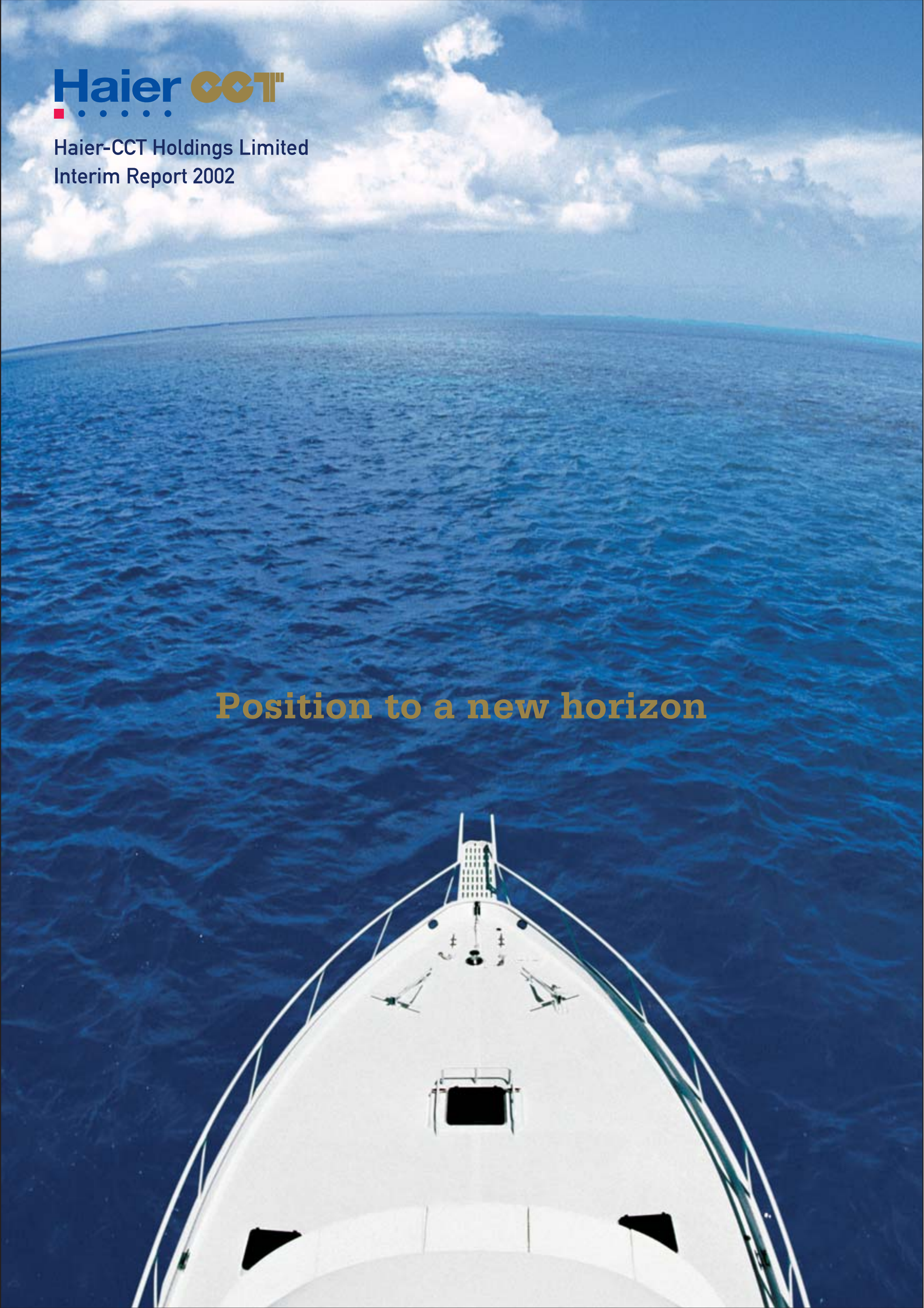
Haier-CCT Holdings Limited
Interim Report 2002



Financial Highlights

	Six months ended 30 June		
	2002	2001	**Increase**
	(Unaudited)	(Unaudited)	
	HK$'000	HK$'000	
Turnover	**177,905**	99,919	78%
EBITDA	**36,646**	8,914	311%
Profit/(loss) attributable to shareholders	**(3,137)**	3,155	N/A

Chairman's Letter

I am pleased to report that for the six months ended 30 June 2002, the total turnover of the Group has a significant jump of 78% to HK$177.9 million as compared with the corresponding period in last year. Earnings before interest, tax, depreciation and amortisation ("EBITDA") amounted to HK$36.6 million up by 311% as compared with the corresponding period in last year. An amount of HK$36.2 million was charged in respect of the amortisation of goodwill arising from the acquisition of the mobile phone business. As a result, the Group reported a net loss attributable to shareholders of HK$3.1 million, compared with the net profit of HK$3.2 million for the last period. Without the amortisation of goodwill, the Group's operation would have recorded a net profit of HK$33.1 million.

Interim Dividend

The directors do not recommend payment of an interim dividend for the six months ended 30 June 2002 (30 June 2001: nil).

Restructuring

In 2001, the Group underwent a crucial restructuring by acquiring a mobile phone business that is jointly operated by Haier Group Company ("Haier") and CCT Telecom Holdings Limited ("CCT Telecom"), the ultimate holding company of the Group, thereby transforming the core business of the Group into a mobile phone manufacturing and distribution operation. The first stage of the restructuring was completed in December 2001 when the Group acquired the Hong Kong joint venture company, Haier CCT (H.K.) Telecom Co., Ltd. (the "HK JV") and also involved granting to the Company an option to acquire from CCT Telecom and Haier their respective interests in the PRC joint venture company, Haier CCT (Qingdao) Telecom Co., Ltd. (the "PRC JV"), which is primarily engaged in the manufacture and domestic distribution of mobile phones. The original exercise period of this option was from 17 December 2002 to 17 December 2004.

For the purposes of streamlining the corporate structure of the Group and enabling the Group to secure an early market share of the promising China mobile phone market, the Company, Haier and CCT Telecom entered into an acceleration agreement on 8 August 2002, details of which have been provided in an announcement dated 15 August 2002 and the circular of the Company dated 5 September 2002, pursuant to which both shareholders have agreed to accelerate the transfer of their interests in the PRC JV into the Group. Upon completion of the acceleration agreement, the Group will effectively hold 64.5% interest of the PRC JV and Haier's shareholdings in the Company will be increased to 29.94% while CCT Telecom's shareholdings will be decreased to 46.04%. The completion

Restructuring (cont'd)

of the acceleration agreement is subject to certain conditions including, among others, the relevant resolutions being passed by the independent shareholders of the Company at the special general meeting and the independent shareholders of CCT Telecom at its extraordinary general meeting approving the transaction. The Group continues to hold an option in respect of the remaining 35.5% interest in the PRC JV exercisable at any time during the period from the date of completion of the acceleration agreement to 31 July 2004. If the option is exercised in full, subject to regulatory requirements, the Company will own a 100% interest in the PRC JV. Upon full exercise of this option, Haier will become the single largest shareholder of the Company, owning 43% interest in the Company and the Group will become an integrated mobile phone manufacturer and distributor.

Review of Operations

Baby Care Product Business

As part of the overall restructuring of the Group as outlined above, the baby care product business was sold to CCT Telecom in March 2002 in order to enable the Group to focus its resources on the growth of its newly acquired mobile phone business.

Mobile Phone Business

Subsequent to the acquisition of the HK JV, the Group is currently engaged in the export of mobile phones and the sourcing of materials. These operations are, at present, the major source of revenue for the Group.

Despite the global economic slowdown and keen competition in the mobile phone industry on the international front, the Company still recorded a satisfactory increase in its EBITDA. We believe that this satisfactory performance is attributable to the combination of our experienced management, our strong material purchasing power, and the strengthening of our supply chain management, thereby, improving the overall cost efficiency of the Group.

Latest Development

Our mission is to become the most prestigious and successful consumer telecom product brand in China. The Group is committed to transform its core business into developing and marketing a full range of mobile phones. The consumer telecom product market in China presents a wealth of opportunities for the Group when one takes into account such factors as China's huge population, her relatively low mobile telecommunications penetration rate and her entry into the WTO. By leveraging on the strengths of its major shareholders, Haier, a home electrical appliance giant in China with extensive distribution network, and CCT Telecom, an integrated telecom product enterprise with international corporate financing knowledge, the Group is well placed to achieve this goal.

In collaboration with global mobile phone developers, the Group together with the PRC JV has developed and produced a series of original design mobile phones since 2001 and is currently producing and marketing a range of mobile phones in China and overseas, including well-known Tian Zhi Xing and Kai Yun Xing. In response to the potential new market of China, ie, CDMA mobile telephone networks operated by China Unicom Limited, the Group and the PRC JV has developed a series of CDMA model, Di Wen Xing, for this newly emerged, potentially high-growth market.

Latest Development (cont'd)

Haier's interest in the Company is increasing. Haier will continue to render its utmost support to its future listed flagship in Hong Kong. Under such a favourable condition, the Group will expand its business through organic growth and enhance its value by acquiring more quality assets from its major shareholders and third parties.

With an ample cash reserve over HK$400 million and an experienced management team, the Group will continue to strengthen its business in mobile phone industry and focus on appropriate acquisition opportunities so as to increase the value of the Company and returns to our shareholders. We are confident that the future of the Group will be highly promising and equally rewarding to both its staff and shareholders. Your continued support thus far is much appreciated and we sincerely hope that you will continue to bear witness of the Group's achievements in the near future.

Financial Review

Results Summary

Turnover of the Group for the six months ended 30 June 2002 was HK$177.9 million representing an increase of 78% from the corresponding period in last year. EBITDA amounted to HK$36.6 million representing a significant jump of 311% from last period, due to the contribution from the mobile phone operation. Loss attributable to shareholders was HK$3.1 million versus a net profit for the corresponding period due to a charge of HK$36.2 million in respect of amortisation in goodwill arising from the acquisition of the HK JV in December 2001.

Analysis by Business Segment

Following the acquisition of the HK JV at the end of 2001, mobile phone business contributed 85% of the Group's total turnover for the current period (last period: nil). The discontinued baby care products business contributed the remaining 15% (last period: 72%) of the total turnover.

The result of the newly acquired mobile phone business is satisfactory, contributing an EBITDA of HK$34 million for the period under review (last period: nil). After deducting amortisation and depreciation of HK$36.6 million, the mobile phone business recorded a net operating loss of HK$2.6 million. On the other hand, the discontinued baby care products business contributed HK$1.3 million (last period: HK$6.2 million) in operating result during the two months prior to its disposal to CCT Telecom in March this year.

Analysis by Geographical Segment

The PRC, including HK, was the major market for the Group accounted for 64% (last period: 20%) of total turnover during the period. Europe accounted for 19% (last period: nil) and US accounted for 15% (last period: 70%) ranked the second and the third, respectively. The change in geographical segment is attributable to the Group's restructuring and change of its focus from baby care products business to mobile phone business.

Liquidity and Financial Resources

The Group had HK$441 million (31 December 2001: HK$373 million) in cash balance and no net debt. Outstanding bank loans amounted to only HK$35 million (31 December 2001: HK$37 million) at the period end date. Same as the last balance sheet date, all of these bank borrowings were arranged on a short-term basis for ordinary business of the Group and repayable within one year. There is no material effect of seasonality on the Group's borrowings requirements.

The Group had no material capital commitment at the period end date.

The Group continued to maintain a low gearing ratio, calculated on the basis of the Group's total borrowings over total capital employed, at 2% at 30 June 2002. There is no significant change from last balance sheet date.

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 Hong Kong dollars. At the period end date, the Group had outstanding borrowings denominated in Hong Kong dollars only and principally on a floating rate basis. The Group does not have any significant foreign currency or interest rate risk.

Employees and Remuneration Policy

The total number of employees in the Group as at 30 June 2002 was around 17. 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 7.4 million (31 December 2001: 10.4 million) share options outstanding.

Pledge of Fixed Assets

The Group had no pledge of fixed assets at the period end date.

Contingent Liabilities

Apart from the corporate guarantees of HK$47 million (at 31 December 2001: HK$68 million) given to banks for general facilities utilised by its mobile phone business, the Group did not have any other significant contingent liabilities at the period end date.

Significant Investment

The Group did not hold any significant investment at the period end date.

Acquisition and Disposal of Material Subsidiaries and Associates

During the period, the Company disposed its entire interest of Current Profits Limited, a wholly-owned subsidiary of the Company, to CCT Telecom for a total purchase price of HK$60,000,000. Current Profits Limited and its subsidiaries are engaged in the manufacture and sale of baby care products.

The purchase price was set-off against the entire amount of the HK$60,000,000 loan note which was issued by the Company to an indirect wholly-owned subsidiary of CCT Telecom on 17 December 2001. Please refer to the circular dated 4 February 2002 issued by the Group regarding this transaction for more details. The transaction was completed on 4 March 2002.

There was no acquisition of material subsidiaries and associates during the period.

The board of directors of Haier-CCT Holdings Limited (the "Company") is pleased to announce 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 as follows: -

Condensed Consolidated Profit and Loss Account

For the six months ended 30 June 2002

	Notes	Six months ended 30 June 2002 (Unaudited) HK$'000	2001 (Unaudited) HK$'000
TURNOVER	2		
Continuing operations		**150,643**	27,920
Discontinued operation		**27,262**	71,999
		177,905	99,919
Cost of sales		**(135,472)**	(68,309)
Gross profit		**42,433**	31,610
Other revenue		**12,269**	4,228
Gain on disposal of a discontinued operation	3	**2,240**	–
Administrative expenses		**(18,531)**	(25,807)
Other operating expenses		**(1,765)**	(1,117)
EBITDA	4	**36,646**	8,914
Depreciation and amortisation	5	**(36,965)**	(4,533)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES			
Continuing operations		**(1,571)**	(1,848)
Discontinued operation		**1,252**	6,229
		(319)	4,381
Finance costs		**(2,148)**	(114)
PROFIT/(LOSS) BEFORE TAX		**(2,467)**	4,267
TAX	6		
Continuing operations		**–**	–
Discontinued operation		**(670)**	(1,112)
		(670)	(1,112)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**(3,137)**	3,155
EARNINGS/(LOSS) PER SHARE	8		
Basic		**(0.03) cents**	0.20 cents
Diluted		**(0.03) cents**	0.20 cents

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2002

30 June 2002:

	Share premium account HK$'000	Investment property revaluation reserve HK$'000	Contributed surplus HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2002	253,813	–	1,775,250	(1,029,659)	999,404
Placement of shares	73,600	–	–	–	73,600
Exercise of share options	95	–	–	–	95
Share issue expenses	(3,655)	–	–	–	(3,655)
Transfer of share premium and contributed surplus to offset accumulated losses - *Note (a)*	(253,813)	–	(910,231)	1,164,044	–
Loss for the period	–	–	–	(3,137)	(3,137)
At 30 June 2002	70,040	–	865,019	131,248	1,066,307

30 June 2001:

	Share premium account HK$'000	Investment property revaluation reserve HK$'000	Contributed surplus HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2001	29,861	200	890	51,606	82,557
Prior year adjustment: SSAP30 - Impairment of goodwill previously eliminate against contributed surplus	–	–	1,080,000	(1,080,000)	–
As restated	29,861	200	1,080,890	(1,028,394)	82,557
Profit for the period	–	–	–	3,155	3,155
At 30 June 2001 (as restated)	29,861	200	1,080,890	(1,025,239)	85,712

Note (a) During the period, a special resolution was passed at the annual general meeting of the Company held on 17 May 2002 to approve the set off of accumulated losses in the amounts of HK$253,813,000 and HK$910,231,000 against the share premium account and the contributed surplus account of the Company, respectively.

Condensed Consolidated Balance Sheet

At 30 June 2002

	Notes	30 June 2002 (Unaudited) HK$'000	31 December 2001 (Audited) HK$'000
NON-CURRENT ASSETS			
Fixed assets	9	**3,176**	11,433
Goodwill		**1,409,792**	1,446,018
Long term receivables		**–**	43,634
Club memberships, at cost		**–**	13,739
		1,412,968	1,514,824
CURRENT ASSETS			
Inventories		**23,518**	38,409
Trade receivables	10	**105,675**	68,011
Prepayments, deposits and other receivables		**23,116**	43,012
Due from a related company		**30,639**	24,402
Pledged bank deposits		**–**	2,628
Cash and cash equivalents		**441,146**	370,107
		624,094	546,569
CURRENT LIABILITIES			
Trade and bills payables	11	**28,900**	73,493
Tax payables		**3,000**	3,952
Other payables and accruals		**9,502**	28,530
Loan note		**–**	60,000
Interest-bearing bank loans, secured		**34,575**	37,380
Current portion of finance lease payables		**332**	472
		76,309	203,827
NET CURRENT ASSETS		**547,785**	342,742
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,960,753**	1,857,566
NON-CURRENT LIABILITIES			
Finance lease payables		**517**	926
Deferred tax		**–**	240
		1,960,236	1,856,400
CAPITAL AND RESERVES			
Issued capital	12	**893,929**	856,996
Reserves		**1,066,307**	999,404
		1,960,236	1,856,400

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2002

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**(12,608)**	(7,493)
INVESTING ACTIVITIES	**(20,159)**	(2,308)
FINANCING ACTIVITIES	**106,611**	3,459
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**73,844**	(6,342)
Cash and cash equivalents at beginning of period	**332,727**	25,504
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**406,571**	19,162
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	**406,571**	19,162

Notes:

1. Principal accounting policies

The condensed consolidated interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" and the principal accounting policies and basis of preparation used in 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.

1. Principal accounting policies (cont'd)

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 the profit and loss account of subsidiaries and associates operating in Mainland China and overseas are translated at an average rate for the period on consolidation, rather than translated at the applicable rates of exchange ruling at the balance sheet date as was previously required. 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. The impact of this SSAP is the inclusion of significant additional disclosures which are set out in note 3 to the condensed consolidated financial statements.

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

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 sources raw materials, distributes mobile phones and provides technical and management services and software and hardware designs; and

(b) the baby care products segment manufactures and sells baby care products which was discontinued during the period - note 3; and

(c) the multimedia segment provides multimedia content and services and publishes magazines, which has discontinued in December 2001 ; and

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

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

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$'000	Baby care products* HK$'000	Multimedia HK$'000	Corporate and others HK$'000	Consolidated HK$'000
Segment revenue:					
Sales and fees derived from external customers	150,643	27,262	–	–	177,905
Other revenue from external sources	5,670	1,382	–	4,352	11,404
Total revenue	156,313	28,644	–	4,352	189,309
Segment results	(2,577)	1,252	–	(2,099)	(3,424)
Interest income					3,105
Finance costs					(2,148)
Loss before tax					(2,467)
Tax					(670)
Net loss from ordinary activities attributable to shareholders					(3,137)

2001
Group

	Telecom products HK$'000	Baby care products* HK$'000	Multimedia HK$'000	Corporate and others HK$'000	Consolidated HK$'000
Segment revenue:					
Sales and fees derived from external customers	–	71,999	27,920	–	99,919
Other revenue from external sources	–	809	2,351	698	3,858
Total revenue	–	72,808	30,271	698	103,777
Segment results	–	6,229	1,898	(4,116)	4,011
Interest income					370
Finance costs					(114)
Profit before tax					4,267
Tax					(1,112)
Net profit from ordinary activities attributable to shareholders					3,155

* Discontinued on 4 March 2002

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$'000	PRC, including HK HK$'000	Europe HK$'000	Others HK$'000	Consolidated HK$'000
Segment revenue:					
Sales and fees derived from external customers	26,659	114,134	33,809	3,303	177,905
Total revenue	26,659	114,134	33,809	3,303	177,905
Segment results	1,224	(1,952)	(578)	(2,118)	(3,424)

2001
Group

	United States of America HK$'000	PRC, including HK HK$'000	Europe HK$'000	Others HK$'000	Consolidated HK$'000
Segment revenue:					
Sales and fees derived from external customers	69,470	20,174	–	10,275	99,919
Total revenue	69,470	20,174	–	10,275	99,919
Segment results	6,010	(2,541)	–	542	4,011

3. Discontinued operation

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

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

3. Discontinued operation (cont'd)

The transaction was completed on 4 March 2002 and the profit from the disposal was HK$2,240,000. The discontinued baby care products operation contributed HK$27,262,000 (period ended 30 June 2001: HK$71,999,000) to the Group's turnover and HK$1,252,000 (period ended 30 June 2001: HK$6,229,000) to the Group's results from operating activities for the period ended 30 June 2002.

The carrying amounts of the total assets and liabilities relating to the discontinued operation at 30 June 2002 and 31 December 2001 are as follows:

	30 June 2002 (Unaudited) HK$'000	31 December 2001 (Audited) HK$'000
Total assets	**93,972**	77,859
Total liabilities	**(34,354)**	(19,181)
Net assets	**59,618**	58,678

Turnover, other revenue, expenses and results from ordinary activities of the discontinued operation for the period ended 4 March 2002 and 30 June 2001 are as follows:

	Period from 1 January 2002 to 4 March 2002 (Unaudited) HK$'000	Period from 1 January 2001 to 30 June 2001 (Unaudited) HK$'000
TURNOVER	**27,262**	71,999
Cost of sales	**(19,652)**	(54,859)
Gross profit	**7,610**	17,140
Other revenue	**1,240**	1,114
Administrative expenses	**(7,598)**	(11,895)
Other operating expenses	**–**	(130)
PROFIT FROM OPERATING ACTIVITIES	**1,252**	6,229
Finance costs	**–**	(10)
PROFIT BEFORE TAX	**1,252**	6,219
Tax	**(670)**	(1,112)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**582**	5,107

3. Discontinued operation (cont'd)

Net cash flows attributable to the discontinued operation are as follows:

	Period from 1 January 2002 to 4 March 2002 (Unaudited) HK$'000	Period from 1 January 2001 to 30 June 2001 (Unaudited) HK$'000
Operating	**14,718**	(9,620)
Investing	**65**	(53)
Financing	**(191)**	(28)
Net cash inflows/(outflows)	**14,592**	(9,701)

4. Earnings before interest, tax, depreciation and amortisation ("EBITDA")

EBITDA represents earnings of the Group before finance costs, taxation, depreciation and amortisation.

5. Depreciation and amortisation

	Six months ended 30 June	
	2002	2001
	HK$'000	HK$'000
Depreciation	**739**	4,293
Amortisation		
– Publishing right	**–**	33
– Goodwill	**36,226**	207
Total	**36,965**	4,533

6. Taxation

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.

7. Dividends

The directors do not recommend payment of an interim dividend for the six months ended 30 June 2002 (30 June 2001: nil).

8. Earnings/(loss) per share

The calculation of the basic and diluted earnings/(loss) per share is based on the following data:

	Six months ended 30 June	
	2002	2001
	HK$'000	HK$'000
Earnings/(loss)		
Earnings/(loss) for the purposes of calculating basic and diluted earnings/(loss) per share	**(3,137)**	3,155
Number of shares (in thousand)		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	**8,908,390**	1,566,816
Bonus issue of warrants	**893,877**	–
Effect of dilutive share options	**3,733**	3,264
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	**9,806,000**	1,570,080

9. Fixed assets

For the six months ended 30 June 2002, the Group acquired fixed assets of HK$1,277,000 (six months ended 30 June 2001: HK$2,444,000) and disposed fixed assets of HK$453,000 (six months ended 30 June 2001: HK$3,810,000).

10. Trade receivables

The Group normally allows an average credit period of 60 to 90 days to its trade customers. The aged analysis of trade receivables was as follows:

	30 June 2002		31 December 2001	
	HK$'000	**%**	HK$'000	%
0-1 month	**15,436**	**15**	27,479	41
1-2 months	**5,637**	**5**	9,778	14
2-3 months	**7,015**	**7**	6,261	9
Over 3 months	**77,587**	**73**	24,493	36
Total	**105,675**	**100**	68,011	100

10. Trade receivables (cont'd)

The balance included a receivable amounting to HK$73,634,000 due from CCT Technology Group Holdings Limited ("CCT Technology"), a fellow subsidiary of the Company and an indirect wholly-owned subsidiary of CCT Telecom. The receivable arose from the provision of technical and management services to CCT Technology in accordance with the technical service and management agreement and the supplemental agreement (collectively the "Management Agreements") entered into between Foreland Agents Limited (an indirect wholly-owned subsidiary of the Company) and CCT Technology on 21 September 2000 and 27 August 2001, respectively. Pursuant to the terms and conditions set out in the Management Agreements, the fee receivable is unsecured and shall fall due in March 2003. Out of the balance of HK$73,634,000, an amount of HK$43,634,000 was classified as long term receivables as at 31 December 2001.

11. Trade payables

The aged analysis of trade payables was as follows:

	30 June 2002		31 December 2001	
	HK$'000	**%**	HK$'000	%
0-1 month	**1,707**	**6**	54,619	74
1-2 months	**687**	**2**	6,395	9
2-3 months	**513**	**2**	2,748	4
Over 3 months	**25,993**	**90**	9,731	13
Total	**28,900**	**100**	73,493	100

12. Share capital

	30 June 2002 HK$'000	31 December 2001 HK$'000
Authorised:		
20,000,000,000 shares of HK$0.10 each	**2,000,000**	2,000,000
Issued and fully paid:		
8,939,291,000 (31 December 2001: 8,569,966,000) shares of HK$0.10 each	**893,929**	856,996

Movements in the issued and fully paid ordinary shares during the period were as follows:

	Carrying amount HK$'000	**Number of shares**
At 1 January 2002	856,996	8,569,966,000
Exercise of share options	133	1,325,000
Issue upon placement	36,800	368,000,000
At 30 June 2002	893,929	8,939,291,000

12. Share capital (cont'd)

On 16 January 2002, the Company allotted and issued 368,000,000 ordinary shares of HK$0.1 each for cash to private investors at HK$0.3 per ordinary share.

13. Contingent liabilities

Apart from the corporate guarantees of HK$47 million (31 December 2001: HK$68 million) given to banks for general facilities utilised by a subsidiary, the Group did not have any other significant contingent liabilities at 30 June 2002.

14. Commitments

(a) Capital commitments

At 30 June 2002, the Group had the following capital commitments contracted, but not provided for:

	30 June 2002 HK$'000	31 December 2001 HK$'000
Acquisition of fixed assets	**–**	603

(b) Commitments under operating leases

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

At 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$'000	31 December 2001 HK$'000
Within one year	**611**	1,937
In the second to the fifth year, inclusive	**77**	371
	688	2,308

15. Pledge of assets

At 30 June 2002, none of the Group's fixed assets nor time deposits were pledged (31 December 2001: HK$2,830,000 and HK$2,628,000, respectively).

16. Post balance sheet events

On 8 August 2002, the Company, CCT Telecom, Haier 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) The Company agreed to acquire the entire interest in CCT Technology. CCT Technology holds 49% interest in the PRC JV;

(2) The Company agreed to exercise 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) The Company 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 the Company at the agreed price of HK$0.20 each.

The consideration for acquisition of the 100% interest in CCT Technology and the acquisition of 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 the Company at the agreed price of HK$0.20 each.

The transaction under the Acceleration Agreement is 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.

17. Related party transactions

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

	Notes	**Six months ended 30 June**	
		2002	2001
		HK$'000	HK$'000
Purchase mobile phones from the PRC JV	(i)	**34,596**	–
Sale of raw materials to the PRC JV	(ii)	**75,193**	–
Technical and management service fee income from CCT Technology	(iii)	**30,000**	–
Software and hardware design fee income from the PRC JV	(iv)	**2,255**	–

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

17. Related party transactions (cont'd)

Notes:

(i) The purchase of mobile phones was made in accordance with the terms and conditions set out in the letter of intent and the supplemental agreement entered into between the HK JV and the PRC JV on 3 July 2001 and 15 August 2001, respectively.

(ii) The sale of raw materials was made in accordance with the terms and conditions set out in the agreement and the 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 technical and management services fee income was charged in accordance with the terms and conditions set out in the technical and management services agreement and the supplemental agreement entered into between Foreland Agents Limited and CCT Technology on 21 September 2000 and 27 August 2001, respectively.

(iv) The software and hardware design fee income was charged in accordance with the terms and conditions set out in the Sourcing Agreements.

18. Comparative figures

Certain comparative figures have been re-classified to conform with the current period's presentation.

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

	Number of ordinary shares beneficially held and nature of interest			Amount of 2004 warrants beneficially held and nature of interest		
Name of director	Personal	Family	Corporate	Personal *HK$*	Family *HK$*	Corporate *HK$*
Mak Shiu Tong Clement *(Note)*	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	–	–
William Donald Putt	179,112	–	–	9,313.72	–	–

Note: The family interest of Mr. Mak Shiu Tong Clement in 1,150,391 shares and HK$59,820.28 2004 warrants in the Company 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 the Company 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.

(ii) Associated Corporation - CCT Telecom

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

Note: The family interest of Mr. Mak Shiu Tong Clement in 1,407,500 shares in CCT Telecom 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 CCT Telecom 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.

Directors' Interests (cont'd)

(B) Rights to Acquire Ordinary Shares

Associated Corporation - CCT Telecom

Name of director	Number of share options: Outstanding as at 1 January 2002	Granted during the period	Exercised during the period	Lapsed/ Cancelled during the period	Outstanding as at 30 June 2002	*Notes*	Exercise price per share *HK$*
Mak Shiu Tong Clement	5,000,000	–	–	–	5,000,000	*(a)*	2.936
Cheng Yuk Ching Flora	1,250,000	–	–	–	1,250,000	*(a)*	2.936
Tam Ngai Hung	750,000	–	–	–	750,000	*(b)*	3.732
	1,250,000	–	–	–	1,250,000	*(a)*	2.936
	8,250,000	–	–	–	8,250,000		

Notes:

(a) *Exercisable from 16 August 2001 to 15 August 2003*

(b) *Exercisable from 13 June 2001 to 12 June 2003*

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.

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	*Notes*	Number of shares held
Info-net International Corp.	*(1)*	899,000,000
Soaring Profit Holdings Limited	*(2)*	4,586,772,486
CCT Telecom Holdings Limited	*(3)*	4,586,772,486
Orient Rich (H.K.) Limited		1,960,000,000
Haier (Hong Kong) Company Limited	*(4)*	1,960,000,000
Qingdao Haier Import & Export Corporation	*(5)*	1,960,000,000
Haier Group Company	*(6)*	1,960,000,000

Substantial Shareholders' Interests (cont'd)

Notes:

(1) *Info-net International Corp. is a wholly-owned subsidiary of Soaring Profit Holdings Limited.*

(2) *The interest disclosed includes the 880,172,486 shares held by Greatway International Corp., 899,000,000 shares held by Info-net International Corp., 810,000,000 shares held by Clear Access Agents Limited, 733,600,000 shares held by Super Control Investments Limited, 700,000,000 shares held by Invest Paradise Group Limited and 564,000,000 shares held by Full Elite Assets Limited. Greatway International Corp., Info-net International Corp., Clear Access Agents Limited, Super Control Investments Limited, Invest Paradise Group Limited and Full Elite Assets Limited are wholly-owned subsidiaries of Soaring Profit Holdings Limited.*

(3) *The interest disclosed includes the 4,586,772,486 shares in the Company beneficially owned by Soaring Profit Holdings Limited. Soaring Profit Holdings Limited is a wholly-owned subsidiary of CCT Telecom Holdings Limited.*

(4) *The interest disclosed includes the 1,960,000,000 shares in the Company held by Orient Rich (H.K.) Limited. Orient Rich (H.K.) Limited is a subsidiary of Haier (Hong Kong) Company Limited.*

(5) *The interest disclosed includes the 1,960,000,000 shares in the Company beneficially owned by Haier (Hong Kong) Company Limited. Haier (Hong Kong) Company Limited is a subsidiary of Qingdao Haier Import & Export Corporation.*

(6) *The interest disclosed includes the 1,960,000,000 shares in the Company beneficially owned by Qingdao Haier Import & Export Corporation. Qingdao Haier Import & Export Corporation is a subsidiary of Haier Group Company.*

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 of the Company adopted on 24 November 1997 and subsequently amended on 4 December 1997 (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 of the Listing Rules regarding share option schemes of a company. As a result, the Company may no longer grant 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 7,425,000 share options granted which remained outstanding under the Old Share Option Scheme. No option was granted 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/ 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$*
Employees In aggregate	2,350,000	–	(150,000)	(500,000)	1,700,000	31/10/2000	9/5/2001 - 8/11/2002	0.167	0.232	0.485
	4,700,000	–	(150,000)	(900,000)	3,650,000	13/7/2001	13/1/2002 - 12/7/2003	0.190	0.255	0.380
	3,350,000*	–	(1,025,000)	(250,000)	2,075,000*	27/6/2001	29/12/2001 - 28/6/2003	0.170	0.220	0.392
	10,400,000	–	(1,325,000)	(1,650,000)	7,425,000					

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.*

* *The balance includes 1,000,000 share options held by a former director.*

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.

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 bye-laws of the Company.

By Order of the Board
Mak Shiu Tong Clement
Chairman

Hong Kong, 18 September 2002