dividend

The board of directors has declared an interim dividend for 2002 of HK$0.01 per share (30 June 2001: nil) to be payable from the share premium account of the Company. This signifies the board's confidence in the future of the Group. The interim dividend will be payable on 25 October 2002 to shareholders whose names appear on the register of members of the Company on 7 October 2002.

Closure of Register of Members

The register of members of the Company will be closed from 4 October 2002 to 7 October 2002 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong, for registration not later than 4:00 p.m. on 3 October 2002.

Operational Review

Cordless Phone Business

Designing and manufacturing of original cordless phones continues to be the Group's core business, which represents over 80% of the Group's turnover during the six months under review.

Led by the CCT Telecom Product Group, our cordless phone and other telecom products (e.g. family radio system) business has marked significant achievements throughout recent years. Particularly, following the launching of the GE branded 2.4 GHz cordless phones in the US market last year, we receive continuous encouraging response from the market, evidenced by the increasing numbers of production orders.

Management believes that efficiency is crucial to drive the success. Last year, SAP was implemented in order to tackle the increasing numbers of production orders. This year, to further enhance operational efficiencies, all procurement process of the cordless phone unit was automated as a result of the joint effort between GE GXS and our e-procurement team. All these, the management considers, are indispensable factors leading to the success.

Operational Review (cont'd)

Electric Component Business

Major products of the Group's electric component business range from power supplies, lighting ballasts to transformers. The business was injected into a listed company in which the Group holds 42% interest, namely CCT Technology Holdings Limited, in May this year.

Investing in and revitalising of a listed company

Wireless InterNetworks Limited ("WIN" and the name of which was changed to CCT Technology Holdings Limited after the Group's rescue, SEHK: 261) is another listed company in Hong Kong, which had been operating under extreme financial difficulties in the past years and the business of which was deteriorating, hence led to the appointment of receivers in early 2001.

In August 2001, the Company, together with an independent investor, has entered into restructuring agreements with WIN and the then receivers and the then bank creditors of WIN. Upon completion of the restructuring agreements in May this year, the Group's electric component business was injected into WIN in accordance with the terms of the restructuring agreements. The business of WIN was revitalised as soon as the injection of the electric component business and working capital by the Group, and almost all the bank debts were released and discharged under the terms of the restructuring agreements. The name of Wireless InterNetworks Limited was changed to CCT Technology Holdings Limited effective from 22 May 2002. CCT Technology Holdings Limited is now undergoing a group reorganisation, which involves an introduction of a new holding company (the "Newco") and an implementation of a scheme of arrangement under section 99 of the Companies Act 1981 of Bermuda (as amended). The purpose of the reorganisation is to provide protection to Newco insulating any new assets or funds of Newco against the risk associated with any possible contingent liabilities to CCT Technology Holdings Limited and its subsidiaries which the current management are not aware of.

Through its 42% interest in CCT Technology Holdings Limited, the Group continues to enjoy the expansions and profitable growth of the electric component business.

Plastic Product Business

Another stream of the Group's business is the plastic product manufacturing. Led by the CCT Industrial Group, the business unit is originally set up to produce plastic components for the vertical integration support of the Group's core business. Over the years, the unit has developed its own solid customer base and is now ready for horizontal integration and expansion.

Early this year, the Group has acquired the baby care product business from its listed subsidiary, with an aim to provide synergy to the plastic component business and better utilise the facilities in plastic moulding for the manufacture of baby care products.

Operational Review (cont'd)

Mobile Phone Business

The Group's mobile phone business, cooperated with Haier Group - the largest household electrical appliance manufacturer in China, is operated through its listed subsidiary Haier-CCT Holdings Limited ("Haier-CCT", SEHK: 1169).

The mobile phone business commenced in early 2001. With the management's prudent but decisive operating and marketing strategies, the business has been growing at a smooth and steady pace despite the economic downturn of the US and European markets last year.

Restructuring of the mobile phone business

Back in 2001, Haier-CCT underwent a restructuring by acquiring a mobile phone business jointly operated by Haier Group Company ("Haier") and our Group, thereby transforming the core business into a mobile phone manufacturing and distribution operation. As we last reported, the first stage of the restructuring, which involved the injection of a Hong Kong joint venture engaging in the export of mobile phones and the sourcing of materials, was satisfactorily completed in December 2001.

The second stage of the restructuring, which shall involve the acquisition of a PRC joint venture (the "PRC JV") that engages in the manufacture and domestic distribution of mobile phones, is originally scheduled to happen upon Haier-CCT's exercising its option to acquire from Haier and our Group the PRC JV during the period from 17 December 2002 to 17 December 2004.

We are pleased to report that pursuant to an acceleration agreement dated 8 August 2002, details of which have been announced on 15 August 2002, Haier and our Group have agreed to accelerate the transfer of part of our respective interest in the PRC JV into Haier-CCT. Upon completion of the acceleration agreement, which is subject to certain conditions precedent including the approval by the independent shareholders at an extraordinary general meeting of the Company, Haier-CCT will effectively hold 64.5% of the PRC JV. Both Haier-CCT and the Group believe that the acceleration will streamline the mobile operations as a whole and further improve the efficiencies and management controls of the Group.

After the acceleration, Haier-CCT continues to hold an option to acquire the remaining 35.5% interest in the PRC JV exercisable at any time from the date of completion of the acceleration agreement to 31 July 2004. If the option is exercised in full, subject to regulatory requirements, Haier-CCT will then own a 100% interest in the PRC JV and that Haier will become the single largest shareholder of Haier-CCT.

Multimedia Production and Publishing Business

The multimedia production and publishing business, though not a major business of the Group but yet, continued to develop steadily. The business unit focused on providing a wide range of one-stop multimedia production services to the clients.

Pending Litigations

The Company, through its wholly owned subsidiary, Noble Trend International Inc., has taken legal actions against Lau Tak Wah Andy ("Mr. Lau") since June 2002 in relation to alleged breaches under the shareholders agreement of Team Work Corporation Limited ("Team Work"), an associate of the Company. In turn, Mr. Lau filed a suit against Topman Global Limited, a wholly owned subsidiary of Team Work, for the recovery of artist fees that are allegedly due to him from Topman Global Limited. These legal actions are still pending and no court judgment has been obtained in respect of any of these legal actions as at the report date.

During the period under review, the Group has written off an impairment of goodwill in respect of the investment in Team Work to the profit and loss account, which had previously been charged against the reserves.

Latest Development and Outlook

Our decision to refocus the Group's resources on our core manufacturing business is proved to be an absolutely right one. The Group's cordless phone operation continues to be of great success and achievement, contributing to 81% of the Group's revenue for the six months under review.

We pride the Group as one of the leading global cordless phone manufacturers. The market response of our 2.4 GHz cordless phones further evidences that we are the pioneer of such technology. On 2 July 2002, the Group was awarded the "2001 Best Product of the Year Award" by ATLINKS, a joint venture of Alcatel and Thomson Multimedia and also a major customer of the Group, for designing and manufacturing the 2.4 GHz cordless phones distributed under the brand name of GE.

We believe in technologies. The Group will continue to strengthen its research and development capabilities with a mission to lead the technology of tomorrow's world. The Group is now adequately prepared and equipped to face the challenge of the new decade.

The Group is rich in cash with no net debt throughout the period under review and a cash balance of over HK$1 billion as at 30 June 2002, and hence is highly competitive under the current depressing economy. This can be attributable to the out-performance of its core business, the prudent investment strategies, as well as the leadership of the sound management team. All these factors contribute to the maximisation of returns to our shareholders.

* *EBITDA represents earnings before interest, taxation, depreciation, amortisation, impairment of investments, impairment of goodwill and the Group's share of results of associates and jointly-controlled entities. While EBITDA is commonly used in the telecommunications industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with generally accepted accounting principles in Hong Kong and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to other similarly titled measures of other companies.*

Financial Review

Results Summary

EBITDA of the Group for the first six months ended 30 June 2002 was HK$144 million compared to HK$137 million in the corresponding period of the last financial year. Turnover slightly decreased by 3% to HK$1,311 million. Based on the current orders on hand as well as our operating experience, we anticipate a promising revenue for the year due to the increasing numbers of orders in the second half of the year. Loss attributable to shareholders amounted to HK$398 million, caused by the impairment of investments and goodwill totaling HK$447 million. Without the impairment provision, there would be a net profit of HK$49 million (last period: net profit of HK$40 million).

Analysis by Business Segment

The manufacturing and sale of telecom products remains to be the core business of the Group. This business segment contributed 92% (last period: 91%) of the Group's turnover for the current period. The baby care products and the multimedia businesses contributed the remaining 8% of the turnover.

The telecom products business continued to perform well in the current period, recording an operating profit of HK$68 million (last period: HK$54 million), up 26% from the last period. The improvement in profit is due to the strong demand of our telecom products from the market, especially the 2.4 GHz cordless phones, and the improvement in efficiency caused by our strong research and development capability and effective cost control.

The operating profit from the baby care products business dropped to approximately HK$1 million (last period: HK$6 million) for the current period due to slowdown of economy in the US. The multimedia business, facing the slowdown of Hong Kong economy and keen competition in Hong Kong multimedia industry, recorded a net operating loss of HK$2 million versus a net operating profit of HK$2 million for the last period. We are making effort to increase their revenue and reduce the overhead of these business segments in order to improve their profitability. The corporate items included impairment of investments of HK$373 million and unallocated head office overheads resulted in the Group's net operating loss of HK$314 million (last period: operating profit of HK$63 million). Without the impairment provisions, there would be an operating profit of HK$59 million for the current period. Taking into account the finance costs and share of results of associates and jointly-controlled entities and impairment of goodwill, the Group reported a net loss of HK$398 million for the current period (last period: net profit of HK$40 million).

Analysis by Geographical Segment

Same as last year, North America continued to be the major market of the Group accounted for 65% (last period: 46%) of total turnover and contributed HK$52 million of operating results (last period: HK$24 million) during the period. The change in turnover and operating results was attributable to increase in sale of telecom products to the US. Europe accounted for 13% (last period: 15%) and the PRC, including Hong Kong, accounted for 10% (last period: 34%) ranked the second and the third, respectively. The loss of HK$385 million recorded for the PRC (including Hong Kong) was caused by the impairment of under-performed investments.

Financial Review (cont'd)

Liquidity and Financial Resources

The Group's financial position remains strong with no net debt, attributable to strong cash flow from the operation and the prudent investment strategy. The Group had a cash balance of HK$1,098 million (31 December 2001: HK$1,137 million) placed in deposits, of which HK$129 million (31 December 2001: HK$180 million) was pledged for general banking facilities. Outstanding bank loans at the period end date amounted to HK$313 million (31 December 2001: HK$363 million). 62% of these bank loans were arranged on a short-term basis for ordinary business and were repayable within one year and the remaining were of a long-term nature, which principally comprised of mortgage loans on properties used by the Group.

Certain of the Group's assets were financed by way of finance lease and the total outstanding finance lease payable at the period end date amounted to HK$7 million (31 December 2001: HK$9 million).

During the period, the Group redeemed HK$70 million worth of convertible bonds to reduce the total outstanding convertible bonds to HK$50 million at 30 June 2002 (31 December 2001: HK$120 million). The repayment of convertible bonds reduces the interest cost of the Company. The outstanding convertible bonds, with a conversion price at HK$4.233 per share, bear interest at the rate of 8% per annum and shall fall due in October 2002.

At the period end date, the maturity profile of the bank loans and other borrowings and convertible debt falling due within one year, in the second to the fifth year and in the sixth to the tenth year amounted to HK$246 million, HK$89 million and HK$35 million respectively (31 December 2001: HK$285 million, HK$175 million and HK$32 million respectively). There is no material effect of seasonality on the Group's borrowings requirements.

The Group had authorised and contracted capital commitments of approximately HK$73 million (31 December 2001: HK$18 million) at the period end date. These commitments will be funded by internal resources.

The Group continues to maintain a low gearing ratio, calculated on the basis of the Group's total borrowings over total capital employed, at 14% at the period end date (31 December 2001: 16%).

Treasury Management

The Group adopts a conservative approach to cash management and risk controls. To achieve better risk controls and efficient fund management, the Group's treasury activities are centralised. Almost all of the Group's receipts and payments are in Hong Kong dollars and United States dollars. Cash is generally placed in short term deposits denominated in either Hong Kong dollars or United States dollars. At the period end date, the Group had outstanding borrowings denominated in Hong Kong dollars only. Other than the fixed rate convertible bonds, the Group's borrowings are principally on a floating rate basis. The Group does not have any significant foreign currency or interest rate risk.

Financial Review (cont'd)

Employees and Remuneration Policy

The total number of employees in the Group at 30 June 2002 was approximately 15,443. Remuneration packages are normally reviewed annually. Apart from salary payments, other staff benefits include provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees of the Group. At the period end date, there were approximately 14 million (31 December 2001: 17 million) share options outstanding.

Pledge of Fixed Assets

At the period end date, certain of the Group's assets with net book value of HK$288 million (31 December 2001: HK$383 million) and time deposits of HK$129 million (31 December 2001: HK$180 million) were pledged to secure general banking facilities granted to the Group.

Significant Investments

The Group has adopted the policy of reviewing its investments and assets and related goodwill in order to assess whether there is any impairment in their carrying values. Impairment provisions totaling HK$447 million were made in the current period against under-performed investments including goodwill on the investment in Team Work which has outstanding legal litigations. The Group continues to focus on the original design manufacturing of its telecom products. It has adopted a prudent investment strategy in line with its conservative approach of risk management. During the period, only HK$68 million was invested for capital expenditure, which was mainly relating to the Group's core manufacturing business.

Contingent Liabilities

Apart from the corporate guarantees given to banks for general facilities utilised by subsidiaries of the Company amounted to HK$326 million (31 December 2001: HK$360 million), the Group did not have any other significant contingent liabilities at the period end date.

Acquisition and Disposal of Material Subsidiaries and Associates

During the period, there was no material acquisition and disposal of subsidiaries and associates.

Interim Results

The Board of Directors of CCT Telecom Holdings Limited (the "Company") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2002 together with the comparative figures for the corresponding period in 2001 are as follows:-

Condensed Consolidated Profit and Loss Account

For the six months ended 30 June 2002

		Six months ended 30 June	
	Notes	**2002 (Unaudited) HK$'million**	2001 (Unaudited) HK$'million
TURNOVER	2	**1,311**	1,345
Cost of sales		**(1,110)**	(1,195)
Gross profit		**201**	150
Other revenue		**61**	138
Selling expenses		**(21)**	(14)
Administrative expenses		**(73)**	(92)
Other operating expenses		**(24)**	(45)
Profit from operating activities before finance cost, tax, depreciation, amortisation and impairment of investments (EBITDA)		**144**	137
Depreciation and amortisation	3	**(79)**	(70)
Unrealised holding losses on short term investments		**(239)**	–
Impairment of long term investments		**(134)**	–
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	2	**(308)**	67
Finance costs		**(16)**	(19)
Share of profits and losses of:			
Jointly-controlled entities		**6**	–
Associates		**(3)**	(3)
Impairment of goodwill		**(74)**	–
PROFIT/(LOSS) BEFORE TAX		**(395)**	45
Tax	4	**(4)**	(4)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		**(399)**	41
Minority interests		**1**	(1)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**(398)**	40
PROPOSED INTERIM DIVIDEND	5	**4**	–
EARNINGS/(LOSS) PER SHARE	6		
– basic		**(94.3) cents**	10.3 cents
– diluted		**N/A**	10.3 cents
PROPOSED INTERIM DIVIDEND PER SHARE	5	**1.0 cent**	–

Condensed Consolidated Statement of Change in Equity

For the six months ended 30 June 2002

	Share premium account (Unaudited) HK$' million	Accumulated losses (Unaudited) HK$' million	Total (Unaudited) HK$' million
At 1 January 2002	2,069	(1,659)	410
Net loss for the period	–	(398)	(398)
Reversal of goodwill previously eliminated against reserves	–	84	84
Proposed interim dividend	(4)	–	(4)
At 30 June 2002	2,065	(1,973)	92
At 1 January 2001	3,127	(974)	2,153
Repurchase of shares	(4)	–	(4)
Net profit for the period	–	40	40
At 30 June 2001	3,123	(934)	2,189

Condensed Consolidated Balance Sheet

30 June 2002

	Notes	30 June 2002 (Unaudited) HK$'million	31 December 2001 (Audited) HK$'million
NON-CURRENT ASSETS			
Fixed assets	7	**1,429**	1,437
Intangible assets		**34**	35
Goodwill		**410**	385
Interests in jointly-controlled entities		**143**	119
Interests in associates		**92**	83
Other assets		**14**	14
Long term investments		**181**	368
		2,303	2,441
CURRENT ASSETS			
Short term investments		**179**	464
Inventories		**163**	121
Trade and bills receivables	8	**471**	394
Deposits and other receivables		**94**	86
Pledged deposits		**129**	180
Cash and cash equivalents		**969**	957
		2,005	2,202
CURRENT LIABILITIES			
Trade and bills payables	9	**562**	535
Tax payable		**19**	15
Other payables and accruals		**197**	251
Interest-bearing bank loans and other borrowings		**196**	165
Convertible debt		**50**	120
		1,024	1,086
NET CURRENT ASSETS		**981**	1,116
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,284**	3,557
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**120**	202
Finance lease payables		**4**	5
Deferred tax		**3**	3
		127	210
MINORITY INTERESTS		**951**	827
		2,206	2,520
CAPITAL & RESERVES			
Issued capital	10	**2,110**	2,110
Reserves		**92**	410
Proposed interim dividend		**4**	–
		2,206	2,520

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2002

	Six months ended 30 June 2002 (Unaudited) HK$'million	2001 (Unaudited) HK$'million
NET CASH INFLOW FROM OPERATING ACTIVITIES	**30**	8
INVESTING ACTIVITIES	**(68)**	(121)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	**(38)**	(113)
FINANCING ACTIVITIES	**36**	116
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(2)**	3
Cash and cash equivalents at beginning of period	**896**	215
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**894**	218
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**133**	168
Time deposits with original maturity of less than three months when acquired	**836**	136
	969	304
Bank overdrafts	**(3)**	(31)
Trust receipts with maturity within three months	**(72)**	(55)
	894	218

Notes:

1. Accounting policies

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" and the principal accounting policies and basis of preparation used in the preparation of the interim financial statements are as those used in the annual financial statements for the year ended 31 December 2001, except the following new/revised SSAPs.

SSAP 1 (Revised):	"Presentation of Financial Statements"
SSAP 11 (Revised):	"Foreign Currency Translation"
SSAP 15 (Revised):	"Cash Flow Statements"
SSAP 33:	"Discontinuing Operations"
SSAP 34:	"Employee Benefits"

A summary of their major effects is as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of this revised SSAP on the condensed consolidated financial statements is that on consolidation the profit and loss account of subsidiaries and associates operating in the Mainland China and overseas are translated at the average rates for the period rather than translated at the applicable rates of exchange ruling at the transaction dates as was previously adopted. This SSAP is required to be applied retrospectively. The Group has adopted the transitional provision of this SSAP that where the calculation of a prior year adjustment is impractical, these changes in policy are applied only to current and future financial statements and the effect on the results of the current period is not significant.

SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flows during the period into operating, investing and financing activities. The condensed consolidated cash flow statement for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

SSAP 33 prescribes the basis for reporting information about discontinuing/discontinued operations. This SSAP has had no major impact on the condensed consolidated financial statements.

SSAP 34 prescribes the accounting treatment and disclosures for employee benefits. This SSAP has had no major impact on the condensed consolidated financial statements.

Notes (cont'd):

2. Segment information

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 telecom products segment engages in the manufacture and sale of telecommunications products, components and accessories;

(b) the baby care product segment manufactures and sells 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 trading of telecom network equipment and the provision of related consultancy services, together with corporate income and expenses items.

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

Notes (cont'd):

2. Segment information (cont'd)

(a) Business segments

The following tables present revenue and results regarding the Group's business segments for the period ended 30 June 2002 and 2001.

2002
Group

	Telecom products HK$'million	Baby care products HK$'million	Multimedia HK$'million	Corporate and others HK$'million	Eliminations HK$'million	Consolidated HK$'million
Segment revenue:						
Sales to external customers	1,203	81	20	1	–	1,305
Total revenue	1,203	81	20	1	–	1,305
Segment results	68	1	(2)	(381)	–	(314)
Interest income						6
Finance costs						(16)
Share of profits and losses of:						
Jointly-controlled entities						6
Associates						(3)
Impairment of goodwill						(74)
Loss before tax						(395)
Tax						(4)
Loss before minority interests						(399)
Minority interests						1
Net loss from ordinary activities attributable to shareholders						(398)

Notes (cont'd):

2. Segment information (cont'd)

(a) Business segments (cont'd)

2001
Group

	Telecom products HK$'million	Baby care products HK$'million	Multimedia HK$'million	Corporate and others HK$'million	Eliminations HK$'million	Consolidated HK$'million
Segment revenue:						
Sales to external customers	1,224	72	28	17	–	1,341
Total revenue	1,224	72	28	17	–	1,341
Segment results	54	6	2	1	–	63
Interest income						4
Finance costs						(19)
Share of profits and losses of:						
Jointly-controlled entities						–
Associates						(3)
Impairment of goodwill						–
Profit before tax						45
Tax						(4)
Profit before minority interests						41
Minority interests						(1)
Net profit from ordinary activities attributable to shareholders						40

Notes (cont'd):

2. Segment information (cont'd)

(b) Geographical segments

The following table presents revenue and results regarding the Group's geographical segments for the period ended 30 June 2002 and 2001.

2002
Group

	United States of America HK$'million	PRC, including HK HK$'million	Europe HK$'million	Others HK$'million	Eliminations HK$'million	Consolidated HK$'million
Segment revenue:						
Sales to external customers	843	125	164	173	–	1,305
Total revenue	843	125	164	173	–	1,305
Segment results	52	(385)	6	13	–	(314)

2001
Group

	United States of America HK$'million	PRC, including HK HK$'million	Europe HK$'million	Others HK$'million	Eliminations HK$'million	Consolidated HK$'million
Segment revenue:						
Sales to external customers	614	458	208	65	–	1,345
Total revenue	614	458	208	65	–	1,345
Segment results	24	34	7	2	–	67

Notes (cont'd):

3. Depreciation and amortisation

During the period, depreciation and amortisation of HK$79,000,000 (2001: HK$70,000,000) was charged in respect of the Group's fixed assets and intangible assets.

4. Tax

	Six months ended 30 June	
	2002	2001
	HK$'million	HK$'million
Company and subsidiaries		
Hong Kong profits tax - current	**4**	2
- deferred	**–**	1
	4	3
Associates		
Hong Kong profits tax - current	**–**	1
Tax charge for the period	**4**	4

The Company is exempted from tax in the Cayman Islands until 2010. Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the period.

Deferred tax is provided, using 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.

5. Dividend

The board of directors has declared an interim dividend for 2002 of HK$0.01 per share (30 June 2001: nil) to be payable from the Company's share premium account. The interim dividend will be payable on 25 October 2002 to shareholders whose names appear on the register of members of the Company on 7 October 2002. The register of members of the Company will be closed from 4 October 2002 to 7 October 2002 (both days inclusive).

Notes (cont'd):

6. Earnings/(loss) per share

The calculation of basic loss per share is based on the net loss attributable to shareholders for the period of approximately HK$398 million (30 June 2001: profit of HK$40 million), and the weighted average number of 422,105,230 (30 June 2001: 389,786,136) ordinary shares in issue during the period.

The weighted average number of ordinary shares in issue during the period was taken into account the rights share issue, the bonus share issue and the share consolidation in 2001. Diluted loss per share for the period ended 30 June 2002 has not been disclosed, as the outstanding warrants and convertible bond during the period had an anti-dilution effect on the basic loss per share for the period.

The calculation of diluted earnings per share for the period ended 30 June 2001 is based on the net profit attributable to shareholders for the period of HK$40 million. The adjusted weighted average number of ordinary shares used in the calculation of diluted earnings per share is 389,849,486 which included the weighted average number of 389,786,136 ordinary shares for that period, as used in the basic earnings per share calculation; the weighted average of 63,350 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during that period; and no ordinary shares assumed to have been issued on the deemed exercise of all convertible bonds during that period. The computation of diluted earnings per share in that period did not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in net earnings per share.

7. Fixed assets

During the six months ended 30 June 2002, the Group acquired fixed assets of HK$45 million (30 June 2001: HK$121 million) and disposed fixed assets of HK$ 11 million (30 June 2001: HK$46 million).

8. Trade and bills receivables

The ageing analysis of trade and bills receivables is as follows:

	30 June 2002		31 December 2001	
	Balance HK$' million	**Percentage**	Balance HK$' million	Percentage
Current to 30 days	**301**	**64%**	195	50%
31 to 60 days	**133**	**28%**	100	25%
61 to 90 days	**16**	**3%**	66	17%
Over 90 days	**21**	**5%**	33	8%
	471	**100%**	394	100%

Notes (cont'd):

8. Trade and bills receivables (cont'd)

The Group allows an average credit period of 30-60 days to its trade customers. Included in the Group's trade and bills receivables, are trade receivables of approximately HK$9 million (31 December 2001: HK$19 million) due from Haier-CCT (Qingdao) Telecom Co., Ltd. (the "PRC JV"), 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 the agreement and the supplemental agreement dated 3 July 2001 and 15 August 2001, respectively.

9. Trade and bills payables

The ageing analysis of trade and bills payable is as follows:

	30 June 2002		31 December 2001	
	Balance HK$' million	**Percentage**	Balance HK$' million	Percentage
Current to 30 days	**232**	**41%**	208	39%
31 to 60 days	**130**	**23%**	111	21%
61 to 90 days	**77**	**14%**	80	15%
Over 90 days	**123**	**22%**	136	25%
	562	**100%**	535	100%

Included in trade and bills payables, are trade payables of approximately HK$20 million (31 December 2001: HK$52 million) due to the PRC JV. The balance arose from transactions relating to the purchases of mobile phones pursuant to the terms and conditions set out in the letter of intent and the supplemental agreement dated 3 July 2001 and 15 August 2001, respectively.

Notes (cont'd):

10. Share capital

	30 June 2002 HK$'million	31 December 2001 HK$'million
Authorised:		
800,000,000 (31 December 2001:800,000,000) ordinary shares of HK$5.00 (31 December 2001: HK$5.00) each	**4,000**	4,000
Issued and fully paid:		
422,105,230 (31 December 2001:422,105,230) ordinary shares of HK$5.00 (31 December 2001: HK$5.00) each	**2,110**	2,110

There were no changes in the carrying amount or the number of ordinary shares in issue during the six months ended 30 June 2002.

11. Contingent liabilities

Apart from the corporate guarantees of HK$326 million (31 December 2001: HK$360 million) given to banks for general facilities utilised by subsidiaries of the Company, the Group did not have any other significant contingent liabilities at 30 June 2002.

12. Pledge of assets

At 30 June 2002, the Group's bank borrowings were secured by:

(i) pledge of the Group's fixed deposits amounting to approximately HK$129 million (31 December 2001: HK$180 million);

(ii) fixed charges over certain of the Group's leasehold land and buildings with an aggregate net book value amounting to approximately HK$288 million (31 December 2001: HK$295 million); and

(iii) corporate guarantees given by the Company as stated in note 11 above.

At 30 June, 2002, no listed securities were pledged for the Group's bank borrowings (31 December 2001: secured by fixed charges over listed securities with a market value of HK$88 million).

Notes (cont'd):

13. Commitments

At 30 June 2002, the Group had the following commitments:

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

	30 June 2002 HK$'million	31 December 2001 HK$'million
Capital contributions to certain subsidiaries established in the People's Republic of China	**62**	15
Purchase of equipment and motor vehicles	**2**	1
Leasehold improvements	**9**	2
	73	18

(b) At 30 June 2002, the Group had no share of capital commitments of the jointly-controlled entities in respect of capital expenditures authorised but not contracted for (31 December 2001: nil) and of capital expenditures contracted but not provided for (31 December 2001: nil).

14. Operating lease arrangement

(a) As lessor

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

At 30 June 2002, the Group had total future minimum lease receivables under non-cancelable operating leases with its tenants falling due as follows:

	30 June 2002 HK$'million	31 December 2001 HK$'million
Within one year	**1**	1

Notes (cont'd):

14. Operating lease arrangement (cont'd)

(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 30 June 2002, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	30 June 2002 HK$'million	31 December 2001 HK$'million
Within one year	**6**	8
In the second to the fifth year, inclusive	**–**	1
	6	9

15. Post Balance Sheet Events

(a) 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.

A petition for the confirmation of the Capital Reduction was heard and confirmed by the Grand Court of the Cayman Islands on 1 August 2002 (Cayman Islands time). An office copy of the Court order and the minutes containing the particulars required under the companies Law of the Cayman Islands was filed on 7 August 2002. The Capital Reduction became effective on 7 August 2002.

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

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

Notes (cont'd):

15. Post balance sheet events (cont'd)

(b) On 8 August 2002, the Company, Haier Group Limited ("Haier"), Haier-CCT Holdings Limited ("Haier-CCT") and Orient Rich (H.K.) Limited ("Orient Rich", an indirect wholly-owned subsidiary of Haier) entered into an acceleration agreement (the "Acceleration Agreement") under which:

(1) Haier-CCT agreed to acquire the entire interest in CCT Technology Group Holdings Limited ("CCT Technology", an indirect wholly owned subsidiary of the Company) and the relevant shareholder's loan (the "Shareholder's Loan") due by CCT Technology to the Company. CCT Technology owns 49% interest in Haier CCT (Qingdao) Telecom Co., Ltd. (the "PRC JV");

(2) Haier-CCT agreed to exercise the option (the "PRC JV Option"), granted by Haier to purchase the 51% interest in the PRC JV, in part in respect of a 15.5% interest in the PRC JV; and

(3) Haier-CCT continues to hold the PRC JV Option in respect of the remaining 35.5% interest in the PRC JV and such option can be exercisable in full or in part at any time during the period from the date of completion of the Acceleration Agreement to 31 July 2004 at the price of HK$468,600,000 which will be satisfied by the issue to Haier or its nominee(s) shares of Haier-CCT at the agreed price of HK$0.20 each.

The consideration for sale and purchase of the 100% interest in CCT Technology and the assignment of the Shareholder's Loan was HK$1 and HK$54,940,947 in cash respectively. The consideration for the 15.5% interest in the PRC JV was HK$204,600,000 which was satisfied by the issue to Haier or its nominee(s) 1,023,000,000 shares of Haier-CCT at the agreed price of HK$0.20 each.

The transactions under the Acceleration Agreement are subject to certain conditions precedent including the approval of the independent shareholders of the Company.

Details of the transactions have been provided to the shareholders in the Company's circular dated 5 September 2002.

(c) On 5 July 2002, CCT Technology Holdings Limited (formerly known as Wireless InterNetworks Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange")), in which the Company holds 41.52% interest, announced its proposal for a group reorganisation (the "Proposal"), which involves an introduction of a new holding company namely CCT Tech International Limited ("Newco") and an implementation of a scheme of arrangement under section 99 of the Companies Act 1981 of Bermuda (as amended) (the "Scheme").

Notes (cont'd):

15. Post balance sheet events (cont'd)

Under the Proposal, the structure of CCT Technology Holdings Limited will be reorganised by way of the Scheme. If the Scheme becomes effective, (i) all the shares of CCT Technology Holdings Limited together with any further shares which may be issued prior to the effective date of the Scheme (the "Scheme Share") will be cancelled; (ii) shareholders of CCT Technology Holdings Limited will receive one Newco share for every Scheme Share held by them immediately before the effective date of the Scheme; (iii) Newco will become the sole beneficial shareholder of CCT Technology Holdings Limited and; (iv) the listing of the shares of CCT Technology Holdings Limited on the main board of the Hong Kong Stock Exchange will be withdrawn prior to the listing of the shares of Newco by way of introduction on the main board of the Hong Kong Stock Exchange.

The purpose of the reorganisation is to provide protection to Newco insulating any new assets or funds of Newco against the risk associated with any possible contingent liabilities to CCT Technology Holdings Limited and its subsidiaries which the current management are not aware of. The reorganisation is subject to certain conditions precedent including the approval of the shareholders of CCT Technology Holdings Limited.

16. Related party transactions

(a) On 14 January 2002, the Company and 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 consideration 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 loan note of HK$60,000,000 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.

(b) The Group had the following material transactions with related parties during the period:

		Six months ended 30 June	
		2002	2001
	Notes	**HK$'million**	HK$'million
Purchase of mobile phones from a jointly-controlled entity	(i)	**35**	102
Sale of raw materials to a jointly-controlled entity	(ii)	**75**	114
Software and hardware design fee income from a jointly-controlled entity	(iii)	**2**	–

Notes (cont'd):

16. Related party transactions (cont'd)

The directors of the Company are of the opinion that the above transactions were entered into in the normal course of business.

Notes:

(i) The purchase of mobile phones were made in accordance with the terms and conditions set out in a letter of intent and a supplemental agreement entered into between Haier (H.K.) Telecom Co., Ltd. (the "HK JV") and the PRC JV on 3 July 2001 and 15 August 2001, respectively.

(ii) The sale 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 the HK JV and the PRC JV 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.

17. Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

Disclosure of Interests

Directors' Interests

As at 30 June 2002, the interests of the directors of the Company and/or their respective associates in the securities of the Company or any of its subsidiaries and associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")), as recorded in the register of interests required to be kept by the Company pursuant to Section 29 of the SDI Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(A) Interests in Shares and Warrants

(i) The Company

Name of director	*Notes*	Number of ordinary shares beneficially held and nature of interest		
		Personal	Family	Corporate
Mak Shiu Tong Clement	*(a)*	856,000	1,407,500	83,998,441
Cheng Yuk Ching Flora		9,876,713	–	–
Samuel Olenick	*(b)*	–	–	125,000
William Donald Putt		171,500	–	–

(ii) Associated Corporation - Haier-CCT

Name of director	*Notes*	Number of ordinary shares in Haier-CCT beneficially held and nature of interest			Amount of 2004 warrants in Haier-CCT beneficially held and nature of interest		
		Personal	Family	Corporate	Personal *HK$*	Family *HK$*	Corporate *HK$*
Mak Shiu Tong Clement	*(c)*	20,574,412	1,150,391	85,494,864	1,069,869.32	59,820.28	4,444,651.64
Cheng Yuk Ching Flora		19,312,498	–	–	1,004,249.48	–	–
Tam Ngai Hung		10,000,000	–	–	520,000.00	–	–
Samuel Olenick	*(d)*	–	–	130,548	–	–	6,788.08
William Donald Putt		179,112	–	–	9,313.72	–	–

Notes:

(a) The family interest of Mr. Mak Shiu Tong Clement in 1,407,500 shares in the Company was held by his wife, Ms. Yiu Yu Ying, and the corporate interest of Mr. Mak Shiu Tong Clement in 83,998,441 shares in the Company was held by Capital Interest Limited, the issued share capital of which his wife, Ms. Yiu Yu Ying, and his two sons had beneficial interests, under the provisions of the SDI Ordinance. These interests in the Company's shares have also been disclosed under the section of "Substantial Shareholders' Interests" below.

Directors' Interests (cont'd)

(A) Interests in Shares and Warrants (cont'd)

(ii) Associated Corporation - Haier-CCT (cont'd)

(b) Mr. Samuel Olenick was deemed to be interested in 125,000 shares in the Company under the provisions of the SDI Ordinance.

(c) The family interest of Mr. Mak Shiu Tong Clement in 1,150,391 shares and HK$59,820.28 2004 warrants in Haier-CCT were held by his wife, Ms. Yiu Yu Ying, and the corporate interest of Mr. Mak Shiu Tong Clement in 85,494,864 shares and HK$4,444,651.64 2004 warrants in Haier-CCT were held by Capital Interest Limited, the issued share capital of which his wife, Ms. Yiu Yu Ying, and his two sons had beneficial interests, under the provisions of the SDI Ordinance.

(d) Mr. Samuel Olenick was deemed to be interested in 130,548 shares and HK$6,788.08 2004 warrants in Haier-CCT under the provisions of the SDI Ordinance.

(B) Rights to Acquire Ordinary Shares

The Company has granted to certain directors of the Company the rights to subscribe for ordinary shares in the share capital of the Company. Details of the movement in the share options granted to the directors of the Company during the period are set out under the section of "Share Option Scheme" below.

Save as disclosed above, as at 30 June 2002, none of the directors of the Company and/or their respective associates had any personal, family, corporate or other interests in the securities of the Company or any of its subsidiaries and 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, to be notified to the Company and the Stock Exchange.

Disclosure of Interests (cont'd)

Substantial Shareholders' Interests

As at 30 June 2002, the following parties were interested, directly or indirectly, in 10% or more of the issued share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholder	Number of shares held
Capital Interest Limited *(Note)*	83,998,441
Yiu Yu Ying *(Note)*	1,407,500
Mak Shiu Tong Clement	856,000
Total	86,261,941

Note: Under the provisions of the SDI Ordinance, Mr. Mak Shiu Tong Clement, a director of the Company, was deemed to control or have an interest in Capital Interest Limited, the issued share capital of which his wife, Ms. Yiu Yu Ying, and his two sons had beneficial interests. Mr. Mak was also deemed to have an interest in the shares owned by his wife, Ms. Yiu Yu Ying. These interests in the Company's shares have also been disclosed under the section of "Directors' Interests" above.

Save as disclosed above, as at 30 June 2002, there was no person, other than the directors of the Company and/or their respective associates, whose interests are set out above, directly or indirectly, interested in 10% or more of the issued share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Share Option Scheme

On 28 February 2002, the share option scheme adopted by the Company on 25 May 2001 (the "Old Share Option Scheme") was terminated and a new share option scheme (the "New Share Option Scheme") was adopted to comply with the new amendments to the Listing Rules regarding the share option schemes of a company. As a result, the Company may no longer grant any further options under the Old Share Option Scheme. However, all options granted prior to the termination of the Old Share Option Scheme will remain in full force and effect. As at 30 June 2002, there were 13,925,000 share options granted which remained outstanding under the Old Share Option Scheme. No option was granted by the Company under the New Share Option Scheme as at 30 June 2002.

Details of movement of share options under the Old Share Option Scheme during the period were as follows:-

	Number of share options									Price of Company's shares *(Note 3)*	
Name or category of participant	Outstanding as at 1 January 2002	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 30 June 2002	Date of grant of share options *(Note 1)*	Exercise period of share options	Exercise price per share *(Note 2)* *HK$*	At grant date of share options *HK$*	At exercise date of share options *HK$*
Executive directors											
Mak Shiu Tong Clement	5,000,000 *	–	–	–	–	5,000,000 *	13/8/2001	16/8/2001–15/8/2003	2.936 *	0.720	–
Cheng Yuk Ching Flora	1,250,000 *	–	–	–	–	1,250,000 *	13/8/2001	16/8/2001–15/8/2003	2.936 *	0.720	–
Tsoi Tong Hoo Tony **	1,250,000 *	–	–	(1,250,000)*	–	–	13/8/2001	16/8/2001–15/8/2003	2.936 *	0.720	–
Tam Ngai Hung	750,000 *	–	–	–	–	750,000 *	11/6/2001	13/6/2001–12/6/2003	3.732 *	0.920	–
	1,250,000 *	–	–	–	–	1,250,000 *	13/8/2001	16/8/2001–15/8/2003	2.936 *	0.720	–
	9,500,000 *	–	–	(1,250,000)*	–	8,250,000 *					
Other employees											
In aggregate	125,000 *	–	–	(125,000)*	–	–	11/6/2001	13/6/2001–12/6/2003	3.732 *	0.920	–
	625,000 *	–	–	–	–	625,000 *	27/6/2001	29/12/2001–28/6/2003	3.553 *	0.890	–
	1,000,000 *	–	–	(750,000)*	–	250,000 *	30/6/2001	30/6/2001–30/12/2003	3.533 *	0.850	–
	750,000 *	–	–	–	–	750,000 *	8/8/2001	8/2/2002–7/8/2003	3.085 *	0.730	–
	4,775,000 *	–	–	(725,000)*	–	4,050,000 *	13/8/2001	16/2/2002–15/8/2003	2.936 *	0.720	–
	7,275,000 *	–	–	(1,600,000)*	–	5,675,000 *					
	16,775,000 *	–	–	(2,850,000)*	–	13,925,000 *					

Share Option Scheme (cont'd)

Notes:

1. *The vesting period of the share options is from the date of grant until the commencement of the exercise period.*

2. *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.*

3. *The price of the Company's shares as at the date of grant of the share options is the closing price of the Company's shares as listed on the Stock Exchange on the trading day immediately prior to the date of grant of the share options. The price of the Company's shares as at the date of exercise of the share options is the weighted average of the closing prices of the Company's shares as listed on the Stock Exchange immediately before the dates on which the share options were exercised.*

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

** *Mr. Tsoi Tong Hoo Tony resigned as an executive director of the Company on 20 February 2002.*

The directors of the Company do not consider it appropriate to disclose a theoretical value of the share options granted during the period because a number of factors crucial for the valuation cannot be determined. Accordingly, any valuation of the options based on various speculative assumptions would not be meaningful, but would be misleading to the shareholders of the Company.

Other Information

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any securities (whether on the Stock Exchange or otherwise) of the Company during the six months ended 30 June 2002.

Audit Committee

The Audit Committee had reviewed with the management the accounting principles and practices adopted by the Group and discussed financial and accounting matters including the review of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2002.

Compliance with the Code of Best Practice

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2002, in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 to the Listing Rules except that the independent non-executive directors of the Company are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation at an annual general meeting in accordance with the articles of association of the Company.

By Order of the Board
Mak Shiu Tong Clement
Chairman

Hong Kong, 18 September 2002