CCT Tech International Limited
中建科技國際有限公司

二零零二年年報

2002 ANNUAL REPORT

CCT TECH INTERNATIONAL LIMITED

Contents

RESTRUCTURING

Restructuring

CCT Tech International Limited (the "Company") and its subsidiaries (together the "Group") underwent significant changes in 2002.

During the preceding five years, under the previous management, the Group incurred a great financial burden and suffered heavy losses. This ultimately resulted in the appointment of receivers in early 2001.

On 17 May 2002, after the injection of new operating capital and profitable business by the new shareholder, CCT Telecom Holdings Limited ("CCT Telecom"), the Group was immediately revitalised and its financial straits resolved. Under the leadership of a new management team, the Group has started a new chapter and is moving towards a brighter future.

MISSION

Subsequent to the revival of the Group, the operations and business are now back on the right track. Our business of manufacturing and developing telecom products and components continues to grow steadily and satisfactorily.

We have set a clear direction and strategy. Leveraging on the strength of our R&D team, we are committed to developing more innovative, diversified and high-tech telecom products.

Mission -

To become a leading manufacturer of high-tech telecom products

CHAIRMAN'S LETTER

The year 2002 was a new start for the Group. After the investment of the new shareholder, CCT Telecom, the Group immediately turned around from its past heavy loss-making situation. I am very pleased to report that the Group recorded a net profit of HK$98.2 million on turnover of HK$106.4 million for the fifteen months ended 31 December 2002.

CCT Telecom injected new operating capital and business into the Group through a restructuring of the Group. After the completion of the restructuring on 17 May 2002, the Group's severe financial straits were then resolved. Share trading in the Company was resumed on 7 June 2002 after its suspension for more than fifteen months. A new management team joined the Group to reactivate the operations and to manage the newly injected business.

In June and July 2002, we placed shares and convertible notes to independent investors and successfully raised HK$37.4 million for the Group. The success of the placements not only provides additional funding for the Group's operation and expansion, but, most importantly, also signifies the confidence of the public in the new management.

On the management side, the Group now operates in a healthy environment and sufficient internal controls have been implemented. On the business side, we are now focusing on the manufacture and development of telecom products including linear and switching power supply products. CCT Telecom, whose core business is the manufacture and sale of cordless phones, is also one of the major customers of the Group in respect of power supply products. CCT Telecom is expanding at a high rate due to the satisfactory growth of its business in markets worldwide and we can expect to enjoy significant growth in our business due to the increasing demand from CCT Telecom.

Going forward, we will on one side continue to strengthen our research and development team to develop more innovative and high-end telecom products and components so as to increase our market share in the industry. On the other side, we will also explore and seize any valuable investment opportunity with the aim of expanding the Group through acquisition and co-operation.

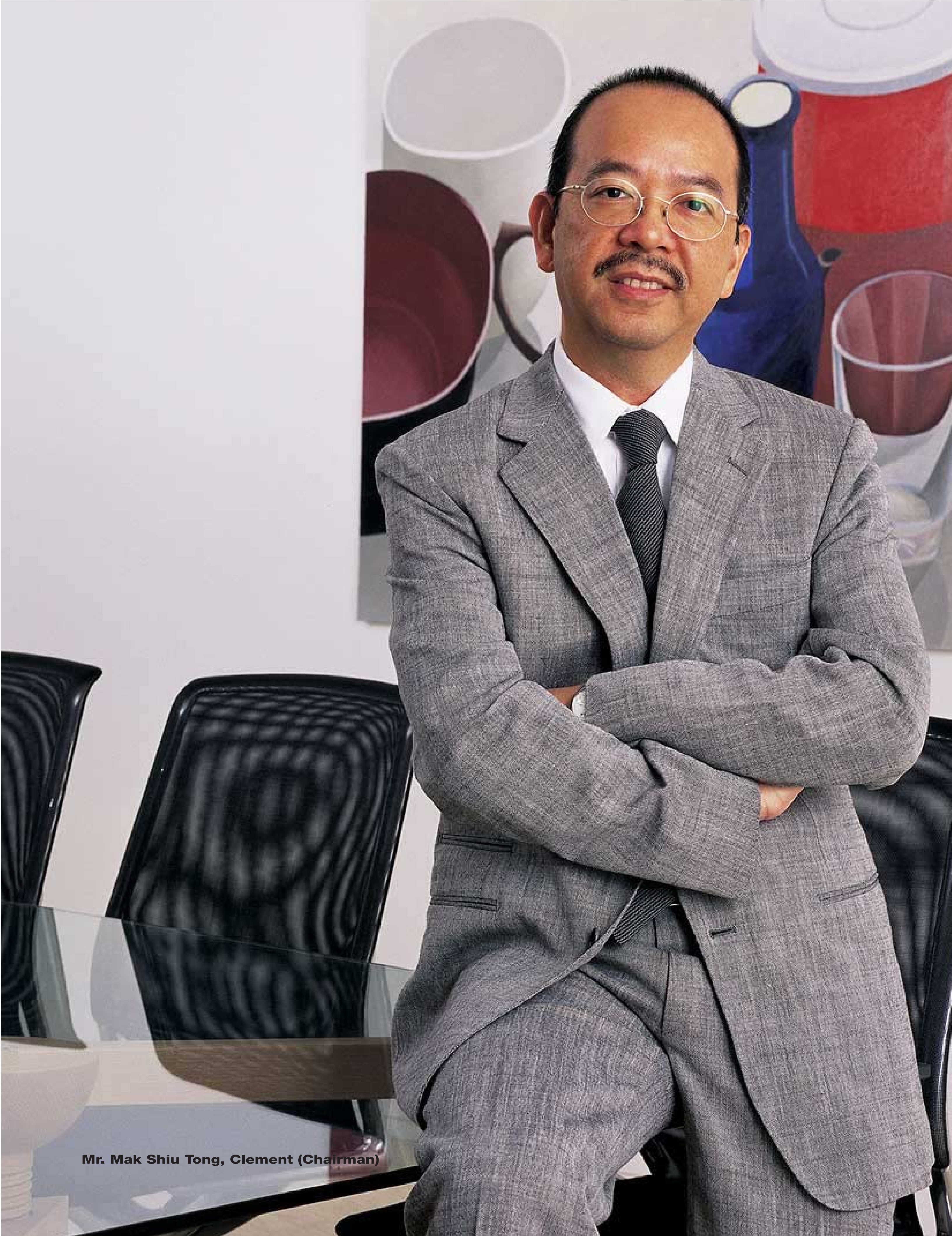
Leveraging on the strength of our research and development team and the extensive business network of CCT Telecom, our major shareholder, as well as the leadership of our sound and prudent management team, we are confident that the future of the Group is highly promising and will be equally rewarding to both our staff and our shareholders.

On behalf of the Board, I would like to express our gratitude again to all of the staff and to the professional team for their contributions and efforts over the past year towards the successful completion of the restructuring of the Group.

Mak Shiu Tong, Clement
Chairman

Hong Kong, 15 April 2003

Disclaimer of the Board of Directors
The Board of Directors expressly disclaims any liability for the financial and other information of the Group disclosed in this report in respect of the transactions and assets and liabilities before 17 May 2002, for the reasons detailed in note 5 to the financial statements.



Mr. Mak Shiu Tong, Clement (Chairman)

MANAGEMENT DISCUSSION AND ANALYSIS AND OPERATIONAL REVIEW

Restructuring and reorganisation of the Group

During the year 2002, the Group underwent significant changes as a result of the restructuring that was completed on 17 May 2002 (as described in note 2 to the financial statements). After the restructuring, almost all of the previous defaulted debts were released and discharged. All loss-making and heavily indebted subsidiaries were carved out from the Group. New operating capital and a new power supply components business were injected into the Group by the new controlling shareholder, CCT Telecom. The company was renamed CCT Technology Holdings Limited ("CCT Technology") to reflect the new ownership by CCT Telecom.

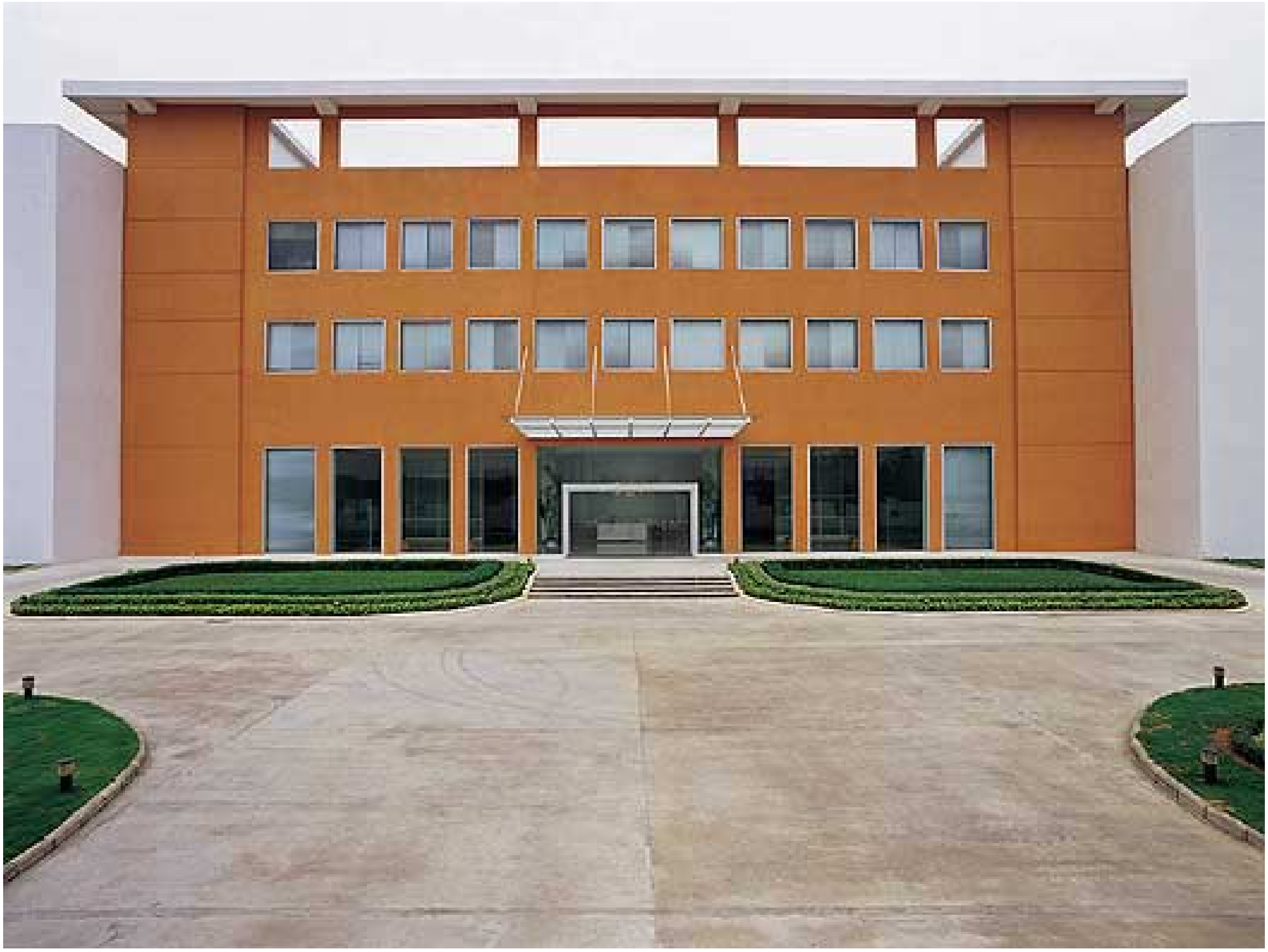
To further ring-fence any unknown liabilities that might have been incurred before the Group Restructuring, the Group was reorganised in November 2002 (as described in note 3 to the financial statements). As a result, the listing status of CCT Technology was replaced by the Company and CCT Technology became a wholly-owned subsidiary of the Company.

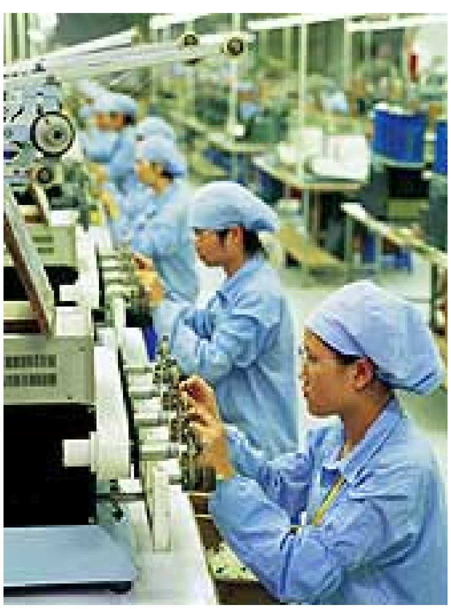
Review of operations

After the restructuring, the principal business of the Group is now the manufacture and development of telecom products, including power supply components.

The principal business, which was operated through a wholly-owned subsidiary named Electronic Sales Limited ("ESL"), was established in Hong Kong in 1972. ESL manufactures a variety of power supply products including AC/DC adaptors, linear lighting ballasts and custom built-in power supplies. With steady growth over 30 years, ESL has developed a customer base with a stable revenue stream and positive cash flow.

The manufacturing base of ESL was relocated to Dongguan, the PRC in 2001 to enhance production capacity and efficiency in order to cater for increasing production demands. The new manufacturing plant offers bigger space and more advanced facilities. With our sound status in the industry, an aggressive yet realistic expansion plan and our continued efforts, the Company's business has a promising future.





Our manufacturing base in Dongguan, Guangdong Province, the PRC.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. MAK Shiu Tong, Clement, aged 49, has served as Chairman, Chief Executive Officer and an Executive Director of the Company since August 2002. He has over 26 years of experience in the electronics manufacturing and distribution industry, specialising in telephone and telecommunications products. He holds a Diploma in Electrical Engineering.

Mr. TAM Ngai Hung, Terry, aged 49, has served as Deputy Chairman and an Executive Director of the Company since August 2002. He has more than 25 years of experience in finance and accounting management, as well as extensive experience in mergers and acquisitions. He is a fellow of the Association of Chartered Certified Accountants and an associate of both the Hong Kong Society of Accountants and the Institute of Chartered Secretaries and Administrators. Mr. Tam has previously held a number of senior positions in several listed companies.

Ms. CHENG Yuk Ching, Flora, aged 49, has served as an Executive Director of the Company since August 2002. Ms. Cheng has over 23 years of experience in the electronics industry and has held senior positions in various well-known electronics companies. She holds a Diploma in Business Administration.

Mr. TONG Chi Hoi, aged 37, has served as an Executive Director of the Company since November 2002, and has a First Class Honours Degree in Electrical and Electronics Engineering from the University of London. He has over 16 years of experience in the electronics manufacturing industry.

Independent Non-executive Directors

Mr. LAU Ho Kit, Ivan, aged 44, has served as an Independent Non-executive Director of the Company since August 2002. He has extensive experience in accounting and financial management. He holds a Master's Degree in professional accounting and is a member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants.

Mr. CHOW Siu Ngor, aged 47, has served as an Independent Non-executive Director of the Company since August 2002. He is a practicing solicitor in Hong Kong. He graduated from the Chinese University of Hong Kong in 1981 with an Honours Degree in Social Science. He then obtained an Honours Degree in Laws from the University of Birmingham in 1987. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1990 and has been in private practice since then. Currently, he is an Assistant Solicitor with Messrs. P.C. Woo & Co., Solicitors and Notaries of Hong Kong.

Senior Management

Ms. CHIK Bik Fong, Ella, aged 47, currently holds the position of Material Director in a principal subsidiary of the Company, and has more than 20 years of extensive experience in sourcing materials and material control in the manufacturing of telecommunications products.

Mr. HO Yiu Hong, Victor, aged 35, currently holds the position of Director of Finance in a principal subsidiary of the Company, and has a First Class Honours Degree in Accountancy from the Hong Kong Polytechnic and a Master's Degree in Business Administration from the University of Strathclyde. He is a fellow of the Association of Chartered Certified Accountants and an associate of the Institute of Chartered Secretaries and Administrators.

Mr. LAI Lui Bor, aged 52, has more than 25 years of experience in the electronics manufacturing industry. Mr. Lai has a Degree in Mechanical Engineering and currently holds the position of Director of Manufacturing in a principal subsidiary of the Company.

Ms. LOW Pui Man, Jaime, aged 34, has served as Company Secretary of the Company since August 2002. She has extensive experience in company secretarial practice. She is an associate of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

FINANCIAL RESULTS

Summary of Results

HK$'000	(15 months) 1 Oct 2001 to 31 Dec 2002	(12 months) 1 Oct 2000 to 30 Sept 2001
Turnover	106,385	84,183
Profit/(loss) before tax:		
- before the Group Restructuring	(17,183)	(44,953)
- net gain attributable to the Group Restructuring	119,472	-
- arising from impairment of assets after the Group Restructuring	(2,831)	-
- expenses of the Group Reorganisation	(1,479)	-
- after the Group Restructuring	1,714	-
Profit/(loss) before tax	99,693	(44,953)
Tax and minority interest	(1,535)	-
Profit/(loss) attributable to shareholders	98,158	(44,953)

Turnover of HK$106.4 million for the period was solely contributed from the operations after the completion of the Group Restructuring (as defined in note 2 to the financial statements). Profit before tax for the period amounted to HK$99.7 million (last period: loss of HK$44.9 million), which can be further analysed into:

(i) ***Loss before the Group Restructuring:*** a loss of HK$17.2 million was incurred prior to the Group Restructuring by the previous management and the then receivers of the Group before the current management took over the control of the Group;

(ii) ***Net gain attributable to the Group Restructuring:*** a net gain of HK$119.5 million was realised from the Group Restructuring, which represented mainly the write-back of debts being released and discharged and the reversal of reserves as a result of the Group Restructuring, net of any related restructuring expenses;

(iii) ***Impairment of assets:*** an impairment of HK$10 million was made for the period in respect of a vacant property owned by a 70% subsidiary of the Company, comprised of HK$7.2 million which arose before the Group Restructuring and HK$2.8 million which arose after the Group Restructuring. The subsidiary was incorporated in Malaysia by the former management of the Group and was inherited by the new management after the Group Restructuring. Subsequent to the financial year end, the subsidiary entered into a sale and purchase agreement with an independent party on 31 March 2003 to dispose of the vacant property at its net book value, in line with the Company's intention to dispose of unused assets inherited from the previous management;

Summary of Results (cont'd)

(iv) *Expenses of the Group Reorganisation:* a one-off expense of HK$1.5 million was incurred as a result of the Group Reorganisation (as defined in note 3 to the financial statements), which included mainly legal and professional costs; and

(v) *Profit after the Group Restructuring:* a profit of HK$1.7 million was made after the Group Restructuring. This represented the profit from operations for only a few months and was attributable to the effective management of the business by the new management team and to the contribution from the newly acquired business of ESL.

Looking forward to when the effect of the satisfactory improvement derived from the reorganisation of business and financial position after the Group Restructuring has been fully reflected, we anticipate that the performance of the Group as a whole will be very promising.

Analysis by Business Segment

	Turnover		**Profit/(loss) from operating activities**	
HK$'000	(15 months) 1 Oct 2001 to 31 Dec 2002	(12 months) 1 Oct 2000 to 30 Sept 2001	(15 months) 1 Oct 2001 to 31 Dec 2002	(12 months) 1 Oct 2000 to 30 Sept 2001
Telecom products	106,020	83,774	6,991	(19,219)
Corporate	365	409	(23,677)	(20,482)
	106,385	84,183	(16,686)	(39,701)

After the Group Restructuring, business from the manufacture and development of telecom products and components continued to be the major source of revenue of the Group, and contributed over 99% of the Group's total turnover of HK$106.4 million for the period. Turnover for the preceding period amounted to HK$84.2 million, recorded from the period before the appointment of the then receivers in March 2001.

Subsequent to the acquisition of ESL and the change of the management team after the Group Restructuring in May 2002, the telecom products segment, including the manufacture of power supply components, recorded a net operating profit of HK$7 million (last period: loss of HK$19.2 million).

Analysis by Geographical Segment

The PRC, including Hong Kong, was the major market of the Group and accounted for over 90% of total turnover during the period. No analysis of turnover regarding the Group's geographical segments for the last period has been presented, as the information is not available.

FINANCIAL POSITION

The financial condition of the Group has been turned around into a positive and healthy position, attributable to the contribution and efforts of the new shareholders and management.

Net Asset Position

The net asset position of the Group has improved dramatically during the period as a result of the Group Restructuring, turning from a net deficit position of HK$50 million as at 30 September 2001 into a net asset position of HK$46 million as at 31 December 2002. The change was attributable to the following reasons: (i) almost all of the previous defaulted indebtedness was fully released and discharged; (ii) all material loss-making and heavily indebted subsidiaries were carved out from the Group; and (iii) new operating capital was injected by the new controlling shareholders.

Liquidity and Financial Resources

Following the relief of the financial difficulties of the Group from the Group Restructuring and the raising of funds during the period, the financial position and liquidity of the Group immediately returned to a very healthy position with positive net current assets. Almost all of the previous defaulted debts, including HK$69.4 million in convertible notes, were either released and discharged or compromised under the Group Restructuring.

In May 2002, as part of the consideration for the acquisition of ESL under the Group Restructuring, CCT Technology (the former holding company of the Group before the Group Reorganisation) issued convertible notes in the amount of HK$45 million to a subsidiary of CCT Telecom with a conversion price of HK$0.01 per share, interest free and falling due in 2005. In July 2002, CCT Technology issued convertible notes in the amount of HK$20 million at an interest rate of 5% per annum with a conversion price of HK$0.01 per share and falling due in 2004 to an independent investor, and raised net proceeds of HK$19.8 million. Both the HK$45 million and the HK$20 million in convertible notes were cancelled upon completion of the Group Reorganisation and, at the same time, new convertible notes in the amount of HK$45 million and HK$20 million were issued to the respective original convertible noteholders with substantially the same terms by the Company. Both the HK$45 million and the HK$20 million in convertible notes issued by the Company remained outstanding as at 31 December 2002.

At 31 December 2002, the Group had a cash balance of HK$68 million (30 September 2001: HK$7.3 million), over 90% of which was placed on deposit with licensed banks in Hong Kong and of which HK$5 million (30 September 2001: Nil) was pledged for general banking facilities. Outstanding bank loans and other borrowings amounted to only HK$2.6 million. All of these bank loans and other borrowings were arranged on a short-term basis for ordinary business of the Group and are repayable within one year. There is no material effect of seasonality on the Group's borrowing requirements.

The Group had no material capital commitment at 31 December 2002.

Capital Structure

The capital base of the Group was changed substantially during the period.

As a result of the Group Restructuring, the par value of the shares of CCT Technology was reduced from HK$0.02 each to HK$0.001 each. Ten reduced shares thereof were then consolidated into one share of HK$0.01 each and a total number of 8,420,000,000 then shares of HK$0.01 each were issued pursuant to the agreements under the Group Restructuring. Details of transactions are set out in CCT Technology's circular dated 31 March 2002.

In June 2002, CCT Technology further placed 1,780,000,000 shares at the price of HK$0.01 by a top-up placing arrangement to independent investors. Details of transactions are set out in CCT Technology's announcement dated 6 June 2002.

After the Group Restructuring and the subsequent share placement, the issued capital of CCT Technology was changed from 6,384,035,621 shares of HK$0.02 each to 10,838,403,562 shares of HK$0.01 each.

Upon completion of the Group Reorganisation in November 2002, CCT Technology became a wholly-owned subsidiary of the Company and the shareholders of CCT Technology became the shareholders of the Company with the shares exchanged on a one-to-one basis. The Company had a total number of 10,838,403,562 shares of HK$0.01 each at 31 December 2002.

Use of Proceeds

The Group raised net proceeds of HK$37.4 million as a result of the placement of shares and convertible notes in June and July 2002. The proceeds remained unused at 31 December 2002. It is intended that these proceeds will be used for capital expenditure, research and development and general working capital of the Group as announced by CCT Technology on 6 June 2002.

Key Financial Ratios

Gearing ratio	At 31 Dec 2002 HK$'000	At 31 Dec 2002 Relative %	At 30 Sept 2001 HK$'000	At 30 Sept 2001 Relative %
Bank borrowings	2,578	2%	14,657	N/A
Convertible notes	65,000	57%	48,888	N/A
Total borrowings	67,578	59%	63,545	N/A
Equity	46,401	41%	(50,364)	N/A
Total capital employed	113,979	100%	13,181	N/A

Current ratio	At 31 Dec 2002 HK$'000	At 30 Sept 2001 HK$'000
Current assets	101,482	30,713
Current liabilities	37,488	160,201
	271%	19%

As indicated, the Group had a gearing ratio of 59% as at 31 December 2002 (total borrowings over total capital employed). Excluding the convertible notes, most of which are due to CCT Telecom, the ratio of total bank borrowings to total capital employed is only 2%. The gearing ratio for the last period is not comparable because there was a negative equity at the last period end.

Current ratio (a ratio of current assets over current liabilities) as at 31 December 2002 is 271% (30 September 2001: 19%), representing a strong liquid position for the Group.

Treasury Management

Subsequent to the completion of the Group Restructuring, the new management of the Group has adopted and continues to advocate 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. Cash is generally placed in short term deposits denominated in Hong Kong dollars. At 31 December 2002, all of the Group's outstanding borrowings were denominated in Hong Kong dollars and were principally made on a floating rate basis. The Group does not have any significant foreign currency or interest rate risk.

OTHER INFORMATION

Employees and Remuneration Policy

The total number of employees of the Group as at 31 December 2002 was 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. There were no share options outstanding as at 31 December 2002.

Significant Investment

The Group did not hold any significant investment at 31 December 2002.

Acquisition and Disposal of Material Subsidiaries and Associates

As part of the Group Restructuring:

(i) CCT Technology, the former holding company of the Group, transferred its entire interest in S. Megga Telecommunications Limited to the then receivers of CCT Technology. S. Megga Telecommunications Limited, formerly a wholly-owned subsidiary of CCT Technology, was loss-making and in a net deficit position; and

(ii) CCT Technology acquired the entire interest of ESL from CCT Telecom.

Details of transactions are set out in CCT Technology's circular dated 31 March 2002.

Apart from the above, there was no acquisition or disposal of material subsidiaries and associates during the period.

Pledge of Assets

At 31 December 2002, certain of the Group's fixed assets with a net book value of HK$5 million (30 September 2001: HK$14.8 million) and time deposits of HK$5 million (30 September 2001:Nil) were pledged to secure the general banking facilities granted to the Group.

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$215,000 as at 31 December 2002. The contingent liability has arisen as a number of current employees have achieved the required number of years of service to the Group at the balance sheet date to make 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.

CORPORATE INFORMATION

COMPANY NAME
CCT Tech International Limited

BOARD OF DIRECTORS

Executive Directors
MAK Shiu Tong, Clement (Chairman and Chief Executive Officer)
TAM Ngai Hung, Terry (Deputy Chairman)
CHENG Yuk Ching, Flora
TONG Chi Hoi

Independent Non-executive Directors
LAU Ho Kit, Ivan
CHOW Siu Ngor

COMPANY SECRETARY
LOW Pui Man, Jaime

PRINCIPAL BANKERS
Standard Chartered Bank
Nanyang Commercial Bank, Ltd

SOLICITORS
Sidley Austin Brown & Wood

AUDITORS
Ernst & Young Certified Public Accountants

FINANCIAL YEAR END
December 31

REGISTERED OFFICE
Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
32/F China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tengis Limited
G/F Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

TELEPHONE NUMBER
+852 2102 8138

FAX NUMBER
+852 2102 8100

STOCK CODE
261

CONTENTS

REPORT OF THE DIRECTORS

The directors herein to present their annual report and the audited financial statements of the Company for the period from 22 July 2002 (date of incorporation) to 31 December 2002 and of the Group for the period from 1 October 2001 to 31 December 2002.

GROUP REORGANISATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) on 22 July 2002.

Pursuant to a scheme of arrangement sanctioned by the Supreme Court of Bermuda which became effective on 4 November 2002, the Company issued its shares to the then shareholders of CCT Technology Holdings Limited ("CCT Technology") (formerly known as Wireless InterNetworks Limited) ("WIN"), the former listed holding company, in exchange for the entire issued share capital of CCT Technology. CCT Technology then became a wholly-owned subsidiary of the Company and its listing status on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") was withdrawn at the close of business on 6 November 2002. The shares of the Company were listed on the Stock Exchange on 7 November 2002 by way of introduction.

Details of the group reorganisation (the "Group Reorganisation") for the period are set out in note 3 to the financial statements.

CHANGE OF FINANCIAL YEAR END DATE

Pursuant to an ordinary resolution passed by the directors of the Company on 14 August 2002, the Company adopted a financial year end date of 31 December. During the year, CCT Technology group changed its financial year end date from 30 September to 31 December with effect from the year of 2002. The current accounting period covers a period of fifteen months from 1 October 2001 to 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries comprised the manufacture and sale of telecom products. There were no significant changes in the nature of the Group's principal activities during the period.

RESULTS AND DIVIDEND

The Group's profit for the period from 1 October 2001 to 31 December 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 32 to 73.

The directors do not recommend payment of any dividend for the period (year ended 30 September 2001: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial periods/years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 74. This summary does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in fixed assets of the Group during the period are set out in note 19 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in share capital and share options of the Company during the period, together with the reasons therefor, are set out in notes 33 and 34 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Current Directors (as defined in note 3 to the financial statements) disclaim their responsibilities on the accuracy of the information stated herein in respect of the purchase, sale or redemption of WIN's listed securities before 17 May 2002 due to insufficient and incomplete records received from the then receivers and the Former Directors (as defined in note 2 to the financial statements) for the period before completion of the Group Restructuring (as detailed in note 2 to the financial statements). As far as the Current Directors are aware, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of CCT Technology (formerly known as WIN) and/or the Company during the fifteen months ended 31 December 2002.

RESERVES

Details of movements in reserves of the Company and the Group during the period are set out in note 35 to the financial statements and in the consolidated statement of changes in equity, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

Subject to note 5 to the financial statements, as far as is known to, or can be ascertained after reasonable enquiry by, the directors of the Company, the information in respect of the Group's sales and purchases attributable to the major customers and suppliers, respectively, during the financial period is as follows:

	Percentage of the Group's total			
	Sales		Purchases	
	Period from 1 October 2001 to 31 December 2002	Year ended 30 September 2001	Period from 1 October 2001 to 31 December 2002	Year ended 30 September 2001
The largest customer	69	23		
Five largest customers in aggregate	93	67		
The largest supplier			26	N/A
Five largest suppliers in aggregate			68	<30

CCT Telecom Holdings Limited ("CCT Telecom"), a substantial shareholder of the Company, had beneficial interests in one of the five largest customers and one of the five largest suppliers of the Group.

MAJOR CUSTOMERS AND SUPPLIERS (continued)

The directors confirm that, having made their best endeavours and all reasonable enquiries, save as disclosed above, at no time during the period have the directors of the Company or any of their associates or shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

(A) During the period up to the date immediately prior to the Group Reorganisation becoming effective on 4 November 2002, the directors of CCT Technology were as follows:

Executive directors:

Mak Shiu Tong Clement	(appointed on 17 May 2002)
Cheng Yuk Ching Flora	(appointed on 17 May 2002)
Tam Ngai Hung Terry	(appointed on 17 May 2002)
Leung Howard	(resigned on 17 May 2002)

Independent non-executive directors:

Chow Siu Ngor	(appointed on 17 May 2002)
Lau Ho Kit Ivan	(appointed on 17 May 2002)
Gerald Clive Dobby	(resigned on 17 May 2002)
Wu Sai Wing	(resigned on 17 May 2002)

(B) Subsequent to the date of the Group Reorganisation becoming effective on 4 November 2002 and up to the date of this annual report, the directors of the Company were as follows:

Executive directors:

Mak Shiu Tong Clement	(appointed on 14 August 2002)
Cheng Yuk Ching Flora	(appointed on 14 August 2002)
Tam Ngai Hung Terry	(appointed on 14 August 2002)
Tong Chi Hoi	(appointed on 12 November 2002)

Independent non-executive directors:

Chow Siu Ngor	(appointed on 14 August 2002)
Lau Ho Kit Ivan	(appointed on 14 August 2002)

In accordance with the bye-laws of the Company, Messrs. Mak Shiu Tong Clement, Cheng Yuk Ching Flora, Tam Ngai Hung Terry, Tong Chi Hoi, Chow Siu Ngor and Lau Ho Kit Ivan will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on page 8 of this report.

DIRECTORS' SERVICE CONTRACTS

During the period, no director had a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period.

SHARE OPTION SCHEME

At the special general meeting held on 11 July 2002, the shareholders of CCT Technology adopted a share option scheme (the "Old Share Option Scheme") to comply with the new amendments to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Upon the Group Reorganisation becoming effective on 4 November 2002, CCT Technology became a wholly-owned subsidiary of the Company. The listing of the shares of the Company on the main board of the Stock Exchange commenced on 7 November 2002 by way of introduction and the listing of the shares of CCT Technology on the main board of the Stock Exchange was withdrawn at the close of business on 6 November 2002.

A new share option scheme (the "New Share Option Scheme") was conditionally adopted by the then shareholder of the Company on 17 September 2002 and the shareholders of CCT Technology on 15 October 2002. Immediately upon the listing of the shares of the Company on the Stock Exchange on 7 November 2002, the New Share Option Scheme became unconditional and the Old Share Option Scheme was terminated. Unless otherwise cancelled or amended, the New Share Option Scheme will remain in force for 10 years from that date.

The purpose of the New Share Option Scheme is to provide incentives and rewards to the eligible participants who contribute to the success of the Group's operation. Eligible participants of the New Share Option Scheme include any employee, executive or officer of the Group (including executive and non-executive directors of the Group) and any supplier, consultant, agent, adviser, shareholder, customer, partner, business associate who, in the sole discretion of the board of directors of the Company, will contribute or has contributed to the Group.

Pursuant to the New Share Option Scheme, the maximum number of shares in respect of which options may be granted under the New Share Option Scheme is such number of shares, when aggregated with shares subject to any other share option scheme(s) of the Company (which, for this purpose, excludes the Old Share Option Scheme), must not exceed 10% of the issued share capital of the Company upon the listing of the shares of the Company on the Stock Exchange. The maximum number of shares issuable upon exercise of the options granted under the New Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each eligible participant in any 12-month period is limited to 1% of the shares of the Company in issue as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Company (and if required, the holding company) and the shareholders' approval of the Company (and if required, the approval of the shareholders of the holding company) at a general meeting.

SHARE OPTION SCHEME (continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to the approval in advance by the independent non-executive directors of the Company (and if required, the approval of the independent non-executive directors of the holding company), excluding the independent non-executive director(s) of the Company who is/are the grantee(s) of the options. In addition, any share option granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue as at the date of grant or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to the issue of a circular by the Company (and if required, the holding company) and the shareholders' approval of the Company (and if required, the approval of the shareholders of the holding company) in advance at a general meeting.

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

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

No options has been granted under the Old Share Option Scheme and the New Share Option Scheme since the date of their adoption up to the date of this annual report.

The Current Directors consider that it is not appropriate to value the options that can be granted under the New Share Option Scheme on the grounds that (i) no options has yet been granted; (ii) the options to be granted under the New Share Option Scheme are not freely transferable (and hence there is no open market for transacting these options), and the grantee of an option is unable to sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any option; (iii) options (if granted) will lapse if the grantee ceases to be an eligible participant; and (iv) a number of variables crucial for the valuation of the option value 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.

DIRECTORS' INTERESTS IN SHARES AND WARRANTS

As at 31 December 2002, the interests of the Current Directors and/or any of their respective associates in the equity or debt securities of the Company or any of its associated corporation (as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")), as recorded in the register 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules (the "Model Code"), were as follows:

DIRECTORS' INTERESTS IN SHARES AND WARRANTS (continued)

(i) Associated corporation - CCT Telecom

Name of director	*Note*	Number of ordinary shares in CCT Telecom beneficially held and nature of interest Personal	Family	Corporate
Mak Shiu Tong Clement	*(a)*	856,000	1,407,500	83,998,441
Cheng Yuk Ching Flora		9,876,713	–	–
Tong Chi Hoi		282,000	–	–

(ii) Associated corporation - Haier-CCT Holdings Limited ("Haier-CCT")

		Number of ordinary shares in Haier-CCT beneficially held and nature of interest			Amount of 2004 warrants in Haier-CCT beneficially held and nature of interest		
Name of director	*Note*	Personal	Family	Corporate	Personal HK$	Family HK$	Corporate HK$
Mak Shiu Tong Clement	*(b)*	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 Terry		10,000,000	–	–	520,000.00	–	–
Tong Chi Hoi		5,221	–	–	–	–	–

Notes:

(a) 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.

(b) The family interest of Mr. Mak Shiu Tong Clement in 1,150,391 shares and in the 2004 warrants in an aggregate amount of HK$59,820.28 in Haier-CCT were held by his wife, Ms. Yiu Yu Ying, and the corporate interest of Mr. Mak Shiu Tong Clement in 85,494,864 shares and in the 2004 warrants in an aggregate amount of HK$4,444,651.64 in Haier-CCT were held by Capital Interest Limited, the issued share capital of which his wife, Ms. Yiu Yu Ying, and his two sons had beneficial interests, under the provisions of the SDI Ordinance. The 2004 warrants in Haier-CCT entitle holders thereof to subscribe for its shares at a subscription price of HK$0.52 per share, subject to adjustments, until 26 February 2004.

Save as disclosed above, as at 31 December 2002, none of the Current Directors and/or any of their respective associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporation (as defined in the SDI Ordinance), as recorded in the register required to be kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE ORDINARY SHARES

(i) Associated corporation - CCT Telecom

	Number of share options in CCT Telecom							
Name of director	Outstanding as at 1 October 2001	Adjustment#	Granted during the period	Exercised during the period	Lapsed/ Cancelled during the period	Outstanding as at 31 December 2002	*Notes*	Exercise price per share option HK$
Mak Shiu Tong Clement	20,000,000	(15,000,000)#	–	–	–	5,000,000#	*(a)*	2.936#
Cheng Yuk Ching Flora	5,000,000	(3,750,000)#	–	–	–	1,250,000#	*(a)*	2.936#
Tam Ngai Hung Terry	3,000,000	(2,250,000)#	–	–	–	750,000#	*(b)*	3.732#
	5,000,000	(3,750,000)#	–	–	–	1,250,000#	*(a)*	2.936#
Tong Chi Hoi	2,000,000	(1,500,000)#	–	–	–	500,000#	*(c)*	2.936#
Total	35,000,000	(26,250,000)#	–	–	–	8,750,000#		

Notes:

(a) The share options were granted on 13 August 2001 which are exercisable during the period from 16 August 2001 to 15 August 2003.

(b) The share options were granted on 11 June 2001 which are exercisable during the period from 13 June 2001 to 12 June 2003.

(c) The share options were granted on 13 August 2001 which are exercisable during the period from 16 February 2002 to 15 August 2003.

 # Adjusted to take into account of the share consolidation, rights issue and bonus issue of CCT Telecom in December 2001.

(ii) Associated corporation - Haier-CCT

	Number of share options in Haier-CCT						
Name of director	Outstanding as at 1 October 2001	Granted during the period	Exercised during the period	Lapsed/ Cancelled during the period	Outstanding as at 31 December 2002	*Notes*	Exercise price per share option HK$
Mak Shiu Tong Clement	–	89,000,000	–	–	89,000,000	*(a)*	0.156
Cheng Yuk Ching Flora	–	89,000,000	–	–	89,000,000	*(a)*	0.156
Tam Ngai Hung Terry	–	89,000,000	–	–	89,000,000	*(a)*	0.156
Tong Chi Hoi	3,000,000	–	–	–	3,000,000	*(b)*	0.190
	–	10,000,000	–	–	10,000,000	*(a)*	0.156
Total	3,000,000	277,000,000	–	–	280,000,000		

Notes:

(a) The share options were granted on 16 August 2002 which are exercisable during the period from 16 August 2003 to 15 August 2007.

(b) The share options were granted on 13 July 2001 which are exercisable during the period from 13 January 2002 to 12 July 2003.

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any of its associated corporation granted to any Current Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, or any of its associated corporation a party to any arrangement to enable the Current Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2002, the following parties were interested in 10% or more in the equity securities of the Company as recorded in the register required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholder	*Notes*	Number of shares held	Approximate percentage of the Company's issued share capital %
Jade Assets Company Limited		1,800,000,000	16.61
CCT Assets Management Limited		1,350,000,000	12.46
Expert Success International Limited		1,350,000,000	12.46
CCT Technology Investment Limited	*(a)*	4,500,000,000	41.52
CCT Telecom	*(b)*	4,500,000,000	41.52
Dongguan Defa Investment Limited		2,000,000,000	18.45
Tan Jinrong	*(c)*	2,000,000,000	18.45
Standard Chartered Bank	*(d)*	1,424,425,852	13.14

Notes:

(a) The interest disclosed includes 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.

(b) The interest disclosed includes 4,500,000,000 shares beneficially owned by CCT Technology Investment Limited, which is a wholly-owned subsidiary of CCT Telecom.

(c) The interest disclosed includes 2,000,000,000 shares held by Dongguan Defa Investment Limited, in which Mr. Tan Jinrong has controlling interest.

(d) These shares are registered in the name of Horsford Nominees Limited, as the nominee for Standard Chartered Bank.

Save as disclosed above, as at 31 December 2002, no other parties, other than the Current Directors and/or any of their respective associates, whose interests are set out above, had registered as having an interest of 10% or more in the equity securities of the Company as recorded in the register required to be kept by the Company under Section 16(1) of the SDI Ordinance.

CONNECTED TRANSACTIONS

Electronic Sales Limited ("ESL"), a wholly-owned subsidiary of the Company, had the following material transactions with certain subsidiaries of CCT Telecom during the period. Since CCT Telecom is a substantial shareholder of the Company, subsidiaries of CCT Telecom are, therefore, connected persons of the Company and transactions with these companies constituted connected transactions under section 14 of the Listing Rules:

CONNECTED TRANSACTIONS (continued)

	Notes	Period from 17 May 2002 to 31December 2002 HK$'000
Management fee expenses	(i)	1,600
Rental expense	(ii)	1,200
Sale of products	(iii)	73,750
Purchase of materials	(iv)	17,256

Notes:

(i) The management fee was charged to ESL by CCT Telecom (HK) Limited ("CCT Telecom (HK)"), a wholly-owned subsidiary of CCT Telecom, for the provision of general administration, management information system consultation and hardware maintenance services and was determined based on actual costs incurred.

(ii) The rental expense was charged to ESL by CCT Properties (Dongguan) Limited ("CCT Properties"), a 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 ESL and CCT Properties on 12 April 2002.

(iii) The sale of products 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 from Neptune Holding Limited ("Neptune"), a 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 mateials plus a mark-up percentage up to 50% of such direct costs.

CCT Telecom is substantial shareholder of the company with substantial management ability and business experience in telecom products. The above connected transactions can facilitate the business flows between the two group and improve efficiencies on reduce cost of ESL.

The transactions as indicated in notes (iii) and (iv) above were disclosed in the circular to the shareholders of CCT Technology dated 21 June 2002 and were approved by the independent shareholders at a special general meeting of CCT Technology held on 11 July 2002.

The Stock Exchange has granted conditional waivers to CCT Technology from strict compliance with the connected transactions requirements as set out in the Listing Rules for the three financial years ending 31 December 2004. The ongoing connected transactions have obtained the approval of the independent non-executive directors of CCT Technology on 31 May 2002. The Stock Exchange has confirmed that the conditional waivers are validly applicable to the Company after the Group Reorganisation.

The independent non-executive directors of the Company have reviewed the connected transactions as indicated in notes (i), (ii), (iii) and (iv) above and confirmed that:

(a) the aggregate value of the management fee and rental expense as described in notes (i) and (ii) above for the period from 17 May 2002 to 31 December 2002 did not exceed the cap amount set out in the announcement and the circular dated 31 May 2002 and 21 June 2002, respectively;

CONNECTED TRANSACTIONS (continued)

(b) the aggregate value of the sale of products to CCT Telecom (HK) and purchase of materials from Neptune for the period from 17 May 2002 to 31 December 2002 did not exceed the cap amounts set out in the announcement and the circular dated 31 May 2002 and 21 June 2002, respectively;

(c) the transactions were entered into in the usual and ordinary course of businesses of ESL;

(d) the transactions were conducted either on normal commercial terms or if there is no available comparison, on terms that are fair and reasonable so far as the shareholders of the Company, taken as a whole, are concerned; and

(e) the transactions were conducted either in accordance with the terms of the agreements governing such transactions or if there were no such agreements, on terms that are less favourable than terms available to or from independent third parties.

No information on connected transactions for the year ended 30 September 2001 and the period from 1 October 2001 to 17 May 2002 has been presented as the information is not available.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 40 to the financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Current Directors, immediately after completion of the Group Restructuring, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 to the Listing Rules throughout the accounting period from 17 May 2002 to 31 December 2002, except that the independent non-executive directors of the Company are not appointed for specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company.

AUDIT COMMITTEE

At completion of the Group Restructuring on 17 May 2002, an audit committee of WIN was formed. Upon completion of the Group Reorganisation and the listing of the shares of the Company on the Stock Exchange on 7 November 2002, a new audit committee of the Company (the "New Audit Committee"), comprising two independent non-executive directors of the Company, was then established with written terms of reference pursuant to paragraph 14 of the Code.

The New Audit Committee had reviewed the accounting principles and practices adopted by the Group and discussed financial and accounting matters including the review of the audited consolidated financial statements of the Group for the fifteen months ended 31 December 2002. However, the New Audit Committee disclaims their liabilities and cannot form an opinion in respect of the transactions before 17 May 2002 due to insufficient and incomplete records received from the then receivers and the Former Directors for the period before completion of the Group Restructuring.

AUDITORS

Ernst & Young were appointed by the directors as the first auditors of the Company. Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Mak Shiu Tong, Clement
Chairman

Hong Kong
15 April 2003

ERNST & YOUNG
安永會計師事務所

To the members
CCT Tech International Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 32 to 73 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants, except that the scope of our work was limited as explained below.

An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to us was limited as follows:

1. SCOPE LIMITATIONS ARISING FROM THE PRIOR YEAR'S AUDIT SCOPE LIMITATIONS AFFECTING OPENING BALANCES

(a) The opinion on the financial statements of CCT Technology Holdings Limited ("CCT Technology") (formerly known as Wireless InterNetworks Limited), the former holding company of the listed group of Wireless InterNetworks Limited and now a wholly-owned subsidiary of the Company, and its subsidiaries (collectively referred as to the "CCT Technology Group") for the year ended 30 September 2001, which was given by another firm of accountants, was disclaimed in view of the persuasive nature of certain limitations on the scope of their audit. These primarily resulted from the inability of the former directors of CCT Technology to locate sufficient documentary information as further explained in note 5 to the financial statements. Any adjustments that might have been found to be necessary to the opening net liabilities of the Group would have a consequential effect on the net profit of the Group for the fifteen month period ended 31 December 2002.

2. SCOPE LIMITATIONS ARISING FROM CURRENT PERIOD AUDIT

(b) As further explained in note 5 to the financial statements, the consolidated profit and loss account for the period from 1 October 2001 to 31 December 2002 has consolidated the profit and loss accounts of CCT Technology Group from 1 October 2001 to 17 May 2002 based on the unaudited management accounts of CCT Technology Group passed to the current directors from the then receivers and former directors on 17 May 2002. We have not performed an audit of the management accounts and, accordingly, we have not obtained the audit evidence necessary to satisfy ourselves as to the nature, completeness, appropriateness, classification and disclosure in respect of the transactions undertaken by CCT Technology Group for the period from 1 October 2001 to 17 May 2002, as included in the consolidated financial statements.

Any adjustment to the amounts so consolidated in respect of profit and loss accounts of CCT Technology Group from 1 October 2001 to 17 May 2002 would have a corresponding effect on the amounts reported in the consolidated profit and loss account for the fifteen months ended 31 December 2002 and on the amount reported as the net gain attributable to the group restructuring. Similarly, for the same reasons, we have been unable to satisfy ourselves that other amounts and the relevant disclosures reflected in the consolidated statement of changes in equity, consolidated cash flow statement and segment information, turnover, loss from operating activities, finance costs and related party transactions disclosed under notes 8, 9, 10, 12 and 41, respectively, are fairly stated.

(c) As further explained in note 5 to the financial statements, S. Meggatel Sdn. Bhd., a 70%-owned subsidiary of the Group in Malaysia, had incomplete books and records for the period from 1 October 2001 to 31 December 2002. We have been unable to perform an audit of the amounts consolidated in respect of this subsidiary company and, accordingly, we have not obtained the audit evidence necessary to satisfy ourselves as to the nature, completeness, appropriateness, classification and disclosure in respect of the transactions undertaken by S. Meggatel Sdn. Bhd. for the period from 1 October 2001 to 31 December 2002 and the related balances as at 31 December 2002, including the corresponding minority interests recorded in the consolidated profit and loss account for the period from 1 October 2001 to 31 December 2002 and consolidated balance sheet as at 31 December 2002, as included in the consolidated financial statements.

Any adjustments that might have been found to be necessary in respect of the matters set out above would have a consequential impact on the Group's net profit and cash flows for the period from 1 October 2001 to 31 December 2002, the Group's net assets position as at 31 December 2002, and on the classification of such items and their related disclosures in the financial statements.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

2. SCOPE LIMITATIONS ARISING FROM CURRENT PERIOD AUDIT (continued)

Disclaimer of opinion

Because of the significance of the possible effects of the limitations of scope in respect of the evidence made available to us as set out in sections 1 and 2 in the basis of opinion of this report above, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2002 and of the profit and cash flows of the Group for the fifteen month period from 1 October 2001 to 31 December 2002 and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitations on our work as set out in the basis of opinion section of this report:

(i) we have not obtained all the information and explanations that we consider necessary for the purpose of our audit; and

(ii) we were unable to determine whether proper books and records had been kept.

Without further qualifying our opinion, we draw attention to the fact that because the auditors disclaimed their opinion on the financial statements of CCT Technology Group for the year ended 30 September 2001, the comparative amounts shown in these financial statements may not be comparable with the amounts for the current period.

Ernst & Young
Certified Public Accountants

Hong Kong
15 April 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Period from 1 October 2001 to 31 December 2002

	Notes	Period from 1 October 2001 to 31 December 2002 HK$'000	Year ended 30 September 2001 HK$'000
TURNOVER	9	106,385	84,183
Cost of sales		(88,164)	(98,704)
Gross profit/(loss)		18,221	(14,521)
Other revenue		2,760	5,522
Administrative and selling expenses		(25,079)	(25,838)
Other operating expenses		(2,603)	(4,864)
Impairment of fixed assets	19	(9,985)	–
LOSS FROM OPERATING ACTIVITIES	10	(16,686)	(39,701)
Net gain attributable to the Group Restructuring	11	119,472	–
Finance costs	12	(3,093)	(5,252)
PROFIT/(LOSS) BEFORE TAX		99,693	(44,953)
Tax	15	(1,000)	–
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		98,693	(44,953)
Minority interests		(535)	–
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	16	98,158	(44,953)
DIVIDEND	17	–	–
EARNINGS/(LOSS) PER SHARE	18		
Basic		1.75 cents	(7.13) cents
Diluted		1.15 cents	N/A

CONSOLIDATED BALANCE SHEET

31 December 2002

	Notes	31 December 2002 HK$'000	30 September 2001 HK$'000
NON-CURRENT ASSETS			
Fixed assets	19	16,134	78,756
Intangible assets	20	496	–
Goodwill	21	32,297	–
Other investments		–	368
		48,927	79,124
CURRENT ASSETS			
Inventories	23	1,849	23,438
Trade receivables	24	29,867	–
Prepayments, deposits and other receivables	25	1,790	–
Pledged deposits	26	5,043	–
Cash and cash equivalents	26	62,933	7,275
		101,482	30,713
CURRENT LIABILITIES			
Trade and bills payables	27	25,682	92,577
Other payables and accruals	28	7,014	3,765
Tax payable		2,214	–
Interest-bearing bank and other borrowings	29	2,578	14,971
Convertible notes	31	–	48,888
		37,488	160,201
NET CURRENT ASSETS/(LIABILITIES)		63,994	(129,488)
TOTAL ASSETS LESS CURRENT LIABILITIES		112,921	(50,364)
NON-CURRENT LIABILITIES			
Deferred tax	32	985	–
Convertible notes	31	65,000	–
		65,985	-
MINORITY INTERESTS		535	–
		46,401	(50,364)

	Notes	31 December 2002 HK$'000	30 September 2001 HK$'000
CAPITAL AND RESERVES			
Issued capital	33	108,384	127,681
Reserves	35(a)	(61,983)	(178,045)
		46,401	(50,364)

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period from 1 October 2001 to 31 December 2002

	Issued share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Conversion option reserve HK$'000	Property revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 October 2000	120,694	731,190	34,600	47,926	23,553	20,176	(990,011)	(11,872)
Shares of CCT Technology issued upon conversion of convertible notes	6,987	–	–	–	(3,066)	–	–	3,921
Premium on issue of shares	–	2,540	–	–	–	–	–	2,540
Transfer of property revaluation reserve to accumulated losses upon the disposal of revalued fixed assets	–	–	–	–	–	(20,176)	20,176	–
Loss for the year	–	–	–	–	–	–	(44,953)	(44,953)
At 30 September 2001 and 1 October 2001	127,681	733,730	34,600	47,926	20,487	–	(1,014,788)	(50,364)
Capital reduction against accumulated losses (note a)	(121,297)	–	–	–	–	–	121,297	–
Issue of new shares of CCT Technology	84,200	–	–	–	–	–	–	84,200
Placement of new shares of CCT Technology	17,800	–	–	–	–	–	–	17,800
Reversal of conversion option reserve upon the Group Restructuring (note b)	–	–	–	–	(20,487)	–	–	(20,487)
Reversal of reserves upon the Group Restructuring (note c)	–	–	(34,600)	(47,926)	–	–	–	(82,526)
Share issue expenses	–	(380)	–	–	–	–	–	(380)
Profit for the period	–	–	–	–	–	–	98,158	98,158
At 31 December 2002	108,384	733,350	–	–	–	–	(795,333)	46,401

Notes:

(a) The entire credit balance, arising from the capital reduction of CCT Technology in the amount of HK$121,297,000, was applied to write off part of the accumulated losses of CCT Technology.

(b) The entire conversion option reserve was reversed upon the settlement of the convertible notes on 17 May 2002.

(c) The contributed surplus and capital reserves were reversed upon the disposal of certain subsidiaries and the disposal of properties, respectively.

The events as explained in notes (a) to (c) above have arisen from the Group Restructuring which was completed on 17 May 2002. Details of the Group Restructuring are set out in note 2 to the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Period from 1 October 2001 to 31 December 2002

	Notes	Period from 1 October 2001 to 31 December 2002 HK$'000	Year ended 30 September 2001 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Adjustments for:			
Profit/(loss) before tax		99,693	(44,953)
Interest income		(365)	(212)
Finance costs		3,093	5,252
Net gain attributable to the Group Restructuring		(119,472)	–
Depreciation		3,808	3,271
Amortisation of goodwill		1,100	–
Amortisation of deferred development costs		99	4,355
Bad and doubtful debt provisions on trade receivables		380	–
Loss on disposal of fixed assets		116	217
Write off of fixed assets		1,007	–
Impairment of fixed assets		9,985	–
Operating loss before working capital changes		(556)	(32,070)
Decrease in inventories		1,445	35,423
Decrease in trade receivables, prepayments, deposits and other receivables		630	15,984
Increase/(decrease) in trade and bills payables, other payables and accruals		5,700	(24,627)
Cash generated from/(used in) operations		7,219	(5,290)
Interest received		365	212
Interest paid		–	(892)
Interest element on finance lease rental payments		(31)	(3)
Hong Kong profits tax paid		(754)	–
Net cash inflow/(outflow) from operating activities		6,799	(5,973)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets		(2,563)	(146)
Proceeds from disposal of fixed assets		61	45,637
Additions to intangible assets		(172)	(3,817)
Acquisition of subsidiaries	36(d)	15,026	–
Disposal of subsidiaries and discharge of secured and unsecured financial obligations upon the Group Restructuring	36(e)	(12,870)	–
Increase in pledged time deposits		(5,043)	–
Net cash inflow/(outflow) from investing activities		(5,561)	41,674

Period from 1 October 2001 to 31 December 2002

	Period from 1 October 2001 to 31 December 2002 HK$'000	Year ended 30 September 2001 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of new shares	40,000	–
Proceeds from placement of shares	17,800	–
Share issue expenses	(380)	–
Issue of new convertible notes	20,000	–
Repayment of convertible notes	(23,000)	–
New bank loan	–	4,680
Repayment of bank loans and other borrowings	–	(46,000)
Capital element of finance lease rental payments	–	(66)
Advances from associates	–	3,765
Net cash inflow/(outflow) from financing activities	54,420	(37,621)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	55,658	(1,920)
Cash and cash equivalents at beginning of period/year	7,275	9,195
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	62,933	7,275
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	27,718	7,275
Non-pledged time deposits with original maturity of less than three months when required	35,215	–
	62,933	7,275

BALANCE SHEET

31 December 2002

	Notes	31 December 2002 HK$'000
NON-CURRENT ASSETS		
Interests in subsidiaries	22	71,092
CURRENT ASSETS		
Prepayments, deposits and other receivables	25	740
Cash and cash equivalents	26	35,722
		36,462
CURRENT LIABILITIES		
Other payables and accruals	28	1,012
NET CURRENT ASSETS		35,450
TOTAL ASSETS LESS CURRENT LIABILITIES		106,542
NON CURRENT LIABILITIES		
Convertible notes	31	65,000
		41,542
CAPITAL AND RESERVES		
Issued capital	33	108,384
Reserves	35(b)	(66,842)
		41,542

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

1. CORPORATE INFORMATION

The registered office of CCT Tech International Limited is located at Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.

The Company was incorporated as an exempted company with limited liability in Bermuda on 22 July 2002. The shares of the Company were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 7 November 2002.

The principal activity of the Company is investment holding and the activities of its principal subsidiaries comprised the manufacture and sale of telecom products.

In the opinion of the directors, the ultimate holding company of the Company is CCT Telecom Holdings Limited ("CCT Telecom"), which is incorporated in the Cayman Islands with limited liability and is listed on the Stock Exchange.

Since the Company was incorporated on 22 July 2002, no comparative amounts for 2001 are presented in the Company's balance sheet.

2. GROUP RESTRUCTURING

On 10 August 2001, restructuring agreements (the "Restructuring Agreements") were entered into between Wireless InterNetworks Limited ("WIN", the former holding company), WIN's then receivers, Standard Chartered Bank, CCT Telecom and Dongguan Defa Investment Limited ("Dongguan Defa"), an independent third party. Pursuant to the terms of the Restructuring Agreements (the "Group Restructuring"), the Group Restructuring involved the following principal steps and was completed on 17 May 2002:

(i) Capital Restructuring

(a) the nominal value of each of the then issued share of WIN was reduced from HK$0.02 to HK$0.001 and the credit balance of HK$121,297,000 arising from the capital reduction was applied to write off part of the brought forward accumulated losses of WIN. Each of the then unissued shares of the WIN share capital of WIN was sub-divided into 20 shares of HK$0.001 each;

(b) every 10 shares of HK$0.001 each, following the capital reduction mentioned in (a), was consolidated into one share of HK$0.01 each; and

(c) the authorised share capital of WIN was increased from HK$78,703,323 to HK$150,000,000 divided into 15,000,000,000 shares of HK$0.01 each.

(ii) Debt Restructuring

(a) the indebtedness to the registered holders of WIN's 3-year notes and 7-year notes (the "Notes") aggregating approximately HK$63.7 million (comprising approximately HK$48.9 million and HK$20.5 million of the liability and equity portion of the Notes, respectively, less approximately HK$5.7 million accumulated amortisation of premium payable upon the final redemption of the Notes) was settled and discharged entirely upon an allotment and issue of 1,820,000,000 then shares of WIN and the payment of HK$20 milion cash by WIN; and

2. GROUP RESTRUCTURING (continued)

(ii) Debt Restructuring (continued)

(b) the unsecured indebtedness of WIN of approximately HK$36.2 million was compromised under a scheme of arrangement between WIN and its unsecured creditors and discharged upon the payment of HK$3 million cash by WIN.

(iii) Asset Transfer and Share Transfer

(a) certain assets, including goodwill, customer lists and records, computer hardware, software licences/ maintenance contracts, employees and intellectual properties, were hived-down by S. Megga Telecommunications Limited ("S. Megga Telecom"), an indirect wholly-owned subsidiary of WIN, to another subsidiary of WIN in consideration of (i) the payment of HK$2 million cash by WIN; (ii) the allotment and issue to S. Megga Telecom of 100,000,000 then shares of WIN; and (iii) the waiver of certain unsecured indebtedness owed by S. Megga Telecom to WIN and certain other members of WIN Group; and

(b) the entire voting share capital of S. Megga Telecom was transferred to a company beneficially owned by the then receivers of WIN.

(iv) Subscription

CCT Telecom and Dongguan Defa each subscribed for 2,000,000,000 then shares of WIN at HK$0.01 each for an aggregate consideration of HK$40 million in cash.

(v) Assets Injection

WIN acquired Electronic Sales Limited ("ESL") from CCT Telecom at a consideration of HK$70 million, which was satisfied by the allotment and issue of 2,500,000,000 then shares of WIN at HK$0.01 each to CCT Telecom and the issue of the HK$45 million convertible notes to CCT Telecom.

In addition, on the same date:

(i) 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 independent non-executive directors of WIN;

(ii) the board of WIN had accepted the resignations of each of Mr. Gerald Clive Dobby and Mr. Wu Sai Wing as the independent non-executive directors of WIN, and that of Mr. Leung Howard as the executive director of WIN (these three directors collectively referred to as the "Former Directors"); and

(iii) the then receivers of WIN resigned.

As a result of the Group Restructuring, almost all of the defaulted indebtedness owed by WIN Group was fully released and discharged and all material 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 name of WIN was changed to CCT Technology Holdings Limited ("CCT Technology") on 22 May 2002.

3. GROUP REORGANISATION

On 5 July 2002, CCT Technology announced its proposal for a group reorganisation (the “Group Reorganisation”), which involved the introduction of the Company. As a result of the Group Reorganisation, CCT Technology 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 share exchange are set out in note 33(d) to the financial statements). The listing of the shares of CCT Technology on the main board of the Stock Exchange was withdrawn at the close of business on 6 November 2002. The shares of the Company were listed on the Stock Exchange by way of introduction, and the dealing of which commenced on 7 November 2002.

Further details of the Group Reorganisation are set out in CCT Technology’s circular dated 20 September 2002.

The five directors of CCT Technology as set out in note 2 were appointed as directors of the Company on 14 August 2002. Mr. Tong Chi Hoi was appointed as an executive director of the Company on 12 November 2002. The existing six directors of the Company are collectively referred to as the “Current Directors”.

4. CHANGE OF FINANCIAL YEAR END DATE

The Company adopted a financial year end date of 31 December. In order to be coterminous with the financial year end date of the Company’s ultimate holding company, the financial year end date of CCT Technology was changed from 30 September to 31 December effective from the year of 2002. The current report therefore covers the fifteen month period from 1 October 2001 to 31 December 2002. Because of this change, the comparative amounts presented for the profit and loss account, statement of changes in equity, cash flows and related notes may not be comparable with those amounts presented for the current period.

5. BASIS OF PRESENTATION AND CONSOLIDATION

The Group Reorganisation involved companies under common control. The consolidated financial statements have been prepared using the merger basis of accounting in accordance with Statement of Standard Accounting Practice 27 “Accounting for Group Reconstructions”. On this basis, the Company has been treated as the holding company of its subsidiaries acquired under the Group Reorganisation throughout the period ended 31 December 2002 and the year ended 30 September 2001 rather than from the completion date of the Group Reorganisation which became effective on 4 November 2002. Accordingly, the consolidated results and cash flows of the Group for the period ended 31 December 2002 and year ended 30 September 2001 include the results and cash flows of the Company and its subsidiaries with effect from 1 October 2000 or since their respective dates of incorporation/ registration, where this is a shorter period. In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole, as the principal activities of the Group were carried out by those subsidiaries summarised in note 22 to the financial statements prior to and after the Group Reorganisation.

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

5. BASIS OF PRESENTATION AND CONSOLIDATION (continued)

These 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 during the period, certain underlying books and records of CCT Technology and its subsidiaries (collectively referred as to the "CCT Technology Group") were either lost, or could not be located and hence, the extent of work of the Current Directors could perform in preparing these 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 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 CCT Technology Group as at 30 September 2001 were fairly stated.

(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 CCT Technology Group for the period from 1 October 2001 to 17 May 2002 and whether the relevant disclosures reflected in the consolidated statement of changes in equity, consolidated cash flow statement and segment information, turnover, loss from operating activities, finance costs and related party transactions are fairly stated. The amounts consolidated into the Group's profit and loss accounts in respect of CCT Technology Group for the period from 1 October 2001 to 17 May 2002 are as follows:

- Turnover with nil amount;
- Cost of sales with nil amount;
- Other revenue of HK$2,238,000;
- Selling and administrative expenses of HK$10,088,000;
- Net gain attributable to Group Restructuring of HK$119,472,000;
- Finance costs of HK$2,179,000;
- Tax (including deferred tax) with nil amount; and
- Minority interest with nil amount.

(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. The books and records of this subsidiary are 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 Company's 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 Sdn. Bhd. for the period from 1 October 2001 to 31 December 2002, including the corresponding minority interests recorded in the consolidated profit and loss account for the period from 1 October 2001 to 31 December 2002 and consolidated balance sheet as at 31 December 2002, as included in the consolidated financial statements. The net assets, turnover and loss for the year of S. Meggatel included in the consolidated financial statements as at 31 December 2002 and for the period from 1 October 2001 to 31 December 2002 were HK$2 million, nil and HK$10 million (which is recorded as impairment of fixed assets in the consolidated profit and loss account), respectively.

5. BASIS OF PRESENTATION AND CONSOLIDATION (continued)

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 financial statements to mitigate the effect of the incomplete records. The directors of the Company are unable to represent that all transactions entered into in the name of this subsidiary have been included in the consolidated financial statements. To the extent possible, the 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 financial statements.

(d) Against the background described above, the Current Directors have been unable to satisfy themselves that the results and cash flows of the Group for the year ended 30 September 2001 shown as comparative amounts to the consolidated profit and loss account and the consolidated cash flow statement, respectively, are comparable with the amounts for the current period.

6. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs are effective for the first time for the current period's financial statements:

- SSAP 1 (Revised) : "Presentation of financial statements"
- SSAP 9 (Revised) : "Events after the balance sheet date"
- SSAP 11 (Revised) : "Foreign currency translation"
- SSAP 14 (Revised) : "Leases"
- SSAP 15 (Revised) : "Cash flow statements"
- SSAP 18 (Revised) : "Revenue"
- SSAP 26 : "Segment reporting"
- SSAP 28 : "Provisions, contingent liabilities and contingent assets"
- SSAP 29 : "Intangible assets"
- SSAP 30 : "Business combinations"
- SSAP 31 : "Impairment of assets"
- SSAP 32 : "Consolidated financial statements and accounting for investments in subsidiaries"
- SSAP 34 : "Employee benefits"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs are summarised 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 principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented on page 35 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group reserves note.

6. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (continued)

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. The revisions to this SSAP have had no major impact on the consolidated financial statements.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries are now translated to Hong Kong dollars at the average rates at the dates whereas previously they were translated at the weighted average exchange rates for the year. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 38 to the financial statements.

SSAP 15 (Revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the period are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the cash flow statement has been revised.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 describe above. The revisions to this SSAP have had no major impact on the consolidated financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information report format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 8 to the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. This SSAP has had no major impact on the consolidated financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for the consolidated financial statements.

6. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (continued)

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the profit and loss account over its estimated useful life. The required new disclosures are included in note 21 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no significant impact on the preparation of these financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. Further details of the impact of the SSAP are included under the heading "Employee benefits" in note 7 to the financial statements. In addition, disclosures are now required in respect of the Company's share option scheme, as detailed in note 34 to the financial statements. These share option scheme disclosures are similar to disclosures under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") disclosure previously included in the Report of the Directors, but which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 20 years.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in a increase in the future economic benefits expected to be obtained from the use of the fixed assets, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets are dealt with as movements in the revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve previously charged.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.5%
Plant and machinery	15%
Tools, moulds and equipment	15%
Furniture and office equipment	15%
Motor vehicles	30%

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)
Freehold land is not depreciated.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account, is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Factory premises under construction in the PRC are stated at cost, less any impairment losses. Cost includes development costs, attributable interest and overheads capitalised during the development period. No depreciation and amortisation is provided for factory premises under construction until the construction is completed.

Intangible assets
Deferred development costs
All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less accumulated amortisation and any impairment losses, and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding four years, commencing from the date when the products are put into commercial production.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Deferred tax
Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Leased assets
Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased assets is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. 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.

Share options scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of the share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding shares.

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for certain of its employees. Contributions are made based on a percentage of the employees' relevant income and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions accumulated in the previous retirement scheme before 1 December 2000, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

In addition to the MPF Scheme, the Group operates a separate defined contribution retirement benefits scheme for those employees who were eligible to participate in this scheme. This scheme operates in a similar way to the MPF Scheme, except that the contributions are made based on a percentage of the employees' basic salary and when an employee leaves this scheme before his/her interest in the Group's employer contributions has vested fully, the ongoing contributions payable by the Group are reduced by the relevant amount of the forfeited employer contributions.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)
On consolidation, the financial statements of overseas subsidiaries are translated to Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated to Hong Kong dollars at the weighted average exchange rates for the period and their balance sheets are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the period are translated to Hong Kong dollars at the weighted average exchange rates for the period.

Prior to the adoption of the revised SSAPs 11 and 15 during the period, as explained in note 6 to the financial statements, the profit and loss accounts of overseas subsidiaries and the cash flows of overseas subsidiaries were translated to Hong Kong dollars at the exchange rates at the balance sheet date. This changes have had no material effect on the financial statements.

Cash and cash equivalents
For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Revenue recognition
Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms; and

(c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Dividends
Final dividends proposed by the directors are classified as a separate allocation of retained earnings within capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

8. 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, and revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

8. SEGMENT INFORMATION (continued)

(a) Business segments

The following table presents revenues and results information regarding the Group's business segments for the fifteen months ended 31 December 2002 and year ended 30 September 2001.

Group

	Telecom products		Corporate		Total	
	Period from 1 October 2001 to 31 December 2002 HK$'000	Year ended 30 September 2001 HK$'000	Period from 1 October 2001 to 31 December 2002 HK$'000	Year ended 30 September 2001 HK$'000	Period from 1 October 2001 to 31 December 2002 HK$'000	Year ended 30 September 2001 HK$'000
Segment revenue:						
Sales derived from external customers	106,020	83,774	–	197	106,020	83,971
Other revenue from external sources	–	–	2,760	5,522	2,760	5,522
Total revenue	106,020	83,774	2,760	5,719	108,780	89,493
Segment results	6,991	(19,219)	(24,042)	(20,694)	(17,051)	(39,913)
Interest income					365	212
Net gain attributable to the Group Restructuring					119,472	–
Finance costs					(3,093)	(5,252)
Profit/(loss) before tax					99,693	(44,953)
Tax					(1,000)	–
Profit/(loss) before minority interests					98,693	(44,953)
Minority interests					(535)	–
Net profit/(loss) from ordinary activities attributable to shareholders					98,158	(44,953)

No analysis of the assets and liabilities regarding the Group's business segments for the period ended 31 December 2002 has been presented as over 90% of the Group's revenue is derived from the telecom products segment.

(b) Geographical segments

Over 90% of the Group's revenue and assets are derived from operations carried out in the People's Republic of China (the "PRC") including Hong Kong.

No geographical analysis for the year ended 30 September 2001 has been presented as the information is not available.

9. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

Revenue from the following activities has been included in turnover:

	Period from 1 October 2001 to 31 December 2002 HK$'000	Year ended 30 September 2001 HK$'000
Manufacture and sale of telecom products and power supply components	106,020	83,774
Rental income	–	197
Interest income	365	212
	106,385	84,183

10. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	Period from 1 October 2001 to 31 December 2002 HK$'000	Year ended 30 September 2001 HK$'000
Depreciation	3,808	3,809
Minimum lease payments under operating leases in respect of land and buildings	1,465	1,916
Amortisation of deferred development costs*	99	4,355
Amortisation of goodwill**	1,100	–
Staff costs (excluding directors' remuneration - note 13)***	11,528	21,923
Less: Amount capitalised in deferred development costs	–	(3,589)
	11,528	18,334
Auditors' remuneration	650	268
Bad and doubtful debt provisions on trade receivables	380	4,675
Loss on disposal of fixed assets	116	217
Write off of fixed assets	1,007	–
Provision for amounts due from associates	–	189
and after crediting:		
Gross rental income from investment properties	–	197
Interest income	365	212

10. LOSS FROM OPERATING ACTIVITIES (continued)

* The amortisation of deferred development costs is included in "Cost of sales" on the face of the consolidated profit and loss account.

** The amortisation of goodwill for the period is included in "Other operating expenses" on the face of the consolidated profit and loss account.

*** The effect of forfeited contributions on the Group's contributions to the pension schemes for the period/year, and the amounts of forfeited contributions available to reduce contributions in future years, were not material.

11. NET GAIN ATTRIBUTABLE TO THE GROUP RESTRUCTURING

	Group	
	Period from 1 October 2001 to 31 December 2002 HK$'000	Year ended 30 September 2001 HK$'000
Waiver of secured and unsecured financial obligations by banks, noteholders and creditors	46,842	–
Reversal of reserves upon the Group Restructuring	82,526	–
	129,368	–
Less: Expenses incurred in connection with the Group Restructuring	(9,896)	–
	119,472	–

12. FINANCE COSTS

	Group	
	Period from 1 October 2001 to 31 December 2002 HK$'000	Year ended 30 September 2001 HK$'000
Amortisation of premium payable upon the final redemption of the convertible notes	2,179	4,357
Interest on bank loans and overdrafts wholly repayable within five years	401	892
Interest on convertible notes	482	–
Interest on finance leases	31	3
	3,093	5,252

13. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Group Period from 1 October 2001 to 31 December 2002 HK$'000
Fees:	
Executive directors	–
Independent non-executive directors	150
	150
Executive directors' other emoluments:	
Salaries, allowances and benefits in kind	–
Performance related bonus	–
Pension scheme contributions	–
	–

The number of directors, whose remuneration fell within the following band is as follows:

	Number of directors Period from 1 October 2001 to 31 December 2002
Nil - HK$1,000,000	6

There was no arrangement under which a director waived or agreed to waive any remuneration during the period.

During the period, no share options of the Company were granted to the directors in respect of their services to the Group.

No financial information in respect of the directors' remuneration for the year ended 30 September 2001 has been presented as the information is not available.

14. FIVE HIGHEST PAID EMPLOYEES

None of the directors were included in the five highest paid employees. The details of the remuneration of the five highest paid employees are as follows:

	Group Period from 1 October 2001 to 31 December 2002 HK$'000
Salaries, allowances and benefits in kind	1,336
Performance related bonus	–
Pension scheme contributions	92
	1,428

The number of the non-director, highest paid employees fell within the following band is as follows:

	Number of employees Period from 1 October 2001 to 31 December 2002
Nil - HK$1,000,000	5

During the period, no share options of the Company were granted to the non-director, highest paid employee in respect of his services to the Group.

No financial information in respect of the five highest paid employees' remuneration for the year ended 30 September 2001 has been presented as the information is not available.

15. TAX

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the period/year. 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, interpretations and practices in respect thereof.

No provision for profits tax has been made in the prior year as the Group had no assessable profits for that year.

15. TAX (continued)

A PRC subsidiary of the Group, which is designated as a wholly foreign owned enterprise, is 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.

	Group Period from 1 October 2001 to 31 December 2002 HK$'000
Hong Kong:	
Provision for the period	1,000

16. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the period from 22 July 2002 (date of incorporation) to 31 December 2002 dealt with in the financial statements of the Company, is approximately HK$11,093,000.

17. DIVIDEND

No dividends have been paid or declared by the Company for the period from 22 July 2002 (date of incorporation) to 31 December 2002.

18. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit attributable to shareholders for the period from 1 October 2001 to 31 December 2002 of HK$98,158,000 (year ended 30 September 2001: net loss of HK$44,953,000), and the weighted average number of 5,617,923,213 ordinary shares (year ended 30 September 2001: 630,276,977, restated by share consolidation of ten shares into one share) in issue during the period.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the period of HK$98,564,000 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 8,592,814,043 which includes the weighted average number of 5,617,923,213 shares in issue during the period, as used in the basic earnings per share calculation and the weighted average of 2,974,890,830 ordinary shares assumed to have been issued on the deemed exercise of all convertible notes during the period.

Diluted loss per share for the year ended 30 September 2001 has not been shown as the potential ordinary shares outstanding during the year had an anti-dilutive effect on the basic loss per share for that year.

19. FIXED ASSETS

Group

	Factory premises under construction HK$'000	Freehold land and buildings outside Hong Kong HK$'000	Plant and machinery HK$'000	Tools, moulds and equipment HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:							
At 1 October 2001	14,151	14,754	128,549	5,026	17,655	4,331	184,466
Additions	–	–	65	941	808	749	2,563
Acquisition of subsidiaries	–	–	16,291	3,920	6,826	2,001	29,038
Disposals	–	–	–	–	–	(2,112)	(2,112)
Write off	–	–	–	–	(2,295)	–	(2,295)
Disposals upon the Group Restructuring	(14,151)	–	(128,549)	(5,026)	(17,655)	(2,219)	(167,600)
At 31 December 2002	-	14,754	16,356	4,861	5,339	2,750	44,060
Analysed as:							
At cost	–	-	16,356	4,861	5,339	2,750	29,306
At 30 June 1999 valuation	–	14,754	–	–	–	–	14,754
	–	14,754	16,356	4,861	5,339	2,750	44,060
Accumulated depreciation and impairment:							
At 1 October 2001	–	–	96,542	2,486	3,027	3,655	105,710
Depreciation provided during the period	–	–	2,424	235	755	394	3,808
Impairment during the period recognised in the profit and loss account	–	9,985	–	–	–	–	9,985
Acquisition of subsidiaries	–	–	10,045	2,538	3,245	1,391	17,219
Disposals	–	–	–	–	–	(1,935)	(1,935)
Write off	–	–	–	–	(1,288)	–	(1,288)
Disposals upon the Group Restructuring	–	–	(97,883)	(2,486)	(3,335)	(1,869)	(105,573)
At 31 December 2002	–	9,985	11,128	2,773	2,404	1,636	27,926
Net book value:							
At 31 December 2002	–	4,769	5,228	2,088	2,935	1,114	16,134
At 30 September 2001	14,151	14,754	32,007	2,540	14,628	676	78,756

At 30 June 1999, the freehold land and buildings outside Hong Kong were valued by Jones Lang Wotton, Chartered Surveyors, on an open market value basis.

Subsequent to the balance sheet date, the Group signed a sale and purchase agreement to disposed all of its freehold land and buildings outside Hong Kong, further details of which are included in note 40 to the financial statements.

20. INTANGIBLE ASSETS

Group

	Deferred development costs HK$'000
Cost:	
At 1 October 2001	–
Acquisition of a subsidiary	590
Additions	172
At 31 December 2002	762
Accumulated amortisation:	
At 1 October 2001	–
Acquisition of a subsidiary	167
Amortisation provided during the period	99
At 31 December 2002	266
Net book value:	
At 31 December 2002	496
At 30 September 2001	–

21. GOODWILL

The amounts of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of subsidiaries are as follows:

Group

	HK$'000
Cost:	
At 1 October 2001	–
Acquisition of subsidiaries - note 36(d)	33,397
At 31 December 2002	33,397
Accumulated amortisation:	
At 1 October 2001	–
Amortisation provided during the period	1,100
At 31 December 2002	1,100
Net book value:	
At 31 December 2002	32,297
At 30 September 2001	–

22. INTERESTS IN SUBSIDIARIES

	Company 31 December 2002 HK$'000
Unlisted shares, at cost	52,635
Due from a subsidiary	28,900
Due to a subsidiary	(443)
	81,092
Provision for impairment	(10,000)
	71,092

The balances with the subsidiaries are unsecured, interest-free and are repayable on demand.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Electronic Sales Limited	Hong Kong	HK$5,948,000 Ordinary	–	100	Sale of telecom products
東莞易訊電子製品有限公司	People's Republic of China	HK$60,000,000 Registered*	–	100	Manufacture of telecom products
S. Meggatel Sdn. Bhd.	Malaysia	RM 6,411,765 Ordinary	–	70	Dormant

* Registered under the laws of the PRC as a wholly foreign owned enterprise.

During the period, CCT Technology acquired ESL and 東莞易訊電子製品有限公司 from CCT Telecom. Further details of the acquisitions are included in note 36(d) to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

23. INVENTORIES

	Group 31 December 2002 HK$'000	Group 30 September 2001 HK$'000
Raw materials	193	12,716
Work in progress	98	9,448
Finished goods	1,558	1,274
	1,849	23,438

The carrying amount of inventories carried at net realisable value included in the above balance was nil (30 September 2001: Nil) as at the balance sheet date.

24. TRADE RECEIVABLES

The Group normally allows an average credit period of 30 to 90 days to its trade customers. An aged analysis of the trade and bills receivables as at the balance sheet date is as follows:

	Group 31 December 2002 HK$'000	Group 31 December 2002 Percentage
Current to 30 days	28,259	95
31 to 60 days	1,464	5
61 to 90 days	99	–
Over 90 days	45	–
	29,867	100

Included in the above balance is a trade receivable of HK$24,007,000 from CCT Telecom (HK) Limited, a wholly-owned subsidiary of CCT Telecom, which is repayable on similar credit terms to those offered to the major customers of the Group.

No aged analysis in respect of trade receivables as at 30 September 2001 has been presented as the information is not available.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company
	31 December 2002 HK$'000	30 September 2001 HK$'000	31 December 2002 HK$'000
Prepayments	804	–	740
Deposits and other receivables	986	–	–
	1,790	–	740

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company
	31 December 2002 HK$'000	30 September 2001 HK$'000	31 December 2002 HK$'000
Cash and bank balances	27,718	7,275	507
Time deposits	40,258	–	35,215
	67,976	7,275	35,722
Less: Time deposits pledged for general banking facilities granted to the Group	(5,043)	–	–
Cash and cash equivalents	62,933	7,275	35,722

27. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date is as follows:

	Group 31 December 2002	
	HK$'000	Percentage
Current to 30 days	18,995	74
31 to 60 days	4,118	16
61 to 90 days	2,386	9
Over 90 days	183	1
	25,682	100

Included in the above balance is a trade payable of HK$5,794,000 to Neptune Holding Limited ("Neptune"), a wholly-owned subsidiary of CCT Telecom, which is repayable within 90 days and with credit terms similar to those offered by Neptune to its major customers.

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

28. OTHER PAYABLES AND ACCRUALS

	Group		Company
	31 December 2002 HK$'000	30 September 2001 HK$'000	31 December 2002 HK$'000
Other payables	326	3,765	–
Accruals	6,688	–	1,012
	7,014	3,765	1,012

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Group	
	Note	31 December 2002 HK$'000	30 September 2001 HK$'000
Current portion of bank loans	30	2,578	2,177
Current portion of other loans	30	–	12,480
Current portion of finance lease payables		–	314
		2,578	14,971

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group	
	31 December 2002 HK$'000	30 September 2001 HK$'000
Bank loans:		
Secured	2,578	2,177
Other loans:		
Unsecured	–	12,480
Bank loans repayable within one year or on demand	2,578	2,177
Other loans repayable within one year or on demand	–	12,480
	2,578	14,657
Portion classified as current liabilities - note 29	(2,578)	(14,657)
Long term portion	–	–

The bank loans are secured by the fixed charges over the Group's freehold land and buildings with a net book value amounting to approximately HK$4,769,000 (30 September 2001: HK$14,754,000).

31. CONVERTIBLE NOTES

	Group		Company
	31 December 2002 HK$'000	30 September 2001 HK$'000	31 December 2002 HK$'000
Current portion			
Original Convertible Notes – note (a)	–	48,888	–
Long term portion			
2004 Convertible Notes – note (b)	20,000	–	20,000
2005 Convertible Notes – note (c)	45,000	–	45,000
	65,000	–	65,000

Notes:

(a) The convertible notes of the Group as at 30 September 2001 (the "Original Convertible Notes") were fully compromised and discharged under the Restructuring Agreements, further details of which are set out in CCT Technology's circular dated 31 March 2002.

The Original Convertible Notes were regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component was estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the Original Convertible Notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, was included in reserves.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the instrument. The difference between this amount and the interest paid is added to the carrying value of hte convertible notes.

(b) On 19 July 2002, CCT Technology issued convertible notes with aggregate principal amounts of HK$20 million to an independent third party 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 ordinary shares of HK$0.01 each of the Company 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 principal amounts of the convertible notes bear interest at 5% per annum and the convertible notes will mature on the second anniversary of the date of their issue.

(c) On 17 May 2002, CCT Technology issued convertible notes with aggregate principal amounts of HK$45 million to an indirect wholly-owned subsidiary of CCT Telecom, 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 a 100% interest in ESL and its subsidiaries from an indirect wholly-owned subsidiary of CCT Telecom, details of which are set out in note 36(d) to the financial statements. The convertible notes provide the holder option right to convert the principal amount into ordinary shares of HK$0.01 each of the Company 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 principal amounts of the convertible notes do not bear interest and will mature on the third anniversary of the date of their issue.

32. DEFERRED TAX

	Group 31 December 2002 HK$'000	Group 30 September 2001 HK$'000
Balance at beginning of period/year	–	–
Acquisition of a subsidiary - note 36(d)	985	–
Balance at end of period/year	985	–

The Company had no unprovided deferred tax at the balance sheet date.

33. SHARE CAPITAL

Shares

	Notes	Number of ordinary shares of HK$0.02 each	Number of ordinary shares of HK$0.01 each	Amount HK$'000
Authorised:				
On date of incorporation		–	10,000,000	100
Increase in authorised share capital	(a)	–	29,990,000,000	299,900
As at 31 December 2002		–	30,000,000,000	300,000
Issued and fully paid:				
At 1 October 2001		6,384,035,621	–	127,681
Capital reduction and share consolidation	(b)(i)&(ii)	(6,384,035,621)	638,403,562	(121,297)
Issue of shares to settle unsecured indebtedness	(b)(iii)	–	100,000,000	1,000
Issue of shares	(b)(iv)	–	4,000,000,000	40,000
Issue of shares in respect of acquisition of ESL	(b)(v)	–	2,500,000,000	25,000
Issue of shares to noteholders	(b)(vi)	–	1,820,000,000	18,200
Placement of shares	(c)	–	1,780,000,000	17,800
Cancellation of shares	(d)	–	(10,838,403,562)	(108,384)
Issue of shares in exchange for shares in CCT Technology	(d)	–	10,838,403,562	108,384
As at 31 December 2002		–	10,838,403,562	108,384

The Company was incorporated on 22 July 2002 with authorised share capital of HK$100,000 divided into 10,000,000 shares of HK$0.01 each, all of which were allotted and issued as nil paid on 22 July 2002.

The number of shares at beginning of the period included 6,384,035,621 ordinary shares of HK$0.02 each issued by CCT Technology.

33. SHARE CAPITAL (continued)

During the period from 1 October 2001 to 31 December 2002, the changes in share capital were as follows:

(a) Pursuant to written resolutions of the sole shareholder of the Company passed on 17 September 2002 and upon completion of the Group Reorganisation on 4 November 2002, the authorised share capital of the Company was increased to HK$300,000,000 by the creation of 29,990,000,000 additional shares of HK$0.01 each, ranking pari passu with the then existing issued shares of the Company in all respects.

(b) The Group Restructuring, which was completed on 17 May 2002, involved the following steps and had effects on CCT Technology's and the Company's share capital account:

(i) the nominal value of each then issued share of CCT Technology were reduced from HK$0.02 to HK$0.001 and the credit balance of HK$121,297,000 arising from the capital reduction was applied to write off part of the brought forward accumulated losses of CCT Technology. Each of the then unissued shares of the CCT Technology share capital was sub-divided into 20 shares of HK$0.001 each.

(ii) every 10 shares of HK$0.001 each, following the capital reduction mentioned in (i), were consolidated into one share of HK$0.01 each;

(iii) pursuant to an asset transfer agreement dated 21 September 2001 entered into between CCT Technology and S. Megga Telecom, 100,000,000 new shares were issued to S. Megga Telecom as part of the consideration for the hive-down of certain assets of S. Megga Telecom to another subsidiary of CCT Technology;

(iv) pursuant to the terms of the Restructuring Agreements, CCT Telecom and Dongguan Defa each subscribed for 2,000,000,000 new shares of HK$0.01 each for an aggregate consideration of HK$40 million in cash;

(v) CCT Technology issued 2,500,000,000 new shares to CCT Telecom at HK$0.01 each as part of the consideration for the transfer of the entire share capital of ESL and its subsidiaries from an indirect wholly-owned subsidiary of CCT Telecom to the Group; and

(vi) CCT Technology issued 1,820,000,000 new shares at HK$0.01 each to the noteholders of the convertible notes due 2003 and due 2007 issued in prior years pursuant to the terms of the Restructuring Agreements.

(c) In June 2002, CCT Technology allotted and issued 1,780,000,000 new shares at HK$0.01 each to an indirect wholly-owned subsidiary of CCT Telecom pursuant to the subscription agreement dated 5 June 2002.

(d) On 4 November 2002, pursuant to the Group Reorganisation, the entire 10,838,403,562 shares of CCT Technology were cancelled and the Company (i) repurchased 10,000,000 shares and (ii) allotted and issued 10,838,403,562 new shares of HK$0.01 each credited as fully paid to the then existing qualifying shareholders of CCT Technology in the proportion of one share for every one existing share then held. All shares issued rank pari passu with the existing issued shares of the Company in all respects.

Share Options

Details of the Company's share option scheme are included in note 34 to the financial statements.

34. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 6 and under the heading “Employee benefits” in note 7 to the financial statements. As a result, these detailed disclosures relating to the Company’s share option scheme are now included in the notes to the financial statements.

At the special general meeting of CCT Technology held on 11 July 2002, the shareholders of CCT Technology adopted a share option scheme (the “Old Share Option Scheme”) to comply with the new amendments to the Listing Rules.

Upon the Group Reorganisation becoming effective on 4 November 2002, CCT Technology became a wholly-owned subsidiary of the Company. The listing of the shares of the Company on the main board of the Stock Exchange commenced on 7 November 2002 by way of introduction and the listing of the shares of CCT Technology on the main board of the Stock Exchange was withdrawn at the close of business on 6 November 2002.

A new share option scheme (the “New Share Option Scheme”) was conditionally adopted by the then shareholder of the Company on 17 September 2002 and the shareholders of CCT Technology on 15 October 2002. Immediately upon the listing of the shares of the Company on the Stock Exchange on 7 November 2002, the New Share Option Scheme became unconditional and the Old Share Option Scheme was terminated. Unless otherwise cancelled or amended, the New Share Option Scheme will remain in force for 10 years from that date.

The purpose of the New Share Option Scheme is to provide incentives and rewards to the eligible participants who contribute to the success of the Group’s operations. Eligible participants of the New Share Option Scheme include any employee, executive or officer of the Group (including executive and non-executive directors of the Group) and any supplier, consultant, agent, adviser, shareholder, customer, partners or business associate who, in the sole discretion of the board of directors of the Company, will contribute or has contributed to the Group.

Pursuant to the New Share Option Scheme, the maximum number of shares in respect of which options may be granted under the New Share Option Scheme is such number of shares, when aggregated with shares subject to any other share option scheme(s) of the Company (which, for this purpose, excludes the Old Share Option Scheme), must not exceed 10% of the issued share capital of the Company upon the listing of the shares of the Company on the Stock Exchange. The maximum number of shares issuable upon exercise of the options granted under the New Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each eligible participant in any 12-month period is limited to 1% of the shares of the Company in issue as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Company (and if required, the holding company) and the shareholders’ approval (and if required, the approval of the shareholders of the holding company) in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors of the Company (and if required, the approval of the independent non-executive directors of the holding company), excluding the independent non-executive director(s) of the Company who is/are the grantees of the options. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at as at the date of grant or with an aggregate value (based on the closing price of the Company’s shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to the issue of a circular by the Company (and if required, the holding company) and the shareholders’ approval (and if required, the approval of the shareholders of the holding company) in advance in a general meeting.

34. SHARE OPTION SCHEME (continued)

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

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

No options has been granted under the Old Share Option Scheme and the New Share Option Scheme since the date of their adoption up to the date of this annual report.

Share options do not confer rights on the holders to dividends or to vote at shareholders meetings.

35. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current period and prior year are presented in the consolidated statement of changes in equity on page 35 of the financial statements.

(b) Company

	Special reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
On date of incorporation	–	–	–
Special reserve arising from the Group Reorganisation	(55,749)	–	(55,749)
Loss for the period	–	(11,093)	(11,093)
At 31 December 2002	(55,749)	(11,093)	(66,842)

The special reserve of the Company represents the difference between the fair values of the shares of the subsidiaries acquired pursuant to the Group Reorganisation and the nominal value of the Company's shares issued in exchange therefor.

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Prior year adjustments

SSAP 15 (Revised) was adopted during the current period, as detailed in note 6, which has resulted in a change to the layout of the cash flow statement. The cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that taxes paid are now included in cash flows from operating activities and interest received are now included in cash flows from operating activities. The presentation of the 2001 comparative cash flow statement has been changed to accord with the new layout.

(b) The Group had major non-cash transactions during the period from 1 October 2001 to 31 December 2002.

(i) 1,820,000,000 shares of HK$0.01 each in CCT Technology were issued to the then noteholders of CCT Technology at a price of HK$0.01 per share for a total amount of HK$18.2 million as partial settlement of the debts owed to the noteholders;

(ii) 100,000,000 shares of HK$0.01 each in CCT Technology were issued to the unsecured creditors of the Group at a price of HK$0.01 per share for a total amount of HK$1 million as partial settlement of the debts owed to the unsecured creditors;

(iii) 2,500,000,000 shares of HK$0.01 each in CCT Technology were issued at a price of HK$0.01 per share as part of the consideration for the acquisition of ESL and its subsidiaries; and

(iv) non-interest bearing 2005 Convertible Notes amounting to HK$45 million, with a conversion price of HK$0.01 per share and falling due in 2005, were issued to a subsidiary of CCT Telecom as part of the consideration for the acquisition of ESL and its subsidiaries.

(c) Restricted cash and cash equivalent balances

Certain of the Group's time deposits are pledged to a bank to secure general banking facilities granted to the Group, as further explained in note 26 to the financial statements.

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(d) Acquisition of subsidiaries

	31 December 2002 HK$'000
Net assets acquired:	
Fixed assets	11,819
Intangible assets	423
Cash and bank balances	15,058
Inventories	3,295
Trade receivables	32,024
Prepayments, deposits and other receivables	643
Trade and bills payables	(23,003)
Other payables and accruals	(671)
Tax payable	(1,968)
Bank overdrafts	(32)
Deferred tax	(985)
	36,603
Goodwill on acquisition (note 21)	33,397
	70,000
Satisfied by:	
Issue of consideration shares	25,000
Issue of convertible notes (note 31)	45,000
	70,000

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	31 December 2002 HK$'000
Cash paid	–
Cash and bank balances acquired	15,058
Less: Bank overdrafts	(32)
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	15,026

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(d) Acquisition of subsidiaries (continued)

During the period, the Group acquired a 100% interest in ESL and its subsidiaries from an indirect wholly-owned subsidiary of CCT Telecom at a consideration of HK$70 million, which was satisfied by the issue of 2,500,000,000 new shares of CCT Technology at HK$0.01 each and HK$45,000,000 new convertible notes. ESL and its subsidiaries are principally engaged in the manufacturing and sales of telecom products.

Since its acquisition, ESL and its subsidiaries contributed HK$106,020,000 to the Group's turnover and HK$6,053,000 to the consolidated profit after tax and before minority interests for the period ended 31 December 2002.

(e) Disposal of subsidiaries and discharge of secured and unsecured financial obligations upon the Group Restructuring

	31 December 2002 HK$'000
Net assets disposed of:	
Fixed assets	62,027
Other investments	368
Inventories	23,439
Cash and bank balances	2,974
Trade payables	(63,880)
Other payables and accruals	(28,622)
Finance lease payables	(314)
Bank loans and other borrowings	(12,480)
Convertible notes	(9,867)
Conversion option	(20,487)
	(46,842)
Reversal of reserves upon the Group Restructuring:	
Contributed surplus	(34,600)
Capital reserve	(47,926)
	(82,526)
	(129,368)
Expenses incurred in connection with the Group Restructuring	9,896
	(119,472)
Net gain attributable to the Group Restructuring	119,472
	–

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(e) Disposal of subsidiaries and discharge of secured and unsecured financial obligations upon the Group Restructuring (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries and discharge of secured and unsecured financial obligation is as follows:

	31 December 2002 HK$'000
Cash consideration	–
Cash and bank balances disposed of	2,974
Expenses incurred in connection with the Group Restructuring	9,896
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries and discharge of secured and unsecured financial obligations	12,870

Certain subsidiaries and secured and unsecured financial obligations of CCT Technology were disposed of and discharged, respectively, during the period upon the Group Restructuring, further details of which are set out in note 2 to the financial statements.

The results of the subsidiaries disposed of during the period had no significant impact on the Group's consolidated turnover or profit after tax and before minority interests for the period ended 31 December 2002.

37. 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$215,000 as at 31 December 2002, as further explained in note 7 to the financial statements. 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 materials future outflow of resources from the Group.

38. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties and factory premises under operating lease arrangements. Leases for properties are negotiated for an average term of one year.

At 31 December 2002, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	31 December 2002 HK$'000
Within one year	600

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

39. COMMITMENTS

At the balance sheet date, neither the Group, nor the Company had any significant commitments.

40. POST BALANCE SHEET EVENT

On 31 March 2003, S. Meggatel Sdn. Bhd., 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 Sdn. Bhd. agreed to sell the property comprising Lot 11071 and Lot 11072 in Malaysia (the "Property"), for a total consideration of RM2,600,000 (equivalent to approximately HK$5,169,000). This transaction has not been completed as at the date on which these financial statements were approved.

An impairment loss of the Property of approximately HK$9,985,000 was charged to the profit and loss account during the period and was determined based on the sales consideration of the Property of approximately HK$5,169,000 less the carrying value of the Property of approximately HK$14,754,000 (as recorded in the consolidated financial statements of the Group as at 30 September 2001) and the estimated legal and professional fee of approximately HK$400,000 incidental to this transaction.

41. RELATED PARTY TRANSACTIONS

In addition to those transactions and balances discussed elsewhere in the financial statements, the Group had the following material transactions with its fellow subsidiaries during the period:

	Notes	Period from 17 May 2002 to 31 December 2002 HK$'000
Management fee expenses	(i)	1,600
Rental expenses	(ii)	1,200
Sale of products	(iii)	73,750
Purchase of materials	(iv)	17,256

41. RELATED PARTY TRANSACTIONS (continued)

Notes:

(i) The management fee was charged to ESL by CCT Telecom (HK), for the provision of general administration, management information system consultation and hardware maintenance services and was determined based on actual costs incurred.

(ii) The rental expense was charged to ESL by CCT Properties (Dongguan) Limited ("CCT Properties"), a 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 ESL and CCT Properties dated 12 April 2002.

(iii) The sale of products 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 from Neptune, 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.

The above transactions are also disclosed under the heading "Connected transactions" in the Report of the Directors on pages 25 to 27.

42. COMPARATIVE AMOUNTS

As further explained in note 6 to the financial statements, due to the adoption of certain new and revised SSAPs during the current period, the accounting treatment and presentation of certain items in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current period's presentation.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 15 April 2003.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial periods/years, as extracted from the audited financial statements and reclassified as appropriate, is set out below.

RESULTS

	Fifteen months ended 31 December 2002 HK$'000	Year ended 30 September 2001 HK$'000	Fifteen months ended 30 September 2000 HK$'000	Year ended 30 June 1999 HK$'000	Year ended 30 June 1998 HK$'000
TURNOVER	106,385	84,183	539,577	364,880	497,468
OPERATING PROFIT/(LOSS)	99,693	(44,953)	(206,132)	(158,765)	(182,620)
Share of profits and losses of associates	–	–	–	(50)	(8,463)
PROFIT/(LOSS) BEFORE TAX	99,693	(44,953)	(206,132)	(158,815)	(191,083)
Tax	(1,000)	–	–	–	(535)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	98,693	(44,953)	(206,132)	(158,815)	(191,618)
Minority interests	(535)	–	–	–	–
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	98,158	(44,953)	(206,132)	(158,815)	(191,618)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	31 December 2002 HK$'000	30 September 2001 HK$'000	30 September 2000 HK$'000	30 June 1999 HK$'000	30 June 1998 HK$'000
TOTAL ASSETS	150,409	109,837	212,681	331,708	434,622
TOTAL LIABILITIES	(103,473)	(160,201)	(224,553)	(593,776)	(537,501)
MINORITY INTERESTS	(535)	–	–	–	–
	46,401	(50,364)	(11,872)	(262,068)	(102,879)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of CCT TECH INTERNATIONAL LIMITED (the "Company") will be held at 32/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Monday, 19 May 2003 at 10:30 a.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements and the Reports of the Directors and of the Auditors for the fifteen months ended 31 December 2002.

2. To re-elect the retiring directors of the Company for the year and to authorise the board of directors of the Company to fix their remuneration.

3. To re-appoint Messrs. Ernst & Young as auditors of the Company for the year and to authorise the board of directors of the Company to fix their remuneration.

As special business and, if thought fit, passing the following resolutions, with or without amendments, as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

4. **"THAT**

(a) subject to paragraph 4(b) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase the securities of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time and the manner of any such repurchase be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of share capital purchased or agreed conditionally or unconditionally to be purchased by the Company pursuant to the approval in paragraph 4(a) of this resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution, and the authority pursuant to paragraph 4(a) of this resolution shall be limited accordingly; and

(c) for the purposes of this resolution,

"Relevant Period" means the period from the date of passing of this resolution until, whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the law or the bye-laws of the Company to be held; and

(iii) the date upon which the authority set out in this resolution is revoked or varied by way of an ordinary resolution of the shareholders of the Company in a general meeting."

5. "**THAT**

(a) subject to paragraph 5(c) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

(b) the approval in paragraph 5(a) of this resolution shall authorise the directors of the Company to make or grant offers, agreements and options during the Relevant Period (as hereinafter defined) which would or might require the exercise of such powers after the end of the Relevant Period (as hereinafter defined);

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the directors of the Company pursuant to the approval in paragraph 5(a) of this resolution, otherwise than pursuant to:

(i) a Rights Issue (as hereinafter defined);

(ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company;

(iii) the exercise of options granted under any option scheme adopted by the Company or similar arrangement for the time being adopted for the grant or issue of shares or rights to acquire shares in the share capital of the Company to the officers and/or employees of the Company and/or any of its subsidiaries; and

(iv) any scrip dividend or similar arrangement providing for the allotment of shares in the share capital of the Company implemented in accordance with the bye-laws of the Company,

shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution, and the authority pursuant to paragraphs 5(a) and 5(b) of this resolution shall be limited accordingly; and

(d) for the purposes of this resolution,

"Relevant Period" means the period from the date of passing of this resolution until, whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the law or the bye-laws of the Company to be held; and

(iii) the date upon which the authority set out in this resolution is revoked or varied by way of an ordinary resolution of the shareholders of the Company in a general meeting.

"Rights Issue" means the allotment, issue or grant of shares pursuant to an offer open for a period fixed by the directors of the Company to the holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction or the requirements of any recognised regulatory body or any stock exchange)."

6. "**THAT** the general mandate granted to the directors of the Company to allot, issue and deal with additional shares pursuant to and in accordance with resolution 5 above and for the time being in force to exercise the powers of the Company to allot shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the aggregate nominal amount of the issued share capital of the Company repurchased by the Company since the granting of such general mandate pursuant to the exercise by the directors of the Company of the powers of the Company to purchase such shares, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution."

By Order of the Board
Mak Shiu Tong, Clement
Chairman

Hong Kong
15 April 2003

Notes:

1. *The register of members of the Company will be closed from Wednesday, 14 May 2003 to Friday, 16 May 2003 (both days inclusive) during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the annual general meeting, all transfer of shares, accompanied by the relevant share certificate(s), must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tengis Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 13 May 2003.*

2. *A member of the Company who is the holder of two or more shares and who is entitled to attend and vote at the annual general meeting is entitled to appoint more than one proxy to attend and vote, on a poll, on his/her behalf. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.*

3. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tengis Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the annual general meeting.*

4. *A form of proxy for use at the annual general meeting and a circular setting out further information regarding resolutions 4 to 6 of this notice will be despatched to the shareholders of the Company with the 2002 annual report of the Company.*