

Financial highlights

	Six months ended	
	30 June 2003 (Unaudited) HK\$'000	31 March 2002 (Unaudited) HK\$'000
Turnover	54,430	—
Operating profit/(loss)	2,310	(7,850)
Net profit/(loss) attributable to shareholders	1,647	(10,029)

Chairman's letter

I am pleased to report that CCT Tech International Limited (the "Company") and its subsidiaries (together the "Group") achieved turnover of HK\$54.4 million and operating profit of HK\$2.3 million for the six months ended 30 June 2003. The satisfactory results were mainly attributable to the telecom product business, including power supply component, as operated by Electronic Sales Limited ("Electronic Sales"). Electronic Sales was acquired by the Group from CCT Telecom Holdings Limited ("CCT Telecom"), the Group's ultimate holding company, under a group restructuring (the "Group Restructuring") completed on 17 May 2002. As a result of the Group Restructuring, almost all of the previous defaulted indebtedness owed by Wireless InterNetworks Limited ("WIN") (the former holding company of the Group whose name was then changed to CCT Technology Holdings Limited "CCT Technology") and its subsidiaries (together the "WIN Group") was fully released and discharged and all previous loss-making and heavily indebted WIN Group subsidiaries were carved out from the Group. Further details of the Group Restructuring are set out in WIN's circular dated 31 March 2002.

The telecom product business recorded an operating profit of HK\$2.3 million for the period, which has not reflected the contribution from the ESH Group (as defined and described below) since the acquisition of ESH by the Group was only completed on 30 June 2003. This HK\$2.3 million operating profit has been net off by HK\$0.7 million finance costs incurred during the period which give rise to a net profit attributable to shareholders amounted to HK\$1.6 million for the period under review. The operating loss of HK\$7.9 million and the net loss attributable to shareholders of HK\$10.0 million recorded in the last period were incurred by the previous management and the then receivers prior to the Group Restructuring, whereby the production of the WIN Group was suspended pending the completion of the Group Restructuring.

Interim dividend

The directors do not recommend payment of an interim dividend for the six months ended 30 June 2003 (six months ended 31 March 2002: nil).

Review of operations

The principal business of the Group for the six months ended 30 June 2003 continues to be the manufacture and development of telecom products, including power supply components as operated by Electronic Sales, a wholly-owned subsidiary of the Group. Electronic Sales has developed a customer base which has contributed a stable revenue stream and positive cash flow to the Group.

In line with one of the Group's corporate strategies to expand the Group through acquisition and co-operation, the Group further acquired the entire interest in Empire Success Holdings Limited ("ESH") from CCT Telecom in June 2003. ESH and its subsidiaries (together the "ESH Group") are principally engaged in the design, manufacture and sale on an ODM (original design manufacturing) and OEM (original equipment manufacturing) basis of home-use telecommunication products. It produces a variety of hi-tech telecom products; including 2.4 GHz, 900 MHz and 5.8 GHz cordless phones and family radio systems.

Further details of the acquisition of the ESH Group are set out in the Company's circular dated 11 June 2003.

Outlook

After the revival of the Group from its receivership in 2002, the new management has put considerable effort to expand and strengthen the business of the Group. The ESH Group is one of the largest global cordless phone manufacturers and is the major supplier for a range of famous brands including GE, Alcatel and others. It has a leading edge on research and development of cordless phones and has strong sourcing and procurement power in its market as well as advanced production facilities in Guangdong Province, the People's Republic of China ("PRC"). The acquisition of the ESH Group has enlarged the Group's asset and profit bases significantly. Since the acquisition was completed on 30 June 2003, the results of the Group for the six months ended 30 June 2003 has not reflected the contribution from the ESH Group. With tremendous growth potential of the ESH Group, we are confident that the results of the Group will improve significantly in the coming years.

Mak Shiu Tong, Clement

Chairman

Hong Kong, 19 September 2003

Financial review

Comparison between current period and last period

The Group's balance sheet as at 31 December 2002 reflected the inclusion of Electronic Sales and the assets and liabilities after the Group Restructuring but did not include the assets and liabilities of the ESH Group, the acquisition of which was completed on 30 June 2003. The Group's balance sheet as at 30 June 2003 included the assets and liabilities of both Electronic Sales and the ESH Group, hence there were significant changes in the balance sheet items between 30 June 2003 and 31 December 2002.

The profit and loss account for the six months ended 30 June 2003 was derived mainly from the results of Electronic Sales but not including the ESH Group, whereas the profit and loss account for the six months ended 31 March 2002 reflected the loss incurred prior to the Group Restructuring by the previous management and the then receivers of the Group before the current management took over control of the Group. In light of the Group Restructuring, any comparison of the profit and loss items between the current period and the last period are of little value or significance.

Performance

Turnover of the Group amounted to HK\$54.4 million for the six months ended 30 June 2003 (six months ended 31 March 2002: nil), which was mainly attributable to the operation of Electronic Sales, acquired under the Group Restructuring in May 2002. Net profit attributable to shareholders amounted to HK\$1.6 million for the period under review (six months ended 31 March 2002: net loss of HK\$10.0 million) was recorded.

WIN Group was under receivership until 17 May 2002, and therefore there was no turnover in the corresponding period last year since production of the WIN Group was suspended pending the completion of the Group Restructuring. The net loss attributable to shareholders of HK\$10.0 million recorded in the last period were incurred by the previous management and the then receivers prior to the Group Restructuring.

Acquisition of material subsidiaries

Pursuant to a conditional agreement signed on 15 May 2003 with CCT Telecom, the Company further acquired from CCT Telecom the entire interest in ESH and its subsidiaries including the assignment of the Shareholder's Loan to the Company, at a consideration of HK\$768.0 million to be satisfied by the issue of the Company's convertible notes. The ESH Group is principally engaged in the design, manufacture and sale on an ODM and OEM basis of home-use telecommunication products including cordless phones and family radio systems. The acquisition was completed on 30 June 2003 and further details were set out in the Company's circular dated 11 June 2003.

After the completion of the acquisition of the ESH Group, the future performance of the Group as a whole is promising since the acquisition has expanded the asset base, broadened the revenue sources and strengthened the profitability of the Group.

Analysis by business segment

Business from the manufacture and development of telecom products and components continued to be the major source of revenue to the Group and contributed to more than 99% of the Group's turnover for the period. The telecom products segment, including the manufacture of power supply components operated through Electronic Sales, contributed an operating profit of HK\$4.7 million for the six months ended 30 June 2003 (six months ended 31 March 2002: nil). Whereas the corporate segment recorded an operating loss of HK\$2.6 million (six months ended 31 March 2002: operating loss of HK\$7.9 million) which arose mainly from the head office and restructuring expenses incurred during the period.

Analysis by geographical segment

The PRC, including Hong Kong, was the major market of the Group and accounted for more than 98% of the turnover during the period.

Liquidity, financial resources and capital structure

With the ESH Group being consolidated into the Group's balance sheet, the Group's cash balance increased significantly to HK\$282.8 million at 30 June 2003 (31 December 2002: HK\$68.0 million). Current ratio (a ratio of current assets of HK\$973.9 million over current liabilities HK\$879.7 million) as at 30 June 2003 was 111% (31 December 2002: 271%), representing a healthy financial position for the Group.

At period end, the total outstanding convertible notes issued by the Company amounted to HK\$831.0 million (31 December 2002: HK\$65.0 million) which comprised:

- (i) HK\$45.0 million zero coupon convertible notes due 2005 issued by CCT Technology (the former holding company of the Group) to CCT Telecom on 17 May 2002 and were subsequently replaced by the Company's convertible notes on 4 November 2002, with a conversion price of HK\$0.01 per share;
- (ii) Balance of HK\$8.0 million at 5% per annum convertible notes due 2004 issued by CCT Technology through a placing agent to an independent placee on 19 July 2002 and were subsequently replaced by the Company's convertible notes on 4 November 2002, with a conversion price of HK\$0.01 per share;
- (iii) Balance of HK\$10.0 million at 2% per annum convertible notes due 2005 issued through a placing agent to several independent placees on 14 May 2003, with a conversion price of HK\$0.01 per share; and
- (iv) HK\$768.0 million at best lending rate plus 2% per annum convertible notes due 2008 issued to CCT Telecom on 30 June 2003, with a conversion price of HK\$0.014 per share.

Further details and movements of the convertible notes are set out in note 13 to the condensed consolidated financial statements.

Due to the inclusion of borrowings related to the acquired ESH Group, the Group's outstanding bank and other borrowings increased to HK\$203.6 million at 30 June 2003 (31 December 2002: HK\$2.6 million). Around 96% of the bank and other borrowings of the Group were arranged on a short-term basis for ordinary business operations and are repayable within one year. About 4% were of a long-term nature, principally comprised of trade loans used by the Group. There is no material effect of seasonality on the Group's borrowings requirements.

Financial Review (cont'd)

Certain of the ESH Group's assets were acquired by way of finance leases and the total outstanding finance lease payable for the Group at 30 June 2003 amounted to HK\$2.4 million (31 December 2002: nil).

As a result of conversion on certain convertible notes during the period, the share capital of the Company increased to HK\$131.4 million (31 December 2002: HK\$108.4 million) with 13,138,422,562 ordinary shares in issue (31 December 2002: 10,838,403,562 ordinary shares).

The Group had capital commitment, incurred by the ESH Group, contracted but not provided for amounted to HK\$1.9 million at 30 June 2003 (31 December 2002: nil), which would be financed by internal source.

Treasury management

The Group employs a conservative approach to cash management and risk control. To achieve better risk control and efficient fund management, the Group's treasury activities are centralised. Almost all of the Group's receipts and payments were made in Hong Kong dollars during the period. Cash is generally placed in short term deposits denominated in Hong Kong dollars and United States dollars. At 30 June 2003, all of the Group's outstanding borrowings were denominated in Hong Kong dollars, and other than the fixed rate convertible notes, the Group's borrowings were principally made on a floating rate basis. The Group does not have any significant foreign currency or interest rate risk.

Gearing ratio

The Group's gearing ratio, calculated on the basis of the Group's total borrowings (including bank and other borrowings and convertible notes) of HK\$1,034.6 million over total capital employed (equity plus total borrowings) of HK\$1,105.6 million, increased to 94% at 30 June 2003 (31 December 2002: 59%), which was mainly attributable to the issue of HK\$768.0 million convertible notes to CCT Telecom as the consideration for the acquisition of the ESH Group. Most of the convertible notes in the amounts of HK\$831.0 million are due to the Group's ultimate holding company, CCT Telecom, attached with a relatively long maturity period of redemption, and thereby meaning that the Group will not have immediate repayment pressure.

Use of proceeds

In addition to the net proceeds of HK\$37.0 million raised by the Group from the placement of shares and convertible notes respectively in June and July 2002, the Group further raised net proceeds of HK\$20.8 million as a result of the placement of convertible notes in the principal amounts of HK\$21.0 million in May 2003. It is intended that these proceeds, which in aggregate amounted to HK\$57.8 million, will be used for capital expenditures, research and development and general working capital of the Group as announced respectively on 6 June 2002 and 17 April 2003. Amongst these proceeds, HK\$3.4 million had been utilised during the period and HK\$54.4 million were carried forward for future use.

Significant investment

The Group did not hold any significant investment at 30 June 2003 (31 December 2002: nil).

Pledge of assets

At 30 June 2003, certain of the Group's fixed assets with a net book value of HK\$4.8 million (31 December 2002: HK\$4.8 million) and time deposits of HK\$80.7 million, most of which belonging to the ESH Group (31 December 2002: HK\$5.0 million) were pledged to secure general banking facilities granted to the Group.

Contingent liabilities

Apart from the contingent liability in respect of possible future long service payments to employees, mainly arisen from the ESH Group, amounted to HK\$3.0 million (31 December 2002: HK\$0.2 million) as disclosed in note 16 to the condensed consolidated financial statements, the Group did not have any other significant contingent liabilities at 30 June 2003.

Employees and remuneration policy

The total number of employees in the Group, including those employees of the newly acquired ESH Group, as at 30 June 2003 was 15,493 (31 December 2002: 1,107). Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees and persons of the Group. At 30 June 2003, there were outstanding share options of 1,083 million (31 December 2002: nil).

Interim Results

Unaudited interim results

The board of directors of the Company is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2003.

Condensed consolidated profit and loss account

For the six months ended 30 June 2003

	Notes	Six months ended	
		30 June 2003 (Unaudited) HK\$'000	31 March 2002 (Unaudited) HK\$'000
TURNOVER		54,430	—
Cost of sales		(44,644)	—
Gross profit		9,786	—
Other revenue		685	2,238
Administrative and selling expenses		(6,551)	(10,088)
Other operating expenses		(1,610)	—
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		2,310	(7,850)
Finance costs		(663)	(2,179)
PROFIT/(LOSS) BEFORE TAX		1,647	(10,029)
Tax	7	—	—
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		1,647	(10,029)
Minority interests		—	—
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		1,647	(10,029)
EARNINGS/(LOSS) PER SHARE	9		
Basic		0.015 cents	(1.57) cents
Diluted		0.011 cents	(1.57) cents

Condensed consolidated balance sheet

At 30 June 2003

	<i>Notes</i>	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets	10	714,812	16,134
Intangible assets		31,589	496
Goodwill		64,017	32,297
Other assets		350	—
Deferred tax assets		10,161	—
		820,929	48,927
CURRENT ASSETS			
Inventories		181,414	1,849
Trade and bills receivables	11	491,754	29,867
Prepayments, deposits and other receivables		17,928	1,790
Pledged deposits		80,705	5,043
Cash and cash equivalents		202,066	62,933
		973,867	101,482
CURRENT LIABILITIES			
Trade and bills payables	12	593,238	25,682
Other payables and accruals		82,504	7,014
Tax payable		8,772	2,214
Interest-bearing bank and other borrowings		195,231	2,578
		879,745	37,488
NET CURRENT ASSETS			
		94,122	63,994
TOTAL ASSETS LESS CURRENT LIABILITIES			
		915,051	112,921
NON-CURRENT LIABILITIES			
Deferred tax liabilities		4,092	985
Interest-bearing bank loans		7,273	—
Finance lease payables		1,103	—
Convertible notes	13	831,000	65,000
		843,468	65,985
MINORITY INTERESTS			
		535	535
		71,048	46,401
CAPITAL AND RESERVES			
Issued capital	14	131,384	108,384
Reserves		(60,336)	(61,983)
		71,048	46,401

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2003

	Share		Contributed surplus (Unaudited) HK\$'000	Conversion			Total (Unaudited) HK\$'000
	Issued share capital (Unaudited) HK\$'000	premium account (Unaudited) HK\$'000		Capital reserve (Unaudited) HK\$'000	option reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	
At 1 October 2001	127,681	733,730	34,600	47,926	20,487	(1,014,788)	(50,364)
Loss for the period	—	—	—	—	—	(10,029)	(10,029)
At 31 March 2002	127,681	733,730	34,600	47,926	20,487	(1,024,817)	(60,393)
At 1 January 2003	108,384	733,350	—	—	—	(795,333)	46,401
Issue of new shares upon conversion of convertible notes	23,000	—	—	—	—	—	23,000
Profit for the period	—	—	—	—	—	1,647	1,647
At 30 June 2003	131,384	733,350	—	—	—	(793,686)	71,048

Condensed consolidated cash flow statement

For the six months ended 30 June 2003

	Six months ended	
	30 June 2003 (Unaudited) HK\$'000	31 March 2002 (Unaudited) HK\$'000
		(Restated)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	1,385	(4,341)
INVESTING ACTIVITIES	116,621	61
FINANCING ACTIVITIES	21,127	—
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	139,133	(4,280)
Cash and cash equivalents at beginning of period	62,933	7,275
CASH AND CASH EQUIVALENTS AT END OF PERIOD	202,066	2,995
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	28,956	2,995
Non-pledged time deposits with original maturity of less than three months when acquired	173,110	—
	202,066	2,995

Notes:

1. General matters

Upon completion of the Group Restructuring on 17 May 2002, Mr Mak Shiu Tong, Clement, Ms Cheng Yuk Ching, Flora and Mr Tam Ngai Hung, Terry were appointed as the executive directors of WIN, and Mr Lau Ho Kit, Ivan and Mr Chow Siu Ngor were appointed as the independent non-executive directors of WIN.

On the same date, the then receivers of WIN resigned and the Board of Directors of WIN has accepted the resignation of Mr Gerald Clive Dobby and Mr Wu Sai Wing as the independent non-executive directors of WIN and Mr Leung Howard as the executive director of WIN. These three directors are collectively referred to as the "Former Directors".

On 22 May 2002, the name of WIN was changed to CCT Technology. The five directors of CCT Technology set out above were appointed as directors of the Company on 14 August 2002 and Mr Tong Chi Hoi was appointed as an executive director of the Company on 12 November 2002. These existing six directors are collectively referred to as the "Current Directors".

2. Change of financial year end date

The Company changed its financial year end date from 30 September to 31 December, in order to be coterminous with the financial year end date of the Company's ultimate holding company, effective from the year of 2002. Accordingly, the current interim period covers the six months from 1 January 2003 to 30 June 2003, whereas the previous interim period represented the six months from 1 October 2001 to 31 March 2002.

3. Basis of preparation and consolidation

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

Pursuant to a group reorganisation (the “Group Reorganisation”) completed on 4 November 2002 involving the introduction of the Company, CCT Technology (the former holding company of the Group) became a wholly-owned subsidiary of the Company and the then shareholders of CCT Technology then became the shareholders of the Company with the shares exchanged on a one-to-one basis, each with the same respective interest as they were previously interested in CCT Technology. Further details of the Group Reorganisation are set out in CCT Technology’s circular dated 20 September 2002. The Group Reorganisation involved companies under common control. The condensed consolidated financial statements for the period ended 31 March 2002 have been prepared using the merger basis of accounting in accordance with SSAP 27 “Accounting for Group Reconstructions”. On this basis, the condensed consolidated financial statements of the Group for the six months ended 31 March 2002 have been prepared as if the Company had been the holding company of its subsidiaries acquired since their respective dates of incorporation / registration rather than from the completion date of the Group Reorganisation which became effective on 4 November 2002.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

3. Basis of preparation and consolidation (cont'd)

These condensed consolidated financial statements have been prepared based on the books and records maintained by the Company and its subsidiaries. However, due to the earlier receivership of CCT Technology and the changes in management in 2002, certain underlying books and records of CCT Technology and its subsidiaries (together the "CCT Technology Group") were either lost, or could not be located and hence, the extent of work that the Current Directors could perform in preparing these condensed consolidated financial statements were limited to those available books and records passed to them on 17 May 2002 by the Former Directors and the then receivers of CCT Technology. As a result of the limitations in respect of these books and records, the effect of certain transactions of the Group as reflected in the condensed consolidated financial statements cannot be satisfactorily substantiated or otherwise, supported, in particular:

- (a) The Current Directors have been unable to satisfy themselves that the assets and liabilities of the CCT Technology Group as at 30 September 2001 were fairly stated. Any adjustments to the opening balances of the condensed consolidated financial statements of the CCT Technology Group as at 1 October 2001 would affect the results of the Group for the six months ended 31 March 2002 shown as comparative figures.
- (b) The Current Directors have been unable to satisfy themselves as to the nature, completeness, appropriateness, classification and disclosure in respect of the transactions undertaken by the CCT Technology Group for the six-month period from 1 October 2001 to 31 March 2002 and whether the relevant amounts shown as comparative figures reflected in the condensed consolidated profit and loss account, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and related notes are fairly stated.

3. Basis of preparation and consolidation (cont'd)

- (c) S. Meggatel Sdn. Bhd. ("S. Meggatel"), a 70% owned subsidiary of the Group was incorporated in Malaysia by the former management of CCT Technology and was inherited to the Company after the Group Restructuring. Books and records of this subsidiary is maintained by the minority shareholder and the Current Directors are unable to procure the minority shareholder to make available proper books and records for the preparation of the Group's condensed consolidated financial statements. Accordingly, the Current Directors are unable to satisfy themselves as to the nature, completeness, appropriateness, classification and disclosure in respect of the transactions undertaken by S. Meggatel for the six months ended 30 June 2003, including the corresponding minority interests recorded in the condensed consolidated profit and loss account for the six months ended 30 June 2003 and the condensed consolidated balance sheet as at 30 June 2003, as included in the condensed consolidated financial statements. The net assets, turnover and loss for the period of S. Meggatel included in the condensed consolidated financial statements as at 30 June 2003 and for the six months ended 30 June 2003 were approximately HK\$1.6 million, nil and approximately HK\$0.1 million, respectively.

In view of the foregoing, no representations as to the completeness of the books and records can be given by the Current Directors although care has been taken in the preparation of the condensed consolidated financial statements to mitigate the effect of the incomplete records. The Current Directors of the Company are unable to represent that all transactions entered into in the name of this subsidiary have been included in the condensed consolidated financial statements. To the extent possible, the Current Directors of the Company have, in their determination of the Group's assets and liabilities, taken such steps that they considered practicable to establish the assets and liabilities of this subsidiary based on information of which they were aware, and have made provisions and adjustments they considered appropriate in the preparation of these condensed consolidated financial statements.

3. Basis of preparation and consolidation (cont'd)

- (d) Against the background described above, the Current Directors have been unable to satisfy themselves the results and cash flows of the Group for the six months ended 31 March 2002 shown as comparative amounts to the condensed consolidated profit and loss account and the condensed consolidated cash flow statement, respectively, are comparable with the amounts for the current period.

4. Principal accounting policies

The principal accounting policies used in the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2002, except that the Group has adopted SSAP 12 (Revised) "Income Taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

The principal effect of the adoption of SSAP12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method under which a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the condensed financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

The change in accounting policy has had no material effect on the results of the current interim period. However, due to the limitations regarding the books and records passed to the Current Directors on 17 May 2002 by the Former Directors and the then receivers of CCT Technology as described in note 3 above, it is therefore considered impracticable for the Group to restate the comparatives for the previous interim period in accordance with the newly changed policy.

5. Segment information

Segment information is presented by way of two segment formats:

- (i) on a primary segment reporting basis, by business segment; and
- (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products 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 manufactures and sells telecom products and power supplies components for telecom products; and
- (b) the corporate segment includes general corporate income and expense items.

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

Interim Results (cont'd)

5. Segment information (cont'd)

(a) Business segments

The following table present revenue and results regarding the Group's business segments for the six months ended 30 June 2003 and 31 March 2002 respectively.

	Telecom products		Corporate and others		Consolidated	
	2003	2002	2003	2002	2003	2002
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	54,183	—	—	—	54,183	—
Other revenue from external sources	685	—	—	2,238	685	2,238
Total revenue	54,868	—	—	2,238	54,868	2,238
Segment results	4,657	—	(2,594)	(7,850)	2,063	(7,850)
Interest income					247	—
Profit/(loss) from operating activities					2,310	(7,850)
Finance costs					(663)	(2,179)
Profit/(loss) before tax					1,647	(10,029)
Tax					—	—
Profit/(loss) before minority interests					1,647	(10,029)
Minority interests					—	—
Net profit/(loss) from ordinary activities attributable to shareholders					1,647	(10,029)

5. Segment information (cont'd)

(b) Geographical segments

For the six months ended 30 June 2003, more than 98% of the Group's revenue is derived from operations carried out in the PRC including Hong Kong.

No geographical analysis for the six months ended 31 March 2002 has been presented as the information is not available.

6. Depreciation and amortisation

During the period, depreciation of approximately HK\$1,558,000 (six month ended 31 March 2002 approximately HK\$1,798,000) and amortisation of approximately HK\$909,000 (six months ended 31 March 2002: nil) were charged in respect of the Group's fixed assets and intangible assets, respectively.

7. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 31 March 2002: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, practices and interpretations in respect thereof.

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

No Hong Kong and overseas profits tax has been provided as the Group did not have any assessable profits arising in Hong Kong or elsewhere during the period (six months ended 31 March 2002: nil).

No recognition of the potential deferred tax assets relating to tax losses of certain subsidiaries has been made as the recoverability of the potential deferred tax assets is uncertain.

8. Dividend

The directors do not recommend payment of an interim dividend for the six months ended 30 June 2003 (six months ended 31 March 2002: nil).

9. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net profit attributable to shareholders for the period of approximately HK\$1,647,000 (six months ended 31 March 2002: net loss of approximately HK\$10,029,000), and the weighted average number of 10,977,355,203 ordinary shares in issue during the period (six months ended 31 March 2002: 638,403,562 ordinary shares, adjusted for the share consolidation of ten shares into one share).

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the period of approximately HK\$1,833,000 after adjustment for interest saved upon deemed exercise of all convertible notes during the period. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is 16,975,009,510 which includes the weighted average number of 10,977,355,203 ordinary shares in issue during the period, as used in the basic earnings per share calculation; the weighted average of 5,868,271,507 ordinary shares assumed to have been issued on the deemed exercise of all convertible notes during the period and the weighted average of 129,382,800 ordinary shares assumed to have been issued on the deemed exercise at no consideration of all share options during the period.

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

10. Fixed assets

During the six months ended 30 June 2003, the Group acquired fixed assets of approximately HK\$529,000 (six months ended 31 March 2002: nil) and disposed fixed assets of approximately HK\$300,000 (six months ended 31 March 2002: nil).

11. Trade and bills receivables

The Group normally allows an average credit period of 30 to 90 days to its trade customers. The aged analysis of trade and bills receivables was as follows:

	30 June 2003 (Unaudited)		31 December 2002 (Audited)	
	HK\$'000	%	HK\$'000	%
Current to 30 days	261,399	53	28,259	95
31 to 60 days	146,369	30	1,464	5
61 to 90 days	83,986	17	99	—
Over 90 days	—	—	45	—
Total	491,754	100	29,867	100

12. Trade and bills payables

The aged analysis of trade and bills payables was as follows:

	30 June 2003 (Unaudited)		31 December 2002 (Audited)	
	HK\$'000	%	HK\$'000	%
Current to 30 days	287,860	49	18,995	74
31 to 60 days	116,196	20	4,118	16
61 to 90 days	102,772	17	2,386	9
Over 90 days	86,410	14	183	1
Total	593,238	100	25,682	100

13. Convertible notes

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
2005 Convertible Notes - note (a)	45,000	45,000
2004 Convertible Notes - note (b)	8,000	20,000
2005 Convertible Notes - note (c)	10,000	—
2008 Convertible Notes - note (d)	768,000	—
	831,000	65,000

Notes:

- (a) On 17 May 2002, CCT Technology issued convertible notes with aggregate principal amounts of HK\$45.0 million to an indirect wholly-owned subsidiary of CCT Telecom, and which were subsequently replaced by the convertible notes issued by the Company on 4 November 2002 as part of the Group Reorganisation. The convertible notes were issued as part of the consideration for the acquisition of the entire interest in Electronic Sales and its subsidiaries from an indirect wholly-owned subsidiary of CCT Telecom. The convertible notes provide the holder option right to convert the principal amount into the Company's ordinary shares of HK\$0.01 each on any business day being five business days prior to the maturity of the convertible notes at a conversion price of HK\$0.01 per share. The convertible notes do not bear interest and will mature on the third anniversary of the date of their issue.
- (b) On 19 July 2002, CCT Technology issued convertible notes with aggregate principal amounts of HK\$20.0 million through a placing agent to an independent placee, and which were subsequently replaced by the convertible notes issued by the Company on 4 November 2002 as part of the Group Reorganisation. The convertible notes provide the holder option right to convert the principal amount into the Company's ordinary shares of HK\$0.01 each on any business day being five business days prior to the maturity of the convertible notes at a conversion price of HK\$0.01 per share. The convertible notes bear interest at 5% per annum and will mature on the second anniversary of the date of their issue.

13. Convertible notes (cont'd)

During the period, the principal amounts of HK\$12.0 million have been converted into the Company's ordinary shares of HK\$0.01 each at a conversion price of HK0.01 per share. As a result, there were in the principal amounts of HK\$8.0 million still outstanding at 30 June 2003.

- (c) On 14 May 2003, the Company issued convertible notes with aggregate principal amounts of HK\$21.0 million through a placing agent to several independent placees. The convertible notes provide the holders option right to convert the principal amount into the Company's ordinary shares of HK\$0.01 each on any business day being five business days prior to the maturity of the convertible notes at a conversion price of HK\$0.01 per share. The convertible notes bear interest at 2% per annum and will mature on the second anniversary of the date of their issue.

During the period, the principal amounts of HK\$11.0 million have been converted into the Company's ordinary shares of HK\$0.01 each at a conversion price of HK0.01 per share. As a result, there were in the principal amounts of HK\$10.0 million still outstanding at 30 June 2003.

- (d) On 30 June 2003, the Company issued convertible notes with aggregate principal amounts of HK\$768.0 million to an indirect wholly-owned subsidiary of CCT Telecom as the consideration for the acquisition of the entire interest in ESH and its subsidiaries from an indirect wholly-owned subsidiary of CCT Telecom. The convertible notes provide the holder option right to convert the principal amount into the Company's ordinary shares of HK\$0.01 each on any business day being five business days prior to the maturity of the convertible notes at a conversion price of HK\$0.014 per share. The convertible notes bear interest at best lending rate plus 2% per annum and will mature on the fifth anniversary of the date of their issue.

14. Share capital

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Authorised: 120,000,000,000 (31 December 2002: 30,000,000,000) ordinary shares of HK\$0.01 each	1,200,000	300,000
Issued and fully paid: 13,138,422,562 (31 December 2002: 10,838,403,562) ordinary shares of HK\$0.01 each	131,384	108,384

Pursuant to an ordinary resolution passed on 27 June 2003, the authorised shared capital of the Company was increased from HK\$300,000,000 to HK\$1,200,000,000 by the creation of 90,000,000,000 additional shares of HK\$0.01 each, ranking pari passu in all respects with the existing issued shares of the Company.

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

	Carrying amount (Unaudited) HK\$'000	Number of Shares (Unaudited)
At 1 January 2003	108,384	10,838,403,562
Exercise of share options	—	19,000
Conversion on convertible notes	23,000	2,300,000,000
At 30 June 2003	131,384	13,138,422,562

15. Pledge of assets

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

- (i) Pledges of the Group's fixed deposits amounting to approximately HK\$80.7 million (31 December 2002: approximately HK\$5.0 million); and
- (ii) Fixed charges over certain of the Group's leasehold land and buildings with an aggregate net book value amounting to approximately HK\$4.8 million (31 December 2002: approximately HK\$4.8 million) which were subsequently discharged in July 2003.

16. Contingent liabilities

The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK\$3,052,000 as at 30 June 2003 (31 December 2002: approximately HK\$215,000). The contingent liability has arisen as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, making them eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

17. Capital commitments

The Group had the following capital commitments at the balance sheet date:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Contracted, but not provided for	1,893	—

18. Operating lease arrangement

(a) As lessor

The Group leases its leasehold land and buildings under an operating lease arrangement, with a term of three years. The terms of the lease provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2003, the Group had total future minimum lease receivable under the non-cancelable operating lease with its tenant falling due as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Within one year	6,000	—
In the second to fifth years, inclusive	9,000	—
	15,000	—

(b) As lessee

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 2003, the Group had total future minimum lease payments under non-cancelable operating leases in respect of land and buildings falling due as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Within one year	6,016	—
In the second to fifth years, inclusive	4,556	—
	10,572	—

19. Post balance sheet events

On 31 March 2003, S. Meggatel, a subsidiary of the Group incorporated in Malaysia, and Leadken Industry Sdn. Bhd, an independent third party, entered into a sale and purchase agreement pursuant to which S. Meggatel agreed to sell the property comprising Lot 11071 and Lot 11072 in Malaysia for a total consideration of RM 2,600,000 (equivalent to approximately HK\$5,169,000). This transaction was completed in July 2003.

20. Related party transactions

The Group had the following material transactions with its fellow subsidiaries during the period:

	<i>Notes</i>	Six months ended 30 June 2003 (Unaudited) HK\$'000
Management fee expenses	(i)	1,200
Rental expenses	(ii)	900
Sale of products	(iii)	45,750
Purchase of materials	(iv)	10,627

Notes:

- (i) The management fee was charged to Electronic Sales by CCT Telecom (HK) Limited ("CCT Telecom (HK)"), an indirect wholly-owned subsidiary of ESH, for the provision of general administration, management information system consultation and hardware maintenance services and was determined based on actual costs incurred. Before the acquisition of the ESH Group by the Company on 30 June 2003, ESH was an indirect wholly-owned subsidiary of CCT Telecom.
- (ii) The rental expense was charged to Electronic Sales by CCT Properties (Dongguan) Limited ("CCT Properties"), an indirect wholly-owned subsidiary of CCT Telecom, for the provision of factory space in Dongguan, the PRC, at a rate determined in accordance with the terms and conditions set out in a rental agreement entered into between Electronic Sales and CCT Properties dated 12 April 2002.

20. Related party transactions (cont'd)

- (iii) The sale of products from Electronic Sales to CCT Telecom (HK) included transformers, AC/DC adaptors and custom built-in power supply, and the price of which was determined based on the direct material costs of the products plus a mark-up percentage of up to 50% of such direct material costs.
- (iv) The purchase of materials by Electronic Sales from Neptune Holding Limited, an indirect wholly-owned subsidiary of CCT Telecom, included plastic moulds and materials, and the price of which was determined based on the direct costs of the materials plus a mark-up percentage up to 50% of such direct costs.

In addition to the above, pursuant to a conditional agreement signed on 15 May 2003 with CCT Telecom, the Company acquired from CCT Telecom the entire interest in ESH and its subsidiaries including the assignment of the Shareholder's Loan to the Company, at a consideration of HK\$768.0 million to be satisfied by the issue of the Company's convertible notes. The ESH Group is principally engaged in the design, manufacture and sale on an ODM and OEM basis of home-use telecommunication products including cordless phones and family radio systems. The transaction was completed on 30 June 2003 and further details of the acquisition are set out in the Company's circular dated 11 June 2003.

21. Comparative figures

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

Directors' interests

As at 30 June 2003, the directors and the chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or 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"):

(a) Interests and short positions in the shares, underlying shares and debentures of the Company

Long position in the underlying shares of equity derivatives of the Company:

Name of director	Date of grant of share options	Exercise period of share options	Share options in the Company		Number of total underlying shares	Approximate percentage of total shareholding (%)
			Exercise price per share	Number of share options outstanding		
			HK\$			
Mak Shiu Tong Clement	30/4/2003	30/4/2003 - 29/4/2008	0.014	100,000,000	100,000,000	0.76
Cheng Yuk Ching Flora	30/4/2003	30/4/2003 - 29/4/2008	0.014	100,000,000	100,000,000	0.76
Tam Ngai Hung Terry	30/4/2003	30/4/2003 - 29/4/2008	0.014	100,000,000	100,000,000	0.76
Tong Chi Hoi	30/4/2003	30/4/2003 - 29/4/2008	0.014	50,000,000	50,000,000	0.38
Chow Siu Ngor	30/4/2003	30/4/2003 - 29/4/2008	0.014	8,000,000	8,000,000	0.06
Lau Ho Kit Ivan	30/4/2003	30/4/2003 - 29/4/2008	0.014	8,000,000	8,000,000	0.06

Directors' interests (cont'd)

(b) Interests and short positions in the shares, underlying shares and debentures of an associated corporation

- (i) Long position in the shares of CCT Telecom Holdings Limited ("CCT Telecom"):

Name of director	Number of ordinary shares in CCT Telecom beneficially held and nature of interest			Approximate percentage of total shareholding (%)
	Personal	Family	Corporate	
Mak Shiu Tong Clement (<i>Note</i>)	856,000	1,407,500	83,998,441	20.44
Cheng Yuk Ching Flora	9,876,713	—	—	2.34
Tong Chi Hoi	282,000	—	—	0.07

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 Part XV of the SFO.

Directors' interests (cont'd)

(b) Interests and short positions in the shares, underlying shares and debentures of an associated corporation (cont'd)

- (ii) Long position in the underlying shares of equity derivatives of CCT Telecom:

Name of director	Share options in CCT Telecom					
	Date of grant of share options	Exercise period of share options	Exercise price per share	Number of share options outstanding	Number of total underlying shares	Approximate percentage of total shareholding
			HK\$			(%)
Mak Shiu Tong Clement	13/8/2001	16/8/2001 - 15/8/2003	2.936	5,000,000	5,420,000	1.28
	17/3/2003	17/3/2003 - 16/3/2008	0.750	420,000		
Cheng Yuk Ching Flora	13/8/2001	16/8/2001 - 15/8/2003	2.936	1,250,000	5,450,000	1.29
	17/3/2003	17/3/2003 - 16/3/2008	0.750	4,200,000		
Tam Ngai Hung Terry	13/8/2001	16/8/2001 - 15/8/2003	2.936	1,250,000	5,450,000	1.29
	17/3/2003	17/3/2003 - 16/3/2008	0.750	4,200,000		
Tong Chi Hoi	13/8/2001	16/2/2002 - 15/8/2003	2.936	500,000	1,500,000	0.36
	17/3/2003	17/3/2003 - 16/3/2008	0.750	1,000,000		

Save as disclosed above, as at 30 June 2003, none of the directors and the chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

Substantial shareholders' interests

As at 30 June 2003, the following persons (other than the directors or the chief executive of the Company) had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

(i) Long position in the shares of the Company:

Name of shareholder	Notes	Number of ordinary shares held	Approximate percentage of total shareholding (%)
CCT Telecom	(a)	4,500,000,000	34.25
CCT Technology Investment Limited	(b)	4,500,000,000	34.25
Jade Assets Company Limited		1,800,000,000	13.71
CCT Assets Management Limited		1,350,000,000	10.27
Expert Success International Limited		1,350,000,000	10.27
Dongguan Defa Investment Limited		2,000,000,000	15.22
Tan Jinrong	(c)	2,000,000,000	15.22
Standard Chartered Bank		1,208,309,852	9.20
Kwong Cheong Trading Limited		1,200,000,000	9.13
Yang Shao Wu	(d)	1,200,000,000	9.13

Notes:

- (a) The interest disclosed comprises 4,500,000,000 shares beneficially owned by CCT Technology Investment Limited through the subsidiaries stated in note (b) below. CCT Technology Investment Limited is a wholly-owned subsidiary of CCT Telecom.
- (b) The interest disclosed comprises 1,800,000,000 shares held by Jade Assets Company Limited, 1,350,000,000 shares held by CCT Assets Management Limited and 1,350,000,000 shares held by Expert Success International Limited, all of them are wholly-owned subsidiaries of CCT Technology Investment Limited.
- (c) The interest disclosed comprises 2,000,000,000 shares held by Dongguan Defa Investment Limited, which is 75% owned by Mr Tan Jinrong.
- (d) The interest disclosed comprises 1,200,000,000 shares held by Kwong Cheong Trading Limited, which is wholly-owned by Mr Yang Shao Wu.

Substantial shareholders' interests (cont'd)

(ii) Long position in the underlying shares of equity derivatives of the Company:

Name of holder of equity derivatives	Notes	Description of equity derivatives held	Number of underlying shares	Approximate percentage of total shareholding (%)
CCT Telecom	(a)	HK\$45 million zero coupon convertible notes due 2005	4,500,000,000	451.78
		HK\$768 million best lending rate plus 2% convertible note due 2008	54,857,142,857	
CCT Technology Investment Limited	(b)	HK\$45 million zero coupon convertible notes due 2005	4,500,000,000	451.78
		HK\$768 million best lending rate plus 2% convertible note due 2008	54,857,142,857	
Emporium International Limited		HK\$45 million zero coupon convertible notes due 2005	4,500,000,000	34.25
Noble Team Investments Limited		HK\$768 million best lending rate plus 2% convertible note due 2008	54,857,142,857	417.53
Kwong Cheong Trading Limited		HK\$8 million out of principal sum of HK\$20 million 5% convertible notes due 2004	800,000,000	6.09
Yang Shao Wu	(c)	HK\$8 million out of principal sum of HK\$20 million 5% convertible notes due 2004	800,000,000	6.09

Substantial shareholders' interests (cont'd)

- (ii) Long position in the underlying shares of equity derivatives of the Company (cont'd):

Notes:

- (a) The interest disclosed comprises an aggregate of 59,357,142,857 underlying shares beneficially owned by CCT Technology Investment Limited through the subsidiaries stated in note (b) below. CCT Technology Investment Limited is a wholly-owned subsidiary of CCT Telecom.
- (b) The interest disclosed comprises 4,500,000,000 underlying shares held by Emporium International Limited and 54,857,142,857 underlying shares held by Noble Team Investments Limited, both are wholly-owned subsidiaries of CCT Technology Investment Limited.
- (c) The interest disclosed comprises 800,000,000 underlying shares held by Kwong Cheong Trading Limited, which is wholly-owned by Mr Yang Shao Wu.

- (iii) Short position in the underlying shares of equity derivatives of the Company:

Name of holder of equity derivatives	Number of underlying shares	Approximate percentage of total shareholding (%)
Standard Chartered Bank	1,208,309,852	9.20

Save as disclosed above, as at 30 June 2003, no other person (other than the directors or the chief executive of the Company) had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Share option scheme

A new share option scheme (the "New Share Option Scheme") was conditionally adopted by the then shareholder of the Company and the shareholders of CCT Technology Holdings Limited, the then holding company of the Company, on 17 September 2002 and 15 October 2002 respectively. The New Share Option Scheme became unconditional immediately upon the listing of the shares of the Company on the Stock Exchange on 7 November 2002. As at 30 June 2003, there were 1,082,781,000 share options outstanding under the New Share Option Scheme.

Details of the movements of share options under the New Share Option Scheme during the period were as follows:

Name or category of participant	Number of share options					Date of grant of share options	Exercise period of share options	Exercise price per share (Note 1) HK\$	Price of the shares of the Company	
	Outstanding as at 1 January 2003	Granted during the period	Exercised during the period	Lapsed/ Cancelled during the period	Outstanding as at 30 June 2003				At	At
									grant date of share options (Note 2) HK\$	exercise date of share options (Note 3) HK\$
Executive directors										
Mak Shiu Tong Clement	—	100,000,000	—	—	100,000,000	30/4/2003	30/4/2003 - 29/4/2008	0.014	0.014	—
Cheng Yuk Ching Flora	—	100,000,000	—	—	100,000,000	30/4/2003	30/4/2003 - 29/4/2008	0.014	0.014	—
Tam Ngai Hung Terry	—	100,000,000	—	—	100,000,000	30/4/2003	30/4/2003 - 29/4/2008	0.014	0.014	—
Tong Chi Hoi	—	50,000,000	—	—	50,000,000	30/4/2003	30/4/2003 - 29/4/2008	0.014	0.014	—
	—	350,000,000	—	—	350,000,000					

Share Option Scheme (cont'd)

Share option scheme (cont'd)

Details of the movements of share options under the New Share Option Scheme during the period were as follows (cont'd):

Name or category of participant	Number of share options				Outstanding as at 30 June 2003	Date of grant of share options	Exercise period of share options	Exercise price per share (Note 1) HK\$	Price of the shares of the Company	
	Outstanding as at 1 January 2003	Granted during the period	Exercised during the period	Lapsed/Cancelled during the period					At grant date of share options (Note 2) HK\$	At exercise date of share options (Note 3) HK\$
Independent non-executive directors										
Chow Siu Ngor	—	8,000,000	—	—	8,000,000	30/4/2003	30/4/2003 - 29/4/2008	0.014	0.014	—
Lau Ho Kit Ivan	—	8,000,000	—	—	8,000,000	30/4/2003	30/4/2003 - 29/4/2008	0.014	0.014	—
	—	16,000,000	—	—	16,000,000					
Other employees										
In aggregate	—	716,800,000	(19,000)	—	716,781,000	30/4/2003	30/4/2003 - 29/4/2008	0.014	0.014	0.022
	—	716,800,000	(19,000)	—	716,781,000					
	—	1,082,800,000	(19,000)	—	1,082,781,000					

Notes:

- The exercise price of the share options is subject to adjustment(s) in the case of rights or bonus share issues, or other similar changes in the share capital of the Company.
- The price of the shares of the Company as at the date of grant of the share options is the closing price of the shares of the Company as listed on the Stock Exchange on the trading day immediately before the date on which the share options were granted.
- The price of the shares of the Company as at the date of exercise of the share options is the weighted average of the closing prices of the shares of the Company as listed on the Stock Exchange on the trading day immediately before the dates on which the share options were exercised.

Share option scheme (cont'd)

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 listed securities of the Company

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 2003.

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 2003.

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 2003, 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, 19 September 2003