Summary Financial Highlights

HK$ million	2000	1999	Increase
Turnover	**2,190**	1,572	39%
Profit Attributable to Shareholders	**221**	110	101%
Earnings per Share	**14.3 cents**	9.2 cents	55%

Contents

1 Mission

2 Year in Review

4 Operating Philosophy

8 Chairman's Statement

10 Operations Review

12 Telecom Product Manufacturing and Distribution – CCT Tech Group

18 Multimedia Services – CCT Multimedia

20 Telecom and Internet Services – CCT Comm Group

22 Directors and Senior Management

24 Financial Review

30 Statutory Reports and Financial Statements

Mission

CCT Telecom is a company with a solid business base, which is paving the way for future expansion. Based on a strong foundation as a manufacturer of cordless phones, complemented by our extensive business relationships in China, we are now in a prime position to develop more advanced mobile technology and beyond, and explore new business opportunities in a broader international market.

Both our corporate mission and our name – CCT – reflect our commitment to the telecom industry:

Creating **C**ommunications **T**echnology for the road ahead.



Year in Review

The Year 2000 has been one of consolidation and streamlining. CCT Telecom has benefited by new technology investments and the company is now poised for further expansion in telecom products manufacturing to complement the existing integrated telecom business.



January 2000

Issued 200 million new shares for gross proceeds of HK$920 million

January 2000

The new production plant in Huiyang, Guangdong Province commenced production



August 2000

CCT Telecom and Haier Group, China's largest electrical household appliances manufacturer and distributor, formed a joint venture to manufacture and distribute mobile phones in China as well as export

September 2000

CCT Telecom streamlined its corporate structure by transferring its multimedia business into its subsidiary, Wiltec Holdings, and renaming it CCT Multimedia Holdings



September 2000

Sendo completed a restructuring in anticipation of future capital raising, and CCT Telecom increased its stake in Sendo to 35%



October 2000

Received '1999 Best Quality Award' from Atlinks, a joint venture between Thomson Multimedia and Alcatel, and was appointed 'Strategic Supplier' to Atlinks



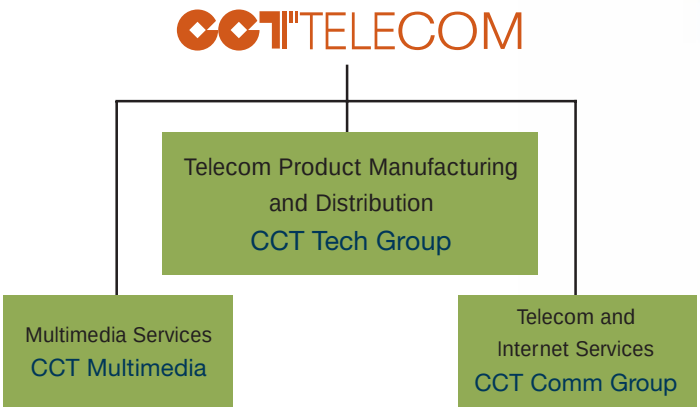
October 2000

CCT Telecom sold an additional stake of HKNet to NTT Communications and realised an investment gain

Operating Philosophy

Complementary Business Mix

CCT Telecom's growth as an organisation is characterised by deliberate and prudent progression. It is a company with a mixture of old and new economy businesses to base its future upon. The old economy business is stable in terms of financial returns and provides a solid base from which to invest, and the new economy business provides enormous development potential for future growth.







Setting our Eyes on the Global Market

CCT Telecom's cordless phone manufacturing and distribution business has a strong presence in the US and European markets. We plan to maintain this leading global position by strengthening our presence in high-end, high frequency, and high growth products in the coming years.

Our mobile phone development has a two-tiered focus. In the domestic PRC market, we will leverage on Haier's brand name and distribution network. At the same time, we will develop new business internationally with a view to becoming a leading contract manufacturer for the substantial export market.

Similarly, our multimedia services business will initially be targeted at Greater China and subsequently at the international arena.

These three main streams of operation all have clear goals for the short and long term, and all are directed ultimately towards the vast global market. Development potential is virtually unlimited, and our culture of creativity at CCT Telecom will help to ensure numerous opportunities for growth.







Leveraging on Partnership

CCT Telecom works in partnership with a number of companies that are able to bring different strengths to our business. Our philosophy of leveraging on the diverse strengths of these partners to mutual gain, has proven very successful over the years.

Partners with whom we have beneficial relationships to strategic advantage include Thomson Multimedia, Haier Group and NTT Communications.

These companies give us a presence in different specialised fields, through technical expertise and technology transfer as well as marketing support. Moreover, they complement our growth strategy and help to assure us a place in the burgeoning international marketplace.







Thomson Multimedia

Thomson Multimedia is one of the world's largest suppliers of consumer electronics products, with sales of Euro 9.1 billion in 2000. It operates in over 30 countries, and is a global leader in the R&D, design, manufacturing and distribution of consumer electronics products.

In 2000, Thomson Multimedia's Communications Division merged with Alcatel's Residential Telephone Business Unit to form a joint venture, Atlinks (www.atlinks.com),which is now the leading telecom product distributor in America and Europe. Atlinks distributes the Alcatel, General Electric, RCA and Thomson brands, and CCT Telecom is the largest cordless phone manufacturer for Atlinks.

Haier Group

Haier Group (www.haier.com) is the largest home electrical appliance manufacturer and distributor in China, with 9,200 products in 58 lines under its umbrella. CCT Telecom has entered into a joint venture with Haier to manufacture and distribute mobile phones in the vast PRC market as well as export.

Haier Group products are all of a high quality, outstanding design and advanced technology, and for the past 16 years the Haier brand has been the number one choice amongst consumers in China.

NTT Communications

NTT Communications (www.ntt.co.jp), the Toyko-based subsidiary of Nippon Telegraph and Telephone Corporation (NTT), provides long distance and international telecommunications reaching over 200 countries worldwide. In conjunction with Verio Inc., a wholly-owned US-based subsidiary of NTT Communications, the NTT Communications Group ranks among the top IP service providers globally.

NTT Communications and CCT Telecom are the parent companies of HKNet, a leading provider of Internet services in Hong Kong.

The NTT Group is the largest telecom provider in the world. The Group provides local, long distance, global and cellular telecom services, data communications and multimedia services.



Chairman's Statement



>> CCT Telecom remains firmly committed to the telecom product manufacturing and distribution business

I am pleased to report on a year of growth and accomplishment for CCT Telecom. The Group recorded revenue of HK$2,190 million for 2000, representing a 39% increase over 1999. Net profit attributable to shareholders for 2000 was HK$221 million, an increase of 101% over the previous year.

This satisfactory performance is largely attributable to the substantial growth of the Group's telecom product manufacturing business. In 2000, the production volume of cordless phones increased substantially and we have become one of the leading manufacturers of cordless phones in the global market.

CCT Telecom has been a pioneer in establishing its production base in Mainland China and we remain firmly committed to the telecom product manufacturing business. This business constitutes a major part of our plans for continued growth and is a key component of our strategy of expansion through diversification.

CCT Telecom successfully raised capital immediately prior to the Asian financial crisis, a portion of which was invested in the construction of a new production plant in Huiyang, Guangdong Province. When other companies were scaling back, important partnerships were forged with material suppliers and equipment vendors during difficult times, paving the foundation for today's success.

Today, we enjoy competitive pricing and credit terms with suppliers, while benefiting from priority of supply even during material shortages experienced in the second half of 2000. This has helped us to establish and maintain partnerships with many internationally recognised telecom product distributors. For instance, we are the largest manufacturer of the GE brand of cordless phones for Thomson Multimedia, one of the world's leading consumer electronics companies.

The commissioning of our new production plant in Huiyang in early 2000 further enhanced our strong foundation in telecom product manufacturing. This facility is one of the largest and most sophisticated telecom production plants in China, featuring state-of-the-art production infrastructure and technology.

Thanks to the full support of our customers, we are confident that the Huiyang plant will reach its maximum production capacity in 2001. To cater for the expected growth in demand for information appliances and components, we will establish a new production plant in Dongguan. The new plant will commence production in the third quarter of 2001 and will greatly enhance our capacity to manufacture high-margin information appliances and components.

Development of the mobile phone manufacturing business in the second half of 2000 has been particularly encouraging. A joint venture was established together with the Haier Group to manufacture and distribute mobile phones in the PRC market as well as export to overseas markets. This allows us to fulfill a double role as a domestic distributor and a contract manufacturer. We can leverage on Haier's prestigious brand name and extensive local distribution channels, and also capitalise on the marketing of our own original product offerings as well as export distribution channels. Haier-CCT has all the commercial elements required to excel both as a leading distributor in China and as a contract manufacturer for global mobile developers.

Another satisfactory achievement in 2000 is our further investment in Sendo, a new and rising global mobile phone player. Sendo recently announced a partnership with Microsoft for the development of GPRS tri-band multimedia smartphone. The prospects for this major mobile phone player are promising, and we expect our investment in Sendo will yield attractive returns in the near future.

CCT Telecom's business model has proved to be a success over the years. Our 'old economy' business, telecom product manufacturing and distribution, provides a solid base and strong momentum for our further expansion. Our "new economy" businesses, multimedia services, and telecom and Internet services allow us to tap into high-growth sectors and capture the best of the new business opportunities emerging there.

CCT Telecom is proud of its many achievements and the milestones set and passed in different phases over the years. In particular, we celebrate the tenth year as a listed company on The Stock Exchange of Hong Kong Limited. I wish to thank our shareholders for their consistent and continued support, and our management team and staff for their diligence and good work, and for the team spirit which characterises the CCT Telecom of today.

By Order of the Board

MAK Shiu Tong Clement
Chairman

Hong Kong, April 19, 2001



Operations Review







Telecom Product Manufacturing and Distribution
– CCT Tech Group

Multimedia Services
– CCT Multimedia

Telecom and Internet Services
– CCT Comm Group



Telecom Product Manufacturing and Distribution

– CCT Tech Group

The CCT Tech Group is involved primarily in four main product streams – cordless phones, mobile phones, information appliances and components. This division has recorded drastic growth in turnover in the past five years. In 2000, the turnover was HK$1,847 million, which represented a 48% increase from HK$1,245 million in 1999. Building on its success in the manufacture of cordless phones, CCT Tech began diversifying into other high-margin lines with good growth potential, such as mobile phones and information appliances.

» The Huiyang production plant went into operation in early 2000 and increased our production capacity substantially, and we have become one of the largest manufacturers of cordless phones in the global market





CCT Tech Group

CCT Telecom Product Group

Huiyang plant
- Cordless telecom product

New Dongguan plant
- Information appliances such as
  - Web browser
  - Set-top box
  - ADSL modem

CCT Mobile Group

Haier-CCT (Qingdao plant)
- GSM phone
- WAP phone
- GPRS phone
- Wireless PDA

CCT Component Group

Neptune (Huiyang plant)
- Moulds
- Plastic casing

Electronic Sales Ltd (ESL) (New Dongguan plant)
- Switching/ Linear power supply
- Adaptor
- Transformer







Cordless Phone Manufacturing

CCT Tech Group is a wholly owned subsidiary of CCT Telecom and its Huiyang production plant went into operation in early 2000. Our production capacity increased substantially in 2000, and we have become one of the largest manufacturers of cordless phones in the global market.

The product range in this plant includes:

- CT0 (US & Europe) cordless phones
- 900 MHz analog cordless phones
- 900 MHz digital (SST) cordless phones
- 2.4 GHz analog cordless phones
- 2.4 GHz digital (SST) cordless phones
- 2.4 GHz multi-line, multi-handset cordless phones
- DECT cordless phones
- Family radio system (FRS)

Of these products, the demand for 900 MHz in the United States and DECT cordless phones in Europe is strong. The new 2.4 GHz phone is currently a leader in the high-frequency product category and will become a mainstream production item, driving growth for the Group in the next few years.



>> Our production facility in Huiyang features state-of-the-art production infrastructure and technology and is one of the largest and most sophisticated of its kind in China







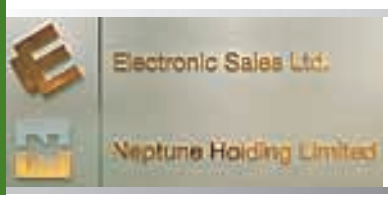
CCT Tech maintains very good relationships with its customers. Our major customer is Atlinks, the joint venture between Thomson Multimedia of the US and Alcatel from Europe. Other customers include Germany's Loewe Telecom, France's Doro Matra Telecommunications and more.

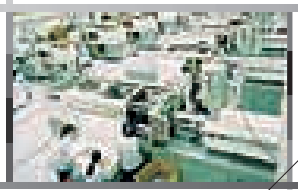
In October 2000, CCT Tech was awarded the "1999 Best Quality Award" and was appointed as "Strategic Supplier" by Atlinks, for its outstanding performance in product design, manufacturing capability and quality assurance. Incidentally, this was the second major award CCT Tech received within one year from the same customer. These awards acknowledge our close relations with our customers.
CCT Tech not only serves as a supplier to its customers but is also a preferred partner in developing the telecom product consumer markets in America and Europe.

Backed up by the good performance in cordless phone manufacturing, and by strong R&D support, CCT Tech began to diversify into the manufacture of other information appliances such as email phones, web browsers, and set-top boxes. These are high value-added products that promise high growth potential.

To cater for further expansion of the cordless phone and information appliances manufacturing, a new production plant is being built in Dongguan, Guangdong with construction expected to be completed in 2001. It is purposely designed to be the R&D centre and production base for newly-developed information appliances and component products.









Component Manufacturing

CCT Tech is enjoying the advantages of strengths gained through vertical integration via its two wholly-owned subsidiaries – Neptune and Electronic Sales Ltd (ESL). This permits CCT Tech to stay ahead of the game by developing its own unique designs, components and circuitry rather than relying on 'off-the-shelf' models.

Neptune is engaged in plastic related production such as spraying, silk-screening, gold-plating and ultrasonic welding. While ESL's main products include power transformers, adaptors, switching/ linear power supplies, telephone line cords and antenna.

Neptune and ESL's results, along with their product diversification, will bring more diverse revenue sources to CCT Tech.



» **Haier-CCT is one of two foreign joint ventures approved by China to manufacture and distribute mobile handsets for both the domestic and export markets**





Mobile Phone Manufacturing and Distribution

During 2000, CCT Tech saw positive developments in mobile phone manufacturing and distribution, and we have enjoyed a smooth and rapid entry into this market.

In the second half of the year, the Group joined forces with Haier Group, the largest electrical appliance manufacturer and distributor in China, to form a joint venture called 'Haier CCT Telecom Co Ltd'. Haier-CCT is one of two foreign joint ventures approved by China to manufacture and distribute mobile handsets for both the domestic and export markets.

CCT Tech possesses its own R&D expertise along with powerful materials sourcing, procurement and export capability. Haier carries an immensely strong brand name supported by an expansive domestic distribution network, and these are augmented by valuable government support.

The Haier-CCT joint venture, enjoys many benefits because of the synergy between the two companies. The complementary aspects of the relationship mean that the company enjoys multiple revenue sources – domestic and export market distribution, as well as the advantages of original design, production technology and manufacturing strength.

The current production capacity for Haier-CCT is approximately 4 million units, and its target in 2002 is 10 million units. The major item currently in production is the GSM phone. It is expected that Haier-CCT will commence production of WAP, GPRS, and PDA phones in the near future.

Sendo

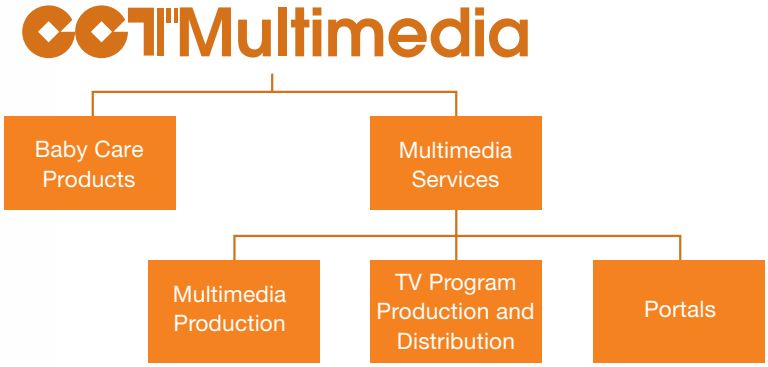
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Multimedia Services
– CCT Multimedia



>> CCT Multimedia is focused on two main business streams – baby care products and multimedia services



CCT Multimedia is a listed company in Hong Kong (stock code: 1169). Besides its existing baby care product business which continues to be a strong base for the Group, the other main business stream is the provision of multimedia services such as multimedia production, and TV program production and distribution. During the year under review, deliberate steps were taken to strengthen its production capabilities and enhance its content offering. In this regard, CCT Multimedia acquired Wellfit Group in 2000.

Wellfit Group has brought tangible benefits, including increased multimedia production and TV production capacity, a solid customer base, extensive TV program distribution channels, and strong and stable revenue sources. CCT Multimedia is well on its way to fulfilling its mission of becoming a one-stop production facility and full-fledged media enterprise.

Portals

Our portal operations represent a key element of our overall strategy, which complements our other multimedia operations. Leveraging on quality content production capability, our portals are able to generate attractive returns from a range of marketing and alliance programs with partners.

In particular, we are confident that CCT Multimedia's investment in mingpao.com, the flagship portal of one of the best-known Chinese publishing groups, will bring in attractive returns in the near future.

Multimedia Production

Wellfit Group's multimedia production includes local karaoke and MTV production, concert video production in Hong Kong, and the production of Internet content, corporate functions, promotional events, variety shows and large-scale special events.

TV Program Production and Distribution

In 2001, Wellfit Group will produce over 200 hours of drama programs and 100 hours of non-drama TV programs, and over 150 hours of TV drama will be marketed to TV stations in the Greater China Region.

Wellfit Group has recently co-produced a non-drama TV program with TVB called 'Primary Success', starring local well-known creative veteran, James Wong. This is the first time TVB has cooperated with an independent production house to produce a non-drama TV program. This successful venture signals a new trend in program production for the TV giant and paves the way for their further business development in the future.

CCT Multimedia is currently evaluating the feasibility and potential of developing publishing business in the PRC market. For the future, CCT Multimedia will continue to selectively seek out suitable business opportunities which will create real value for the Group and maximise returns for its shareholders.

Telecom and Internet Services

– CCT Comm Group



With our valuable local operating experience, global business partners and extensive business network, we have participated successfully in the high-growth field of telecom services.

In a major strategic move in October 2000, CCT Telecom reduced its shareholding in HKNet, a leading ISP in Hong Kong. The new major shareholder, the global telecom giant NTT Communications, has already formulated a wide array of business plans to further HKNet's expansion and the company's growth is expected to accelerate rapidly under the new partnership.

Following NTT Communications' acquisition of Verio, the largest ISP in the US, HKNet is going to become the key hub of a global IP network. It is anticipated that our reduced stake will be worth a great deal more than the original stake because of NTT's valuable global resources and ambitions.

Directors and Senior Management

Executive Directors

Mr MAK Shiu Tong, Clement, aged 47, has been the Chairman of the Company since January 1994. Mr Mak is a substantial shareholder of the Company. He has over 24 years of experience in the electronics manufacturing distribution industry, specialising in telephone and telecommunications products. He holds a Diploma in Electronics Engineering.

Ms CHENG Yuk Ching, Flora, aged 47, has been an Executive Director of the Company since February 1998. Ms Cheng has over 21 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 TSOI Tong Hoo, Tony, aged 36, has been an Executive Director of the Company since September 1999. Mr Tsoi has over 14 years of experience in investment banking, investment research and corporate planning. He graduated with an Honors Degree in Business Administration from the University of Western Ontario, Canada, and has been a Chartered Financial Analyst since 1989.

Mr TAM Ngai Hung, Terry, aged 47, joined the Company in March 2001 as Executive Director and Group Finance Director. He has more than 21 years of experience in finance, accounting management; and also has 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. Prior to joining the Company, he held a number of senior positions in several listed companies.

Dr PUTT William Donald, aged 63, has been an Executive Director of the Company since January 1997. Dr Putt obtained his PhD in Management from the Massachusetts Institute of Technology in the United States. He has over 28 years of experience in the telecom industry, and was the president and co-founder of TeleConcepts Corporation, which specialised in the design, production and distribution of telecom products.

Independent Non-executive Directors

Mr OLENICK Samuel, aged 73, has been an Independent Non-executive Director of the Company since November 1997. He is a certified public accountant in the United States, and has many years of experience in the US telecommunications field.

Mr TAM King Ching, Kenny, aged 52, is a practising Certified Public Accountant in Hong Kong. He holds a Bachelor's Degree in Commerce and is a fellow member of the Hong Kong Society of Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada. He is serving as a member of the Small and Medium Practitioners Committee and Expert Panel on Insolvency Practitioners in the Hong Kong Society of Accountants and a member of the Appeal Tribunal of The Hong Kong Federation of Insurers. Mr Tam is also the Vice President of The Society of Chinese Accountants and Auditors.

Mr LAU Ho Man, Edward, aged 46, has been an Independent Non-executive Director of the Company since February 2000. Mr Lau has more than 21 years of experience in finance, accounting management and administration; and also has extensive experience in taxation and corporate finance matters. He is a Fellow of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants, an associate of the Chartered Institute of Management Accountants and a Certified Public Accountant.

Senior Management

Mr KWOK Wai Kin, Kenneth, aged 58, joined CCT Multimedia in February 2001 as Executive Director and Chief Operating Officer. He is a Commerce graduate of Melbourne University and a qualified accountant, and has extensive management experience in commercial organisations and with the Hong Kong Government. Mr Kwok was Assistant Commissioner of Banking and Principal Assistant Secretary for Monetary Affairs in the 80's and Financial Controller and Chief Executive Officer of Asia Television Limited in the 90's. Prior to joining CCT Multimedia, he was Financial Controller of the Airport Authority.

Mr SIU Chiu Shun, Patrick, aged 40, joined CCT Multimedia in November 2000 as Executive Director. He has over 15 years of experience in all aspects of content production in various media, including television programs, variety shows and concerts. He graduated from Baptist College (now Baptist University) in Hong Kong. From 1993 to 1997, Mr Siu was the Executive Producer of Television Broadcast Ltd. Currently, he is the Managing Director of Wellfit Multi Media Group.

Mr TONG Chi Hoi, aged 35, joined CCT Technology Group in November 1997. He currently holds the position of Chief Operating Officer in CCT Telecom Product Group and is the Chief Technology Officer for both cordless products and mobile phones. Mr Tong has a First Class Honors Degree in Electrical and Electronics Engineering from the University of London. He has over 14 years of experience in the electronics manufacturing industry.

Mr TSOI Kwok Keung, David, aged 40, has been the Group Financial Controller since November 2000. He has more than 18 years of experience in finance and accounting management, business advisory and administration. Mr Tsoi has a Bachelor Degree in Commerce from the University of New South Wales and has held senior positions in overseas and local listed companies. He is a member of the CPA Australia.

Mr TUNG Shuk Lun, Maximilian, aged 32, has been the General Counsel of the Company since December 1999 and is responsible for advising on all legal matters of the Company. Mr Tung is also the Company Secretary of the Company and overseas all corporate secretarial matters. Mr Tung graduated from the University of London with an LL.B. degree and is a practicing solicitor qualified to practice in Hong Kong and the United Kingdom.

Financial Review

FINANCIAL RESULTS

Results Summary

HK$'million	2000	1999	% Change
Turnover			
Continuing operations	**2,190**	1,472	+49
Discontinued operations	**–**	100	N/A
	2,190	1,572	+39
Profit / (Loss) before tax			
Continuing operations	**194**	102	+90
Discontinued operations	**–**	(33)	N/A
	194	69	+181
Tax	**(13)**	(8)	+63
Profit after tax	**181**	61	+197
Minority interests	**40**	49	-18
Net profit attributable to shareholders	**221**	110	+101

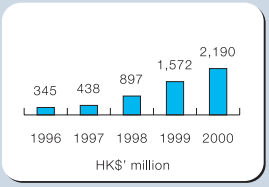
The year 2000 has been a successful year for the CCT Telecom Holdings Limited and its subsidiaries (the "Group"). Turnover increased by 39 % from HK$1,572 million in 1999 to HK$2,190 million in 2000. The percentage increase in turnover from continuing operations was higher at 49%. Profit attributable to shareholders increased by 101% from HK$110 million in 1999 to HK$221 million in 2000.

The Group has achieved impressive growth in turnover, averaging an annual compound growth rate of 59% for the last five years. With the exception of the severe market downturn in 1998, the Group has also narrowed and turned around its losses, and achieved significant profit growth in the last five years.

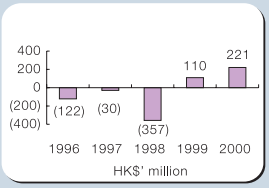
Analysis By Business Activities

The Group's turnover mainly came from the manufacture and sale of telecommunications products and accessories; the provision of Internet services; the trading of telecommunications and network equipment and provision of related consultancy services; and the manufacturing, sourcing and sale of baby care products. The increase in the Group's turnover of HK$618 million was mostly attributable to the increase in the manufacture and sale of telecommunications products and accessories, which has increased from HK$1,245 million to HK$1,847 million. As a result, its share of the Group's turnover has also increased from 79% in 1999 to 84% in 2000.

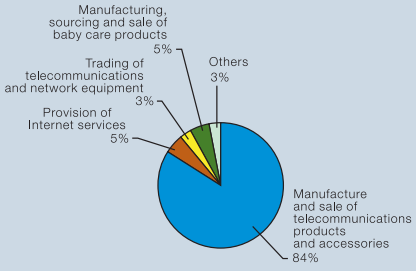
Turnover For The Last Five Years



Profit/(Loss) Attributable To Shareholders For The Last Five Years



2000 Turnover By Business Activities



The Group has commenced the distribution of mobile phones during the year, which contributed only a small percentage to the Group's turnover. Significant growth is expected from this business in the coming years.

The significant increase in profits from operating activities mainly came from the increase in profits from the manufacture and sale of telecommunications products and accessories, and net investment gains. The operating loss from the provision of Internet services was attributable to HKNet Company Limited's operations in which the Group has reduced its equity interest from 51% to 21% during the year. The operating loss from the distribution of mobile phones, which was a newly commenced business, was mainly caused by pre-operating and setting up costs during the year. We expect the mobile phone distribution business will contribute profit to the Group in 2001 and onward.

Profit / (Loss) From Operating Activities by Business Activities

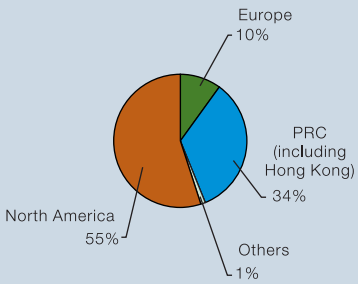
(HK$'million)	**2000**	1999
Continuing Operations		
Manufacture and sale of telecommunications products and accessories	**68**	44
Distribution of mobile phones	**(35)**	–
Trading of telecommunications and network equipment and provision of related consultancy services	**(5)**	(54)
Provision of Internet services	**(76)**	(59)
Manufacturing, sourcing and sale of baby care products	**4**	–
Provision of multimedia contents and services	**(43)**	–
Interest and investment income	**309**	209
	222	140
Discontinued Operations		
Financial services	**–**	(28)
	222	112

Analysis By Geographical Region

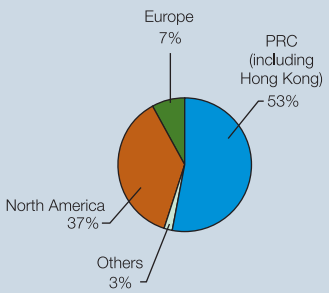
North America continued to be the major market for the Group with 55% of total turnover during the year. PRC (including Hong Kong) and Europe ranked second and third with 34% and 10%, respectively.

Due to the effects of net investment gains, 53%, 37% and 7% of the year 2000 profit from operating activities were derived from PRC (including Hong Kong), North America and Europe, respectively.

2000 Turnover by Geographical Region



2000 Profit from Operating Activities by Geographical Region



Earnings Per Share

HK$'million	2000	1999
Profit attributable to shareholders	**221**	110
Weighted average number of shares in issue, million	**1,543**	1,192
Adjusted profit attributable to shareholders	**227**	112
Adjusted weighted average number of shares in issue, million	**1,644**	1,213
Earnings per share (HK cents)		
- Basic	**14.3**	9.2
- Diluted	**13.8**	9.2

Basic earnings per share has shown an increase of 55% from 9.2 cents in 1999 to 14.3 cents in 2000 despite an increase in the weighted average number of shares in issue.

FINANCIAL POSITION

Consolidated Balance Sheet Summary

HK$'million	2000	1999	% Change
Non-current assets	**2,116**	1,890	+12
Current assets	**2,425**	1,593	+52
Total assets	**4,541**	3,483	+30
Current liabilities	**1,381**	580	+138
Non-current liabilities	**224**	358	-37
Total liabilities	**1,605**	938	+71
Net assets	**2,936**	2,545	+15

Non-current Assets

The 12% net increase in non-current assets was mainly due to further additions of new production facilities in Huiyang, PRC.

Current Assets

The 52% increase in current assets was partly due to an increase in inventories and receivables, which is in line with the increase in the Group's turnover during the year, and partly due to the Group's investment in Sendo Holdings Plc.

Current Liabilities

The increase in current liabilities was mainly due to the classification of the HK$150 million convertible debt in this category; and increases in trade payables and bank financing which is in line with the increase in the Group's turnover.

Non-current Liabilities

The reduction of 37% in this category was mainly due to the transfer of the convertible debt to current liabilities as mentioned above.

Net Asset Value Per Share

HK$'million	**2000**	1999	% Change
Net assets	**2,936**	2,545	+15
Number of shares in issue, million	**1,565**	1,302	+20
Net assets value per share (HK$)	**1.88**	1.95	-4

As at 31 December 2000, the net asset value per share was HK$1.88 (1999: HK$1.95), a reduction of 4% from last year. The decrease was mainly due to the write-off of goodwill against reserves on certain investments in telecommunications and Internet projects, and the increase in shares outstanding during the year.

Capital Structure And Gearing Ratio

	2000		1999	
HK$'million	**Amount**	**Relative%**	Amount	Relative %
Bank loans	**339**	**10**	190	7
Convertible debt	**150**	**4**	180	6
Total debt	**489**	**14**	370	13
Equity	**2,936**	**86**	2,545	87
Total capital employed	**3,425**	**100**	2,915	100

At the end of 2000, the ratio of total debt to total capital employed was 14% (1999: 13%). The Group had banking facilities totalling approximately HK$604 million of which HK$339 million had been utilized. 36% of the bank loans outstanding at year end was of a long term nature, which principally comprised of mortgage loans on properties used by the Group. The Group had HK$497 million in cash balance at the end of 2000 (1999: HK$476 million).

CASH AND TREASURY MANAGEMENT

Cash Flow

HK$'million	2000	1999	% Change
Net cash inflow / (outflow) from operating activities	**(21)**	157	N/A
Returns on investments and servicing of finance	**3**	19	-84
Tax paid	**(5)**	(5)	0
Net cash inflow / (outflow) before investing activities	**(23)**	171	N/A
Net cash outflow from investing activities	**(1,008)**	(758)	+33
Net cash inflow from financing activities	**996**	447	+123
Decrease in cash balance	**(35)**	(140)	-75

The Group experienced a slight decrease in cash balance of HK$35 million during the year. The purchase of fixed assets and investments mostly accounted for the HK$1,008 million in net cash outflow from investing activities, which were funded by the proceeds from the issue of new shares during the year.

Treasury Management

The Group adopts a conservative approach to cash management and risk controls. The Group's treasury activities are centralised. More than 90 per cent of the Group's receipts and payments are in Hong Kong dollars and United States dollars. Cash is generally placed in short term deposits denominated in either Hong Kong or United States dollars. As at 31 December 2000, the Group had borrowings outstanding denominated in Hong Kong dollars only and there was no borrowing at fixed interest rates. The Group does not have any significant foreign currency or interest rate risk.

OTHER INFORMATION

Employees and Remuneration Policy

The total number of employees in the Group as at 31 December 2000 was 13,200.

Remuneration packages are normally reviewed annually. Apart from salary payments, other staff benefits include provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees of the Group. As at the balance sheet date, there were 28.7 million (1999: 27.7 million) options outstanding.

Pledge of Assets

As at 31 December 2000, approximately HK$866 million (1999: HK$571 million) of the Group's assets have been pledged to secure general banking facilities granted to the Group.

Contingent Liabilities

Except for corporate guarantees given to banks in connection with facilities granted to subsidiaries by the Company of approximately HK$304 million (1999: HK$227 million), the Group has no other contingent liabilities as at the balance sheet date.

Acquisition and Disposal of Material Subsidiaries and Associates

During the year, the Group acquired a 61.42% equity interest in CCT Multimedia Holdings Limited (formerly Wiltec Holdings Limited). The Group has reduced its equity interest in HKNet Company Limited from 51% to 21%. The Group has also acquired a 40% equity interest in Team Work Corporation Limited and a 40% equity interest in Modernet Company Limited during the year. Please refer to the circulars and announcements published by the Group regarding these transactions for more details.

Significant Investments

During the year, the Group's investments, including Sendo Holdings Plc; Sino Land Company Limited; ONI Systems Corporation; and Mingpao.com Limited, performed satisfactorily and the management is confident on their prospects.

Statutory Reports and Financial Statements

Contents

31 Report of the Directors
40 Report of the Auditors
41 Consolidated Profit and Loss Account
42 Consolidated Statement of Recognised Gains and Losses
43 Consolidated Balance Sheet
44 Consolidated Cash Flow Statement
46 Balance Sheet
47 Notes to Financial Statements
85 Summary of Financial Information
88 Notice of Annual General Meeting

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. During the year, the Group continued the business of the manufacture and sale of telecommunications products and accessories, the provision of Internet access, the provision of Internet portals contents, international direct-dial telephone services and other telecommunications services, the trading of telecommunications and network equipment and the provision of related consultancy services. The Group also commenced the business of distribution of mobile phones.

During the year, the Group acquired 61.42% equity interest in CCT Multimedia Holdings Limited ("CCT Multimedia", formerly known as Wiltec Holdings Limited). The principal activities of CCT Multimedia and its subsidiaries included the manufacturing, sourcing and sale of baby care products, provision of multimedia contents and services.

During the year, the Group reduced its equity interest in HKNet Company Limited ("HKNet") from 51% to 21%. The principal activities of HKNet and its subsidiaries included the provision of Internet access and international direct-dial telephone services. As a result, HKNet became an associate of the Group having previously been an indirect non-wholly owned subsidiary of the Company.

Details of the principal activities of the principal subsidiaries and the Group's principal jointly-controlled entities and principal associates are set out in notes 15, 16 and 17, respectively to the financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit/(loss) from operating activities by principal activity and geographical area for the year ended 31 December 2000 is as follows:

	Turnover		Contribution to profit/(loss) from operating activities	
HK$'million	**2000**	1999	**2000**	1999
By principal activity:				
Continuing operations:				
Manufacture and sale of telecommunications products and accessories	**1,847**	1,245	**68**	44
Distribution of mobile phones	**9**	–	**(35)**	–
Provision of Internet services	**114**	169	**(76)**	(59)
Trading of telecommunications and network equipment and provision of related consultancy services	**70**	31	**(5)**	(54)
Manufacturing, sourcing and sale of baby care products	**109**	–	**4**	–
Provision of multimedia contents and services	**15**	–	**(43)**	–
Interest income	**26**	27	**26**	27
Investment income	**–**	–	**283**	182
	2,190	1,472	**222**	140
Discontinued operations:				
Brokerage and trading of securities, futures commodities, options, bullions, leveraged foreign exchange, fees and commissions	**–**	95	**–**	(33)
Interest income	**–**	5	**–**	5
	–	100	**–**	(28)
	2,190	1,572	**222**	112

HK$'million	Turnover 2000	Turnover 1999	Contribution to profit/(loss) from operating activities 2000	Contribution to profit/(loss) from operating activities 1999
By geographical area:				
Continuing operations:				
USA	**1,199**	676	**82**	18
Europe	**212**	393	**15**	10
Asia:				
– People's Republic of China (including Hong Kong)	**741**	340	**117**	104
– Elsewhere	**38**	63	**8**	8
	2,190	1,472	**222**	140
Discontinued operations:				
People's Republic of China (including Hong Kong)	**–**	100	**–**	(28)
	2,190	1,572	**222**	112

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 December 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 41 to 84.

Particulars of dividend for the year recommended by the directors are set out in note 10 to the financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 85. This summary is not part of the audited financial statements.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and the investment properties of the Group are set out in note 12 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 15 to the financial statements.

JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

Particulars of the Company's and the Group's interests in principal jointly-controlled entities and principal associates are set out in notes 16 and 17 to the financial statements, respectively.

BORROWINGS

Details of the borrowings of the Group are set out in notes 27 to 29 to the financial statements.

CONVERTIBLE DEBT

Details of the convertible debt of the Company and the Group are set out in note 30 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

On 1 February 2000, the Company allotted and issued 200,000,000 ordinary shares of HK$0.50 each of the Company to professional and institutional investors at HK$4.60 per ordinary share. The placing proceeds have been applied to finance the capital expenditure of the Local Multipoint Distribution Service, Point to Multipoint network and the external satellite-based telecommunications facilities; the capital expenditure of the manufacture of telecommunications products and accessories; the investments in telecommunications and Internet related projects; and the working capital requirements of the Group.

Details of movements in the Company's share capital, share options and warrants during the year are set out in note 32 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the Companies Law (2000 Revision) Chapter 22 of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, the Company repurchased certain ordinary shares in the Company on The Stock Exchange of Hong Kong Limited, the summary particulars of which are as follows:

Trading months in 2000	Number of ordinary shares repurchased	Price per ordinary share Highest HK$	Price per ordinary share Lowest HK$	Total cost (before expenses) HK$'000
February	11,634,000	3.225	2.650	35,044
March	11,220,000	3.000	2.425	32,343
April	598,000	1.800	1.800	1,076
May	5,432,000	2.000	1.700	10,212
June	10,856,000	2.025	1.940	21,643
July	1,582,000	2.000	1.850	3,072
October	29,922,000	1.120	0.800	28,870
November	8,454,000	1.290	0.940	9,210
December	7,280,000	1.000	0.810	6,537
	86,978,000			148,007

Further details of these transactions are set out in note 32 to the financial statements.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Law (2000 Revision) Chapter 22 of the Cayman Islands, the share premium of the Company is available for distribution of dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

In accordance with the Company's Articles of Association, dividends can only be distributed out of profits and reserves available for distribution including the share premium of the Company. As at 31 December 2000, the Company had a net credit balance of approximately HK$1,803 million (1999: HK$991 million) maintained in the reserve accounts which would be available for distribution.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$1,030,000 (1999: HK$36,900).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the aggregate turnover attributable to the Group's five largest customers accounted for approximately 72% (1999: 68%) of the Group's total turnover for the year and sales to the largest customer included therein amounted to approximately 50% (1999: 43%).

The aggregate purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases for the year ended 31 December 2000.

None of 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

The directors of the Company during the year and up to the date of this Annual Report were as follows:

Executive directors:

Mak Shiu Tong Clement	
Cheng Yuk Ching Flora	
Tsoi Tong Hoo Tony	
William Donald Putt	
Tam Ngai Hung Terry	(appointed on 12 February 2000, resigned on 29 September 2000 and re-appointed on 26 March 2001)
Liu Zhen Yuan	(retired on 22 June 2000)
Zhang Guo Liang	(resigned on 18 November 2000)

Independent non-executive directors:

Samuel Olenick	
Tam King Ching Kenny	
Lau Ho Man Edward	(appointed on 12 February 2000)

In accordance with Article 91 of the Company's Articles of Association, Tam Ngai Hung Terry will retire and, being eligible, offer himself for re-election. In accordance with Article 99 of the Company's Articles of Association, William Donald Putt and Tsoi Tong Hoo Tony will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 22 to 23 of this Annual Report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the directors' emoluments and of the five highest paid individuals in the Group are set out in notes 6 and 7 to the financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

During the year, 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 obligation.

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 year.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 31 December 2000, the interests of the directors or their respective associates in the share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

1. Interests in ordinary shares

i. The Company

		Number of shares beneficially held and nature of interest		
Name of director	Notes	Personal	Family	Corporate
Mak Shiu Tong Clement	(a)	2,200,000	4,406,000	325,945,797
Cheng Yuk Ching Flora		35,666,875	–	–
Tsoi Tong Hoo Tony		5,000,000	–	–
Samuel Olenick	(b)	–	–	500,000
William Donald Putt		686,000	–	–

ii. Associated Corporation - CCT Multimedia

		Number of shares beneficially held and nature of interest		
Name of director	Notes	Personal	Family	Corporate
Mak Shiu Tong Clement	(c)	574,412	1,150,391	85,103,220
Cheng Yuk Ching Flora		9,312,498	–	–
Tsoi Tong Hoo Tony		1,305,483	–	–
Samuel Olenick	(d)	–	–	130,548
William Donald Putt		179,112	–	–

Notes:

(a) The family interest of Mak Shiu Tong Clement in 4,406,000 shares is held by his wife, Yiu Yu Ying, and the corporate interest of Mak Shiu Tong Clement in 325,945,797 shares is held by Capital Interest Limited, the issued share capital of which his wife and two sons have a beneficial interest, pursuant to Section 31 and Clause 5 of Part I of the Schedule of the SDI Ordinance and which interest in shares has also been disclosed under the section of "Substantial Shareholders" below.

(b) The shares are deemed to be interested by Samuel Olenick pursuant to Clause 5 of Part I of the Schedule of the SDI Ordinance.

(c) The family interest of Mak Shiu Tong Clement in 1,150,391 shares is held by his wife, Yiu Yu Ying, and the corporate interest of Mak Shiu Tong Clement in 85,103,220 shares is held by Capital Interest Limited, the issued share capital of which his wife and two sons have a beneficial interest, pursuant to Section 31 and Clause 5 of Part I of the Schedule of the SDI Ordinance.

(d) The shares are deemed to be interested by Samuel Olenick pursuant to Clause 5 of Part I of the Schedule of the SDI Ordinance.

Save as disclosed above, as at 31 December 2000, none of the directors or their respective associates had any personal, family, corporate or other interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

2. Rights to acquire ordinary shares

i. The Company

Pursuant to the Company's share option scheme as detailed in note 32(c) to the financial statements, the Company has granted to certain directors of the Company the right to subscribe for ordinary shares in the share capital of the Company. Details of the movements in the share options granted to the directors of the Company during the year were as follows:

Name of director	Number of share options outstanding as at 31 December 1999	Number of share options granted during the year	Number of share options exercised during the year	Number of share options cancelled during the year	Number of share options outstanding as at 31 December 2000	Notes	Exercise price per share HK$
Mak Shiu Tong Clement	2,200,000	–	(2,200,000)	–	–	(a)	1.92
Cheng Yuk Ching Flora	2,000,000	–	(2,000,000)	–	–	(a)	1.92
	2,000,000	–	(2,000,000)	–	–	(b)	2.00
	5,220,000	–	(5,220,000)	–	–	(c)	1.20*
	–	10,250,000	(10,250,000)	–	–	(e)	1.31*
Tsoi Tong Hoo Tony	5,000,000	–	(5,000,000)	–	–	(c)	1.20*
Tam Ngai Hung Terry**	–	2,000,000	–	(2,000,000)	–	(d)	2.89*
Zhang Guo Liang***	750,000	–	(750,000)	–	–	(b)	2.00
William Donald Putt	500,000	–	(500,000)	–	–	(a)	1.92
	17,670,000	12,250,000	(27,920,000)	(2,000,000)	–		

ii. Associated Corporation - CCT Multimedia

Name of director	Number of share options outstanding as at 31 December 1999	Number of share options granted during the year	Number of share options exercised during the year	Number of share options cancelled during the year	Number of share options outstanding as at 31 December 2000	Notes	Exercise price per share HK$
Mak Shiu Tong Clement	-	10,000,000	-	-	10,000,000	(f)	0.167
Cheng Yuk Ching Flora	-	5,000,000	-	-	5,000,000	(f)	0.167
Tsoi Tong Hoo Tony	-	5,000,000	-	-	5,000,000	(f)	0.167
	-	20,000,000	-	-	20,000,000		

Notes:

(a) Exercisable from 8 February 1998 to 7 February 2000
(b) Exercisable from 27 August 1998 to 26 August 2000
(c) Exercisable from 6 October 1999 to 5 October 2001
(d) Exercisable from 15 February 2000 to 14 February 2002
(e) Exercisable from 10 May 2000 to 9 May 2002
(f) Exercisable from 9 May 2001 to 8 November 2002

* *Adjusted on 29 September 2000 to take into account the special dividend of the Company.*

** *Tam Ngai Hung Terry resigned as an executive director of the Company on 29 September 2000 and was re-appointed as an executive director of the Company on 26 March 2001.*

*** *Zhang Guo Liang resigned as an executive director of the Company on 18 November 2000.*

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or its associated corporations granted to any 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 subsidiaries or its associated corporations a party to any arrangements to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2000, the following parties were interested in 10% or more of the issued share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholders	Number of shares held
Capital Interest Limited*	325,945,797
Yiu Yu Ying*	4,406,000
Mak Shiu Tong Clement	2,200,000
	332,551,797

* Pursuant to Section 8 of the SDI Ordinance, Mak Shiu Tong Clement, a director of the Company, is deemed to control or have an interest in Capital Interest Limited, the issued share capital of which his wife and two sons have a beneficial interest, and in the shares owned by his wife, Yiu Yu Ying. These interests have been disclosed under the section of "Directors' interests in shares and share options" above.

Save as disclosed above, as at 31 December 2000, no other parties, other than the directors and their respective associates of the Company, whose interests are set out above, had registered as having an interest of 10% or more in the share capital of the Company as recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance.

CONNECTED TRANSACTIONS

(i) On 21 July 2000, the Company and CCT Multimedia entered into an acquisition agreement relating to the sale of Natural Winner Investment Limited ("Natural Winner"), an indirect wholly-owned subsidiary of the Company, which holds the entire interest in e-club International Limited ("E-club") pursuant to which CCT Multimedia agreed to acquire the entire equity interest of E-club from the Company. The aggregate consideration for the E-club acquisition was HK$1,200,000,000 and CCT Multimedia agreed to issue 1,200,000,000 new shares of HK$0.10 each in the capital of CCT Multimedia to the Company in lieu of cash. The transaction was completed on 29 September 2000.

(ii) On 26 September 2000, the Company entered into a share purchase agreement ("the Agreement") with NTT Communications Corporation Limited ("NTT") pursuant to which NTT agreed to acquire from the Company 30,810,000 ordinary shares at HK$1.00 each ("Sale Shares") in HKNet, an indirect 51%-owned subsidiary of the Company at that time. The Sale Shares constituted 26% of the then total issued share capital of HKNet. The total consideration payable for the Sale Shares was HK$124,780,500 at the price of HK$4.05 per Sale Share. The transaction pursuant to the Agreement resulted in an increase of NTT's shareholding in HKNet from 49% to 75% of the total issued share capital and the Company's shareholding in HKNet was reduced from 51% to 25%. The transaction was completed on 28 September 2000.

NTT was a substantial shareholder of HKNet holding 49% of the total issued share capital of HKNet prior to the completion of the above transaction.

(iii) On 5 October 2000, CCT Multimedia, an indirect 64.88%-owned subsidiary of the Company at that time, entered into a sale and purchase agreement to acquire the entire issued share capital of Wellfit Multi Media Group Limited from Super Control Investments Limited ("Super Control"), an indirect wholly-owned subsidiary of the Company, and Lucky Club Management Limited ("Lucky Club") for a consideration of HK$134,400,000 which was determined after what the directors considered to be arms' length negotiations between the relevant parties. The consideration was satisfied by the issue of 134,400,000 ordinary shares at HK$1.00 each of CCT Multimedia. The transaction was completed on 29 November 2000.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 38 to the financial statements.

PENSION SCHEME

The Group operates two defined contribution provident fund schemes (the "Schemes") pursuant to which certain employees of the Group are entitled to join upon fulfilling certain membership conditions. The Group contributes an amount equal to a fixed percentage of the salary of each participating employee. Forfeited contributions in respect of unvested benefits of staff leavers are used to reduce the Group's ongoing contributions. The net contributions are charged to the profit and loss account in the year to which they relate. The employer's pension costs charged to the profit and loss account for the year are set out in notes 2 and 4 to the financial statements, respectively.

The assets of the Schemes are held separately from those of the Group and are managed by independent fund administrators.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the Annual Report, save that the independent non-executive directors of the Company are not appointed for specific terms, but are subject to retirement by rotation at the annual general meeting in accordance with the Company's Articles of Association.

AUDIT COMMITTEE

Pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Company has an audit committee comprising three independent non-executive directors. A written terms of reference, which described the authority and duties of the audit committee, was also adopted by the directors.

The Audit Committee is answerable to the Board and the principal duties of the Committee include the review and supervision of the Company's financial reporting process and internal control.

AUDITORS

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
19 April 2001

ERNST & YOUNG
安永會計師事務所

To the members
CCT Telecom Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 41 to 84 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. 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 and performed 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. 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.

OPINION

In our opinion 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 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
19 April 2001

For the year ended 31 December 2000

HK$'million	Notes	2000	1999
TURNOVER	3		
Continuing operations		**2,190**	1,472
Discontinued operations		**–**	100
		2,190	1,572
Cost of sales		**(1,976)**	(1,324)
Gross profit		**214**	248
Other revenue		**671**	540
Selling expenses		**(61)**	(46)
Administrative expenses		**(399)**	(333)
Other operating expenses		**(203)**	(297)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4		
Continuing operations		**222**	140
Discontinued operations		**–**	(28)
		222	112
Finance costs	5	**(34)**	(20)
Share of profits and losses of:			
Jointly-controlled entities		**5**	(23)
Associates		**1**	–
PROFIT BEFORE TAX		**194**	69
Tax	8	**(13)**	(8)
PROFIT BEFORE MINORITY INTERESTS		**181**	61
Minority interests		**40**	49
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	9	**221**	110
Dividend	10	**421**	–
EARNINGS PER SHARE	11		
Basic		**14.3 cents**	9.2 cents
Diluted		**13.8 cents**	9.2 cents

Consolidated Statement of Recognised Gains and Losses

For the year ended 31 December 2000

HK$'million	Note	2000	1999
Net profit for the year attributable to shareholders		**221**	110
Goodwill eliminated directly against reserves	33	**(630)**	(18)
		(409)	92

HK$'million	Notes	2000	1999
NON-CURRENT ASSETS			
Fixed assets	12	**1,502**	1,021
Deposits for acquisition of land	13	**–**	65
Intangible assets	14	**37**	26
Interests in jointly-controlled entities	16	**53**	233
Interests in associates	17	**112**	16
Other assets	18	**24**	–
Long term investments	19	**388**	529
		2,116	1,890
CURRENT ASSETS			
Short term investments	19	**1,124**	458
Due from a related company	20	**–**	168
Inventories	21	**306**	139
Trade and bills receivables	22	**459**	229
Deposits and other receivables	23	**39**	123
Pledged deposits		**130**	191
Cash and cash equivalents	24	**367**	285
		2,425	1,593
CURRENT LIABILITIES			
Trade and bills payables	25	**567**	331
Tax payable		**13**	8
Other payables and accruals	26	**430**	185
Interest-bearing bank loans and other borrowings	27	**221**	56
Convertible debt	30	**150**	–
		1,381	580
NET CURRENT ASSETS		**1,044**	1,013
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,160**	2,903
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	28	**121**	136
Finance lease payables	29	**4**	2
Convertible debt	30	**–**	180
Deferred tax	31	**4**	4
		129	322
Minority interests		**95**	36
		2,936	2,545
CAPITAL AND RESERVES			
Issued capital	32	**783**	651
Reserves	33	**2,153**	1,894
		2,936	2,545

Mak Shiu Tong Clement
Chairman

Tsoi Tong Hoo Tony
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2000

HK$'million	Notes	2000	1999
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	34(a)	**(21)**	157
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		**27**	37
Interest paid		**(34)**	(17)
Interest element on finance lease rental payments		**(1)**	(1)
Dividend from an associate		**4**	–
Dividends from a listed equity investment		**7**	–
Net cash inflow from returns on investments and servicing of finance		**3**	19
TAX			
Hong Kong profits tax paid		**(5)**	(5)
INVESTING ACTIVITIES			
Purchases of fixed assets		**(505)**	(389)
Deposits for acquisition of land		**–**	(42)
Proceeds from disposal of fixed assets		**3**	38
Purchases of long term investments		**(145)**	(201)
Deposit for acquisition of a subsidiary		**(10)**	–
Purchases of associates		**(179)**	(25)
Investment in associates		**(13)**	–
Additions to intangible assets		**(37)**	(29)
Advances to jointly-controlled entities		**(51)**	(12)
Advances to associates		**(86)**	(9)
Acquisition of subsidiaries	34(e)	**(33)**	–
Purchase of a jointly-controlled entity		**(281)**	–
Investment in jointly-controlled entities		**(46)**	(15)
Disposal of jointly-controlled entities		**226**	–
Recovery of a long term investment		**36**	–
Additions to minority interests through acquisition of subsidiaries	34(f)	**–**	–
Disposal of a subsidiary	34(h)	**–**	(264)
Partial disposal of a subsidiary	34(h)	**59**	98
Purchase of short term investments		**(274)**	–
Disposal of short term investments		**41**	–
Repayment of amount due from a related company		**168**	12
Repayment of shareholders' loan of an associate		**10**	–
Repayment of shareholders' loan of a jointly-controlled entity		**109**	–
Repayment of shareholders' loan of a subsidiary		**–**	80
Net cash outflow from investing activities		**(1,008)**	(758)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		**(1,031)**	(587)

HK$'million	Note	2000	1999
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		**(1,031)**	(587)
FINANCING ACTIVITIES	34(b)		
Proceeds from placement of new shares		**920**	–
Proceeds from issue of shares upon exercise of warrants and share options		**152**	59
Share issue expenses		**(16)**	–
Repurchases of shares		**(148)**	(13)
Issue of convertible debt		**–**	195
New bank loans		**50**	127
Repayment of bank loans		**(18)**	(13)
Capital element of finance lease rental payments		**(5)**	(6)
Decrease in pledged time deposits		**61**	98
Net cash inflow from financing activities		**996**	447
DECREASE IN CASH AND CASH EQUIVALENTS		**(35)**	(140)
Cash and cash equivalents at beginning of year		**250**	390
CASH AND CASH EQUIVALENTS AT END OF YEAR		**215**	250
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**259**	97
Time deposits with original maturity of less than three months when acquired		**108**	188
		367	285
Bank overdrafts		**(40)**	(4)
Trust receipts with maturity within three months		**(112)**	(31)
		215	250

Balance Sheet

31 December 2000

HK$'million	Notes	2000	1999
NON-CURRENT ASSETS			
Interests in subsidiaries	15	**2,015**	1,486
Interests in jointly-controlled entities	16	**284**	–
		2,299	1,486
CURRENT ASSETS			
Short term investments	19	**124**	–
Due from a related company	20	**–**	168
Deposits and other receivables	23	**6**	1
Pledged deposits		**58**	–
Cash and cash equivalents	24	**259**	192
		447	361
CURRENT LIABILITIES			
Other payables and accruals	26	**10**	25
Convertible debt	30	**150**	–
		160	25
NET CURRENT ASSETS		**287**	336
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,586**	1,822
NON-CURRENT LIABILITIES			
Convertible debt	30	**–**	180
		2,586	1,642
CAPITAL AND RESERVES			
Issued capital	32	**783**	651
Reserves	33	**1,803**	991
		2,586	1,642

Mak Shiu Tong Clement
Chairman

Tsoi Tong Hoo Tony
Director

1. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

- manufacture and sale of telecommunications products and accessories;
- distribution of mobile phones;
- provision of Internet access, Internet portals contents, international direct-dial telephone services and other telecommunications services;
- trading of telecommunications and network equipment and provision of related consultancy services;
- manufacturing, sourcing and sale of baby care products; and
- provision of multimedia contents and services.

2. 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, except for the remeasurement of investment properties, and certain fixed assets and equity investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2000. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company, other than a jointly-controlled entity, in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly-controlled entities.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are initially recorded at cost, less goodwill on acquisition, and adjusted thereafter for the post-acquisition changes in the Group's share of the net assets of the jointly-controlled entities, less any provisions for diminutions in values other than those considered to be temporary in nature deemed necessary by the directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates

An associate is a company, not being a subsidiary or a joint venture, in which the Group has a long term interest and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values other than those considered to be temporary in nature deemed necessary by the directors.

Goodwill

Goodwill arising on consolidation of subsidiaries and on acquisition of associates and jointly-controlled entities represents the excess purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition. On disposal of subsidiaries, associates or jointly-controlled entities, the relevant portion of attributable goodwill previously eliminated against reserves is written back and included in the calculation of the gain or loss on disposal.

Fixed assets and depreciation

Fixed assets, other than investment properties and construction in progress, are stated at cost less accumulated depreciation. 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.

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

Leasehold land	2% - 5%
Buildings	2.5% - 5%
Plant and machinery	10% - 25%
Tools, moulds and equipment	10% - 50%
Furniture and office equipment	12.5% - 50%
Motor vehicles	18% - 33-1/3%

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.

Where, in the opinion of the directors, the recoverable amounts of fixed assets have declined below their carrying amounts, provisions are made to write down the carrying amounts of such assets to their recoverable amounts. Recoverable amounts are not determined using discounted cash flows. Reductions of recoverable amounts are charged to the profit and loss account, except to the extent that they reverse previous revaluation surpluses in respect of the same items, when they are charged to the revaluation reserve.

Construction in progress

Construction in progress represents buildings under construction. It is stated at cost and is not depreciated. Cost comprises direct costs of construction and interest charges on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio 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 an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Club memberships

Club memberships are intended to be held for long term purposes. They are stated at cost less any provisions for impairments in values, other than temporary in nature, deemed necessary by the directors, on an individual membership basis.

Research and 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 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.

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 lessors are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Long term investments

Long term investments are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Long term investments are stated at costs less any provisions for diminutions in values other than those considered to be temporary in nature deemed necessary by the directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Short term investments

Short term investments are investments in equity securities held for trading purposes. Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. Unlisted securities are stated at their estimated fair values on an individual basis, as determined by the directors having regard to the prices of the most recent reported sales or purchases of the securities. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

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.

Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Retirement benefits scheme

The Group operates two defined contribution provident fund schemes pursuant to which certain employees of the Group are entitled to join upon fulfilling certain membership conditions. The Group contributes an amount equal to a fixed percentage of the salary of each participating employee. Forfeited contributions in respect of unvested benefits of staff leavers are used to reduce the Group's ongoing contributions. The net contributions are charged to the profit and loss account in the year to which they relate.

The assets of the schemes are held separately from those of the Group and are managed by independent professional fund managers.

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;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(b) income from the provision of Internet, network consultancy and multimedia contents services, in the period in which the services are rendered;

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

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

(e) dividends, when the shareholders' right to receive payment is established.

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.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

3. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowance for returns and trade discounts; income from the provision of Internet services, multimedia contents and services, and telecommunications related consultancy services; and income from the provision of financial services, and is analysed as follows:

HK$'million	**2000**	1999
Continuing operations:		
Manufacture and sale of telecommunications products and accessories	**1,847**	1,245
Distribution of mobile phones	**9**	–
Provision of Internet services	**114**	169
Trading of telecommunications and network equipment and provision of related consultancy services	**70**	31
Manufacturing, sourcing and sale of baby care products	**109**	–
Provision of multimedia contents and services	**15**	–
Interest income	**26**	27
	2,190	1,472
Discontinued operations:		
Brokerage and trading of securities, futures, commodities, options, bullions, leveraged foreign exchange, fees and commissions	**–**	95
Interest income	**–**	5
	–	100
Turnover	**2,190**	1,572

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging:

	Group	
HK$'million	**2000**	1999
Depreciation:		
Owned fixed assets	**110**	75
Leased fixed assets	**1**	1
Operating lease rentals in respect of land and buildings	**8**	12
Research and development costs:		
Deferred expenditure amortised	**25**	17
Current year expenditure	**37**	29
Auditors' remuneration	**4**	3
Staff costs (note)	**252**	202
Provision for impairment in values of long term investments	**101**	109
Write-off of investment in an associate (including realisation of goodwill)	**–**	80
Provision against loan to an associate	**44**	–
Provision against loan to a jointly-controlled entity	**51**	–
Bad and doubtful debt provisions on trade receivable	**7**	25
Bad and doubtful debt provisions on other receivables	**8**	65
Loss on disposal of fixed assets, net	**4**	2
Loss on disposal of an investment property	**–**	7
Net realised loss on disposal of short term investments	**4**	–
and after crediting:		
Gross rental income from investment properties	**3**	4
Exchange gains, net	**1**	2
Dividend income from a listed equity investment	**7**	–
Gain on disposal/deemed disposal of subsidiaries	**447**	93
Gain on disposal of jointly-controlled entities	**43**	–
Net unrealised holding gain on short term investments	**127**	407
Recovery of a long term investment	**36**	–
Interest income on loan to a jointly-controlled entity	**1**	7
Other loan interest income	**3**	10

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

5. FINANCE COSTS

HK$'million	Group 2000	1999
Interest on bank loans and overdrafts wholly repayable within five years	**12**	9
Interest on bank loans repayable after five years	**14**	9
Interest on convertible debt	**7**	1
Interest on finance leases	**1**	1
	34	20

6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Companies Ordinance is as follows:

HK$'million	Group 2000	1999
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**–**	–
	–	–
Executive directors' other emoluments:		
Salaries, allowances and benefits in kind	**14**	30
Pension scheme contributions	**1**	–
	15	30

The remuneration of the directors fell within the following bands:

	Number of directors 2000	1999
Nil - HK$1,000,000	**6**	10
HK$1,000,001 - HK$1,500,000	**1**	–
HK$1,500,001 - HK$2,000,000	**–**	1
HK$2,000,001 - HK$2,500,000	**1**	–
HK$3,000,001 - HK$3,500,000	**1**	–
HK$7,000,001 - HK$7,500,000	**1**	–
HK$8,000,001 - HK$8,500,000	**–**	1
HK$16,000,001 - HK$16,500,000	**–**	1
	10	13

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

No value is included in directors' remuneration in respect of share options granted during the year because, in the absence of a readily available market value for the options on the Company's shares, the directors are unable to arrive at an accurate assessment of the value of the options granted. Details of the options granted to the directors during the year are set out in the section "Directors' interests in shares and share options" in the Report of the Directors on page 35.

7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (1999: two) directors, details of whose remuneration are set out in note 6 above. The details of the remuneration of the remaining two (1999: three) non-director, highest paid employees are as follows:

	Group	
HK$'million	**2000**	1999
Salaries, allowances and benefits in kind	**3**	5
Bonuses	**1**	1
Pension scheme contributions	**–**	–
	4	6

The remuneration of the non-director, highest paid employees fell within the following bands:

	Number of employees	
	2000	1999
Nil - HK$1,000,000	**–**	1
HK$1,000,001 - HK$1,500,000	**–**	2
HK$1,500,001 - HK$2,000,000	**1**	–
HK$2,000,001 - HK$2,500,000	**1**	–
	2	3

8. TAX

The Company is exempted from tax in the Cayman Islands until 2010. Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the 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.

	Group	
HK$'million	**2000**	1999
Group:		
Hong Kong:		
Provision for the year	**12**	8
Over provision in prior years	**(1)**	–
	11	8
Share of tax attributable to associates	**2**	–
Tax charge for the year	**13**	8

9. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is approximately HK$303 million (1999: loss of HK$456 million). The Group's share of the profits or losses for the year retained by the jointly-controlled entities and associates amounted to profits of approximately HK$5 million and HK$1 million, respectively (1999: losses of approximately HK$23 million and Nil, respectively).

10. DIVIDEND

HK$'million	**2000**	1999
Special dividend in specie of 420,623,514 shares of HK$0.10 each in CCT Multimedia Holdings Limited ("CCT Multimedia")	**421**	–

The special dividend was declared out of the Company's share premium account as permitted by the Company's Articles of Association and was approved in the extraordinary general meeting of the Company held on 15 September 2000. CCT Multimedia is a company incorporated in Bermuda with limited liability, whose securities are listed on The Stock Exchange of Hong Kong Limited and is a subsidiary of the Company.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of approximately HK$221 million (1999: HK$110 million), and the weighted average number of 1,543,122,006 (1999: 1,191,779,309) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the year of approximately HK$227 million (1999: HK$112 million), after adjustment for interest saved upon the deemed exercise of all convertible bonds during the year. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is 1,643,984,224 (1999: 1,213,452,290) which includes the weighted average number of 1,543,122,006 (1999: 1,191,779,309) ordinary shares in issue during the year, as used in the basic earnings per share calculation; nil (1999: weighted average of 2,617,797) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all warrants outstanding during the year; the weighted average of 5,320,816 (1999: 871,974) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year; and the weighted average of 95,541,402 (1999: 18,183,210) ordinary shares assumed to have been issued on the deemed exercise of all convertible bonds during the year.

12. FIXED ASSETS

Group HK$'million	Investment properties	Leasehold land and buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Constructiion in progress	Total
Cost or valuation:								
At beginning of year	58	650	153	81	169	15	99	1,225
Acquisition of subsidiaries	5	4	11	3	14	4	–	41
Additions	–	352	39	31	98	6	114	640
Disposals	–	–	(1)	–	(5)	(5)	–	(11)
Disposals of subsidiaries	–	–	–	–	(97)	(1)	–	(98)
Transfers	16	105	–	–	(54)	–	(100)	(33)
At 31 December 2000	79	1,111	202	115	125	19	113	1,764
Analysis of cost or valuation:								
At cost	–	1,111	202	115	125	19	113	1,685
At 31 December 2000 valuation	79	–	–	–	–	–	–	79
	79	1,111	202	115	125	19	113	1,764
Accumulated depreciation:								
At beginning of year	–	39	43	45	72	5	–	204
Acquisition of subsidiaries	–	1	2	3	6	2	–	14
Provided during the year	–	43	25	13	27	3	–	111
Disposals	–	–	(1)	–	(1)	(2)	–	(4)
Disposal of subsidiaries	–	–	–	–	(30)	–	–	(30)
Transfers	–	(9)	–	–	(24)	–	–	(33)
At 31 December 2000	–	74	69	61	50	8	–	262
Net book value:								
At 31 December 2000	79	1,037	133	54	75	11	113	1,502
At 31 December 1999	58	611	110	36	97	10	99	1,021

The net book value of the fixed assets of the Group held under finance leases included in the total amount of fixed assets as at 31 December 2000 amounted to HK$6 million (1999: HK$3 million).

The net book value of the Group's land and buildings included above are held under the following lease terms:

HK$'million	Hong Kong	Elsewhere	Total
Long term leases	366	–	366
Medium term leases	64	607	671
	430	607	1,037

12. FIXED ASSETS (continued)

The Group's investment properties are situated in Hong Kong and held under the following lease terms:

HK$'million	
Long term leases	18
Medium term leases	61
	79

The Group's investment properties were revalued on 31 December 2000 by DTZ Debenham Tie Leung Limited, Vigers Hong Kong Limited and E. N. Surveyors & Co., independent professionally qualified valuers, on an open market, existing use basis.

13. DEPOSITS FOR ACQUISITION OF LAND

The balance in 1999 represented deposits paid for the acquisition of a piece of industrial land at Huiyang, the People's Republic of China.

The balance was transferred to fixed assets during the year.

14. INTANGIBLE ASSETS

Group HK$'million	Deferred development costs
Cost:	
At beginning of year	73
Additions	37
Write-off	(1)
At 31 December 2000	109
Accumulated amortisation:	
At beginning of year	47
Provided during the year	25
At 31 December 2000	72
Net book value:	
At 31 December 2000	37
At 31 December 1999	26

15. INTERESTS IN SUBSIDIARIES

	Company	
HK$'million	**2000**	1999
Unlisted shares, at cost	**–**	–
Due from subsidiaries	**3,472**	2,232
Due to subsidiaries	**(742)**	(31)
	2,730	2,201
Provision for diminutions in values	**(715)**	(715)
	2,015	1,486

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

Particulars of the principal subsidiaries as at the balance sheet date are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Bestbond Enterprises Inc.	British Virgin Islands	US$1 Ordinary	–	100	Investment holding
CCT Assets Management Limited	British Virgin Islands	US$1 Ordinary	–	100	Investment holding
CCT Marketing Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	–	100	Trading of telecommunications products
CCT Multimedia Holdings Limited (formerly known as Wiltec Holdings Limited)	Bermuda	HK$154,891,600 Ordinary	–	61.42	Investment holding
CCT Industrial Limited	British Virgin Islands	US$100 Ordinary	–	100	Property holding
CCT Telecom (HK) Limited	Hong Kong	HK$2,600,000 Ordinary	–	100	Trading of telecommunications products
CCT Technology Holdings Limited	British Virgin Islands	US$1 Ordinary	–	100	Investment holding

15. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Electronic Sales Limited	Hong Kong	HK$5,948,000 Ordinary	–	100	Manufacturing and trading of transformers and adaptors
Full Triumph International Limited	British Virgin Islands	US$1 Ordinary	–	100	Property holding
Full Yield Agents Ltd.	British Virgin islands	US$1 Ordinary	–	100	Investment holding
Goldbay Investments Limited	Hong Kong	HK$2 Ordinary	–	100	Property holding
Growth Promise Enterprises Limited	British Virgin Islands	US$1 Ordinary	–	100	Investment holding
Haier CCT (H.K.) Telecom Co., Limited	Hong Kong	HK$20,000,000 Ordinary	–	51	Distribution of mobile phones
Huge Partner Limited	Hong Kong	HK$10,000 Ordinary	–	100	Property holding
Manistar Enterprises Limited	British Virgin Islands	US$1 Ordinary	–	100	Investment holding
Neptune Holding Limited	Hong Kong	HK$10,000,000 Non-voting* class 'A' shares and HK$1,000,000 voting class 'B' shares	–	100	Trading of plastic casings and parts
Wiltec Industries Limited	Hong Kong	HK$100 Ordinary and HK$1,000,000 Deferred**	–	61.42	Manufacturing, sourcing and sale of baby care products

15. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Huiyang CCT Telecommunications Products Co., Ltd.	People's Republic of China	HK$80,000,000 Registered***	–	100	Manufacturing of telecommunications products
Huiyang CCT Plastic Products Co., Ltd.	People's Republic of China	HK$40,000,000 Registered***	–	100	Manufacturing of plastic casings and parts

* The non-voting shares carry no rights to dividends and no rights to vote at general meetings.

** The non-voting deferred shares carry no rights to dividends, to receive notice of or to attend or vote at any general meeting of the company or to participate in any distribution on winding-up.

*** Registered under the laws of the People's Republic of China as wholly foreign-owned enterprise.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year 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, result in particulars of excessive length.

16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

HK$'million	Group 2000	Group 1999	Company 2000	Company 1999
Unlisted shares, at cost	**–**	–	**284**	–
Share of net assets	**53**	124	**–**	–
Loan to a jointly-controlled entity	**51**	102	**–**	–
Due from jointly-controlled entities	**–**	7	**–**	–
	104	233	**284**	–
Provision against loan to a jointly-controlled entity	**(51)**	–	**–**	–
	53	233	**284**	–

The balances with the jointly-controlled entities are unsecured, interest-free and are not repayable within one year except for the loan advanced to a jointly-controlled entity in 1999 amounting to approximately HK$102 million which was interest bearing at 7% per annum. The loan to that jointly-controlled entity was fully repaid during the year.

For further details of capital commitments relating to the jointly-controlled entities, please refer to note 37(c).

16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the principal jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Registered or issued share capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Haier CCT (Qingdao) Telecom Co., Ltd.	Corporate	People's Republic of China	US$12,000,000 Registered	49	44	49	Manufacturing and trading of mobile phones
CCT-Teligent Co., Limited	Corporate	Hong Kong	HK$100 Ordinary	60	60	60	Provision of fixed telecommunications network services

17. INTERESTS IN ASSOCIATES

HK$'million	Group 2000	Group 1999
Share of net assets	**69**	7
Loan to associates	**66**	–
Due from associates	**21**	9
	156	16
Provision against loan to associates	**(44)**	–
	112	16

The amounts due from associates are unsecured, interest-free and are repayable on demand.

17. INTERESTS IN ASSOCIATES (continued)

Particulars of the principal associates, all held indirectly through subsidiaries, are as follows:

Name	Business structure	Place of incorporation and operations	Issued share capital	Percentage of ownership interest attributable to the Group 2000	1999	Principal activities
HKNet Company Limited	Corporate	Hong Kong	HK$153,561,670 Ordinary	21	51	Provision of Internet services
Modernet Company Limited	Corporate	British Virgin Islands	US$50,000 Ordinary	40	–	Investment holding
Team Work Corporation Limited	Corporate	British Virgin Islands	US$100 Ordinary	40	–	Provision of agency services and movie production

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

18. OTHER ASSETS

HK$'million	Group 2000	1999
Club memberships, at cost	**14**	–
Deposit for acquisition of a subsidiary	**10**	–
	24	–

The deposit was paid for the acquisition of a 100% interest in City Howwhy Limited. Further details of this transaction are set out in note 38(b).

19. INVESTMENTS

HK$'million	Group 2000	Group 1999	Company 2000	Company 1999
Long term investments				
Listed equity investments in Hong Kong, at cost (market value as at 31 December 1999: HK$302 million)	**–**	310	**–**	–
Unlisted equity investments, at cost	**489**	268	**–**	–
Provision for diminutions in values	**(101)**	(49)	**–**	–
	388	219	**–**	–
Unlisted debt securities, at cost	**60**	60	**–**	–
Provision for diminutions in values	**(60)**	(60)	**–**	–
	–	–	**–**	–
	388	529	**–**	–
Short term investments				
Listed equity investments, at market value:				
Hong Kong	**275**	6	**–**	–
Elsewhere	**173**	452	**124**	–
	448	458	**124**	–
Unlisted equity investments, at fair value	**676**	–	**–**	–
	1,124	458	**124**	–

As at 31 December 2000, the amount of the Group's holding in the following company exceeded 10% of total assets of the Group:

Name	Place of incorporation	Description of shares held	Percentage of holding
Sendo Holdings PLC	United Kingdom	GBP31,526,000 Ordinary and GBP31,474,000 Preference	33.3

20. DUE FROM A RELATED COMPANY

	Group and Company	
HK$'million	**2000**	1999
Jing Xiou Corporation	**–**	168

Jing Xiou Corporation ("Jing Xiou") is a wholly-owned subsidiary of Golden Tripod (Holdings) Limited ("Golden Tripod"). Zhang Guo Liang, an ex-executive director of the Company, is the director of Golden Tripod. Maximum amount outstanding during the year was HK$171 million (1999: HK$188 million).

During the year, the outstanding balance with Jing Xiou was fully repaid.

21. INVENTORIES

	Group	
HK$'million	**2000**	1999
Raw materials	**156**	88
Work in progress	**90**	41
Finished goods	**60**	10
	306	139

The carrying amount of inventories carried at net realisable value included in the above is Nil (1999: HK$1 million).

22. TRADE AND BILLS RECEIVABLES

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

	Group **2000**		Group 1999	
HK$'million	**Balance**	Percentage	**Balance**	Percentage
Current to 30 days	**276**	**60**	162	71
31 to 60 days	**137**	**30**	30	13
61 to 90 days	**36**	**8**	22	10
Over 91 days	**10**	**2**	15	6
	459	**100**	229	100

The Group normally allows an average credit period of 30-60 days to its trade customers.

23. DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
HK$'million	**2000**	1999	**2000**	1999
Prepayments	**8**	46	**–**	–
Deposits and other receivables	**31**	77	**6**	1
	39	123	**6**	1

24. CASH AND CASH EQUIVALENTS

	Group		Company	
HK$'million	**2000**	1999	**2000**	1999
Cash and bank balances	**259**	97	**181**	23
Time deposits	**108**	188	**78**	169
	367	285	**259**	192

25. TRADE AND BILLS PAYABLES

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

	Group 2000		Group 1999	
HK$'million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**197**	**35**	172	52
31 to 60 days	**153**	**27**	79	24
61 to 90 days	**150**	**26**	38	11
Over 91 days	**67**	**12**	42	13
	567	**100**	331	100

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
HK$'million	**2000**	1999	**2000**	1999
Accruals	**83**	71	**10**	6
Other payables	**347**	114	**–**	19
	430	185	**10**	25

27. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

HK$'million	Notes	Group 2000	1999
Bank overdrafts	28	**40**	4
Current portion of bank loans	28	**178**	50
Current portion of finance lease payables	29	**3**	2
		221	56

28. INTEREST-BEARING BANK LOANS AND OVERDRAFTS

HK$'million	Group 2000	1999
Bank overdrafts:		
Secured	**40**	1
Unsecured	**–**	3
	40	4
Bank loans:		
Secured	**299**	186
Bank overdrafts repayable within one year or on demand	**40**	4
Bank loans repayable:		
Within one year or on demand	**178**	50
In the second year	**18**	16
In the third to fifth years, inclusive	**62**	57
Beyond five years	**41**	63
	299	186
	339	190
Portion classified as current liabilities – note 27	**(218)**	(54)
Long term portion	**121**	136

29. FINANCE LEASE PAYABLES

There were obligations under finance leases at the balance sheet date as follows:

	Group	
HK$'million	**2000**	1999
Amounts payable:		
Within one year	**4**	2
In the second year	**3**	1
In the third to fifth years, inclusive	**1**	1
Total minimum finance lease payments	**8**	4
Future finance charges	**(1)**	–
Total net finance lease payables	**7**	4
Portion classified as current liabilities – note 27	**(3)**	(2)
Long term portion	**4**	2

30. CONVERTIBLE DEBT

	Group and Company	
HK$'million	**2000**	1999
Convertible bonds:		
Current portion	**150**	–
Long term portion	**–**	180
	150	180

In 1999, the Company issued convertible bonds with a face value of HK$200 million. The convertible bonds provide its holder option rights to convert the face value amount into ordinary shares of HK$0.50 each of the Company on or before 27 October 2001 at a conversion price of HK$1.79 per share, subject to adjustment. The face value of the convertible bonds bears interest at 5% per annum before conversion and interest is payable on a quarterly basis. During the year, HK$30 million worth of the convertible bonds were converted into 16,759,776 ordinary shares of HK$0.50 each of the Company. As a result of the distribution of special dividend in specie of the Company, the conversion price of convertible bonds was adjusted to HK$1.57 per share with effect from 29 September 2000.

The amount has been classified as current liabilities as at year end.

31. DEFERRED TAX

HK$'million	Group 2000	1999
Balance at beginning of year	**4**	5
Disposal of subsidiaries	**–**	(1)
At 31 December	**4**	4

The principal components of the Group's provision for deferred tax and the net deferred tax asset position not recognised in the financial statements are as follows:

HK$'million	Provided 2000	1999	Not provided 2000	1999
Accelerated depreciation allowances	**4**	4	**11**	2
Tax losses	**–**	–	**(43)**	(18)
	4	4	**(32)**	(16)

The benefit of any future tax relief, which arises from losses previously incurred by the Company and certain of its subsidiaries, has not been included as an asset in the balance sheet because the directors consider it prudent not to recognise the benefit until it is assured beyond reasonable doubt.

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

32. SHARE CAPITAL

HK$'million	2000	1999
Authorised:		
2,000,000,000 (1999: 2,000,000,000) ordinary shares of HK$0.50 (1999: HK$0.50) each	**1,000**	1,000
Issued and fully paid :		
1,565,332,060 (1999: 1,302,228,879) ordinary shares of HK$0.50 (1999: HK$0.50) each	**783**	651

32. SHARE CAPITAL (continued)

A summary of the transactions during the year is as follows:

	Notes	Carrying amount 2000 HK$'million	Shares issued 2000 (in millions)
At 1 January 2000		651	1,302
Issue upon private placement	(a)	100	200
Issue of consideration shares	(b)	23	45
Exercise of share options	(c)	16	32
Exercise of 1999 Warrants	(d)	1	2
Exercise of 2000 Warrants	(d)	27	54
Conversion of convertible bonds	(e)	8	17
Repurchases of shares	(f)	(43)	(87)
At 31 December 2000		783	1,565

(a) Private placement

On 1 February 2000, the Company allotted and issued 200,000,000 ordinary shares of HK$0.50 each of the Company to professional and institutional investors at HK$4.60 per ordinary share.

(b) Issue of consideration shares

Pursuant to the subscription agreements dated 29 December 1999 and 9 March 2000, the Company allotted and issued 6,666,667 and 13,135,593 ordinary shares of HK$0.50 each on 18 February 2000 and 9 March 2000 at HK$5.1975 and HK$2.95 per share, aggregating approximately HK$74 million, as part of the consideration for the acquisitions of associates.

Pursuant to a conditional sale and purchase agreement dated 7 June 2000, the Company allotted and issued 25,000,000 ordinary shares of HK$0.50 each of the Company on 5 September 2000 at HK$2.00 per share, amounting to HK$50 million, as the consideration for the acquisition of an associate.

(c) Share options

On 21 October 1991, the Company adopted a share option scheme under which the directors may, at their discretion, invite any employee of the Group to take up options to subscribe for ordinary shares of the Company. The maximum number of ordinary shares on which options may be granted may not exceed 10% of the issued ordinary share capital of the Company.

32. SHARE CAPITAL (continued)

Details of movements in the number of ordinary shares under option during the year were as follows:

		Number of ordinary shares under option (in thousands)				
Exercise price per share	Exercise period	At 1 January 2000	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	At 31 December 2000
HK$1.92*	8 February 1998 to 7 February 2000	6,862	–	(6,525)	(337)	–
HK$2.72*	10 November 1997 to 9 May 2000	1,500	–	(1,500)	–	–
HK$2.00*	27 August 1998 to 26 February 2001	3,500	–	(2,750)	(750)	–
HK$1.20**	6 October 1999 to 5 October 2001	15,820	–	(10,920)	(750)	4,150
HK$2.89**	15 February 2000 to 14 February 2002	–	2,000	–	(2,000)	–
HK$1.27**	28 October 2000 to 27 April 2002	–	8,000	–	–	8,000
HK$1.31**	10 May 2000 to 9 May 2002	–	23,300	(10,250)	(500)	12,550
HK$0.75	9 May 2001 to 20 October 2001	–	4,000	–	–	4,000
Total		27,682	37,300	(31,945)	(4,337)	28,700

* Adjusted to take into account of the bonus share issue and the share consolidation in 1998.

** Adjusted to take into account the special dividend in specie of the Company on 29 September 2000.

During the year, 6,525,000, 1,500,000, 2,750,000, 10,920,000 and 10,250,000 fully paid ordinary shares of HK$0.50 each of the Company were issued at subscription prices of HK$1.92, HK$2.72, HK$2.00, HK$1.37 (adjusted to HK$1.20 on 29 September 2000) and HK$1.50 (adjusted to HK$1.31 on 29 September 2000) per ordinary share, respectively, upon the exercise of share options, for an aggregate cash consideration of approximately HK$52 million.

(d) Warrants

1999 Warrants

Approximately HK$3 million of subscription rights attached to the 1999 Warrants were exercised at a subscription price of HK$1.18, resulting in a total of approximately 2 million ordinary shares of HK$0.50 each issued.

2000 Warrants

Approximately HK$97 million of subscription rights attached to the 2000 Warrants were exercised at a subscription price of HK$1.79, resulting in a total of approximately 54 million ordinary shares of HK$0.50 each issued.

As at 31 December 2000, subscription rights of approximately HK$125 million 2000 Warrants lapsed.

32. SHARE CAPITAL (continued)

(e) Convertible bonds

During the year, HK$30 million worth of the convertible bonds were converted into 16,759,776 ordinary shares of HK$0.50 each of the Company. Further details relating to these convertible bonds are set out in note 30 to these financial statements.

(f) Repurchases of shares

During the year, the Company repurchased a total of 86,978,000 of its own shares of HK$0.50 each on the open market. The repurchased shares were cancelled during the year and the issued share capital was reduced by the par value thereof.

Details of the repurchases of shares during the year were as follows:

Trading months in 2000	Number of ordinary shares repurchased	Price per ordinary share Highest HK$	Price per ordinary share Lowest HK$	Total cost (before expenses) HK$'million
February	11,634,000	3.225	2.650	35
March	11,220,000	3.000	2.425	32
April	598,000	1.800	1.800	1
May	5,432,000	2.000	1.700	10
June	10,856,000	2.025	1.940	22
July	1,582,000	2.000	1.850	3
October	29,922,000	1.120	0.800	29
November	8,454,000	1.290	0.940	9
December	7,280,000	1.000	0.810	7
	86,978,000			148

The premium of approximately HK$105 million on the shares repurchased, being the difference between the total cost of approximately HK$148 million, including the related repurchase expenses paid by the Company, and the aggregate amount of approximately HK$43 million being the nominal value of the 86,978,000 ordinary shares repurchased, was deducted from the share premium account of the Company.

The repurchases of the Company's shares during the year were effected by the directors, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

33. RESERVES

Group HK$'million	Share premium account	Accumulated losses	Total
At 1 January 1999	2,282	(887)	1,395
Placement of shares	309	–	309
Share issue expenses	(5)	–	(5)
Exercise of warrants and share options	27	–	27
Repurchases of shares	(10)	–	(10)
Conversion of convertible bonds	15	–	15
Goodwill arising from acquisition of an associate	–	(18)	(18)
Reversal of goodwill on disposal of subsidiaries and on write-off of an investment	–	71	71
Profit for the year	–	110	110
At 31 December 1999 and beginning of year	2,618	(724)	1,894
Placement of shares	921	–	921
Share issue expenses	(16)	–	(16)
Exercise of warrants and share options	108	–	108
Repurchases of shares	(105)	–	(105)
Conversion of convertible bonds	22	–	22
Goodwill arising from acquisition of subsidiaries	–	(56)	(56)
Goodwill arising from acquisition of jointly-controlled entities	–	(276)	(276)
Goodwill arising from acquisition of associates	–	(298)	(298)
Reversal of goodwill on disposal of jointly-controlled entities	–	58	58
Reversal of goodwill on partial disposal of a subsidiary	–	101	101
Profit for the year	–	221	221
Dividend in specie	(421)	–	(421)
At 31 December 2000	3,127	(974)	2,153
Reserves retained by:			
Company and subsidiaries	2,618	(704)	1,914
Jointly-controlled entities	–	(20)	(20)
31 December 1999	2,618	(724)	1,894
Company and subsidiaries	3,127	(980)	2,147
Jointly-controlled entities	–	5	5
Associates	–	1	1
31 December 2000	3,127	(974)	2,153

33. RESERVES (continued)

Company HK$'million	Share premium account	Accumulated losses	Total
Balance at 1 January 1999	2,282	(1,171)	1,111
Placement of shares	309	–	309
Share issue expenses	(5)	–	(5)
Exercise of warrants and share options	27	–	27
Repurchases of shares	(10)	–	(10)
Conversion of convertible bonds	15	–	15
Loss for the year	–	(456)	(456)
At 31 December 1999 and beginning of year	2,618	(1,627)	991
Placement of shares	921	–	921
Share issue expenses	(16)	–	(16)
Exercise of warrants and share options	108	–	108
Repurchases of shares	(105)	–	(105)
Conversion of convertible bonds	22	–	22
Profit for the year	–	303	303
Dividend in specie (note)	(421)	–	(421)
At 31 December 2000	3,127	(1,324)	1,803

Note: Under the Companies Law (2000 Revision) Chapter 22 of the Cayman Islands, the share premium of the Company is available for distribution of dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

In accordance with the Company's Articles of Association, dividends can only be distributed out of the profit and reserves available for distribution including the share premium of the Company. As at 31 December 2000, the Company had a net credit balance of approximately HK$1,803 million (1999: HK$991 million) maintained in the reserve accounts which is available for distribution.

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow/(outflow) from operating activities

HK$'million	2000	1999
Profit from operating activities	**222**	112
Interest income	**(26)**	(32)
Interest income from a jointly-controlled entity	**(1)**	(7)
Dividend income from listed equity investments	**(7)**	–
Depreciation	**111**	76
Amortisation of deferred development expenditure	**25**	17
Write-off of deferred development expenditure	**1**	3
Loss on disposal of fixed assets, net	**4**	2
Loss on disposal of an investment property	**–**	7
Net realised loss on disposal of short term investments	**4**	–
Gain on disposal/deemed disposal of subsidiaries	**(447)**	(93)
Gain on disposal of jointly-controlled entities	**(43)**	–
Recovery of a long term investment	**(36)**	–
Net unrealised holding gain on short term investments	**(127)**	(407)
Provision for diminutions in values of long term investments	**101**	109
Provision against loan to an associate	**44**	–
Provision against loan to a jointly-controlled entity	**51**	–
Write-off of investment in an associate (including realisation of goodwill)	**–**	80
Bad and doubtful debt provisions on trade receivable	**7**	25
Bad and doubtful debt provisions on other receivables	**8**	65
Decrease in bank balances (trust accounts)	**–**	104
Increase in inventories	**(164)**	(54)
Increase in trade and bills receivables	**(255)**	(215)
Decrease/(increase) in deposits and other receivables	**24**	(136)
Increase in trade and bills payables and accruals	**483**	501
Net cash inflow/(outflow) from operating activities	**(21)**	157

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

(b) Analysis of changes in financing during the year

HK$'million	Share capital (including share premium account)	Bank and other loans	Finance leases obligations	Convertible debt	Minority interests	Pledged time deposits
Balance at 1 January 1999	2,859	128	6	–	40	289
Cash inflow/(outflow) from financing activities, net	41	114	(6)	200	–	(98)
Disposal of a subsidiary	–	(87)	(2)	–	(13)	–
Placement of shares	349	–	–	–	–	–
Share of loss for the year	–	–	–	–	(49)	–
Additions to minority interests through acquisition of subsidiaries	–	–	–	–	(3)	–
Increase in due to minority interests	–	–	–	–	3	–
Contribution by minority interests	–	–	–	–	54	–
Partial disposal of a subsidiary	–	–	–	–	4	–
Inception of finance lease obligations	–	–	6	–	–	–
Conversion of convertible bonds	20	–	–	(20)	–	–
Balance at 31 December 1999 and beginning of year	3,269	155	4	180	36	191
Cash inflow/(outflow) from financing activities, net	908	32	(5)	–	–	(61)
Acquisition of a subsidiary	–	–	2	–	53	–
Disposal of subsidiaries	–	–	–	–	13	–
Placement of shares	124	–	–	–	–	–
Share of loss for the year	–	–	–	–	(40)	–
Deemed disposal of a subsidiary	–	–	–	–	33	–
Inception of finance lease obligations	–	–	6	–	–	–
Conversion of convertible bonds	30	–	–	(30)	–	–
Dividend in specie	(421)	–	–	–	–	–
Balance at 31 December 2000	3,910	187	7	150	95	130

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

(c) Major non-cash transactions

During the year, the Group had the following major non-cash transactions:

(i) The Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the finance leases of HK$6 million (1999: HK$6 million).

(ii) The Company allotted and issued 6,666,667 and 13,135,593 ordinary shares of HK$0.50 each, credited as fully paid, at HK$5.1795 and HK$2.95 per share, aggregating approximately HK$74 million, as part of the consideration for the acquisitions of associates.

(iii) The Company allotted and issued 25,000,000 ordinary shares of HK$0.50 each to an independent third party amounting to HK$50 million, credited as fully paid, at HK$2.00 per share, as the consideration for the acquisition of an associate.

(d) Acquisition of subsidiaries

HK$'million	2000
Net assets acquired:	
Fixed assets	**27**
Other assets	**14**
Cash and bank balances	**116**
Trade receivable	**28**
Inventories	**3**
Prepayments, deposits and other receivables	**4**
Trade payable	**(6)**
Other payables and accruals	**(25)**
Finance lease payables	**(2)**
Tax prepaid	**1**
Minority interests	**(53)**
	107
Goodwill on acquisition	**56**
	163
Satisfied by:	
Cash	**149**
Reclassification from interests in associates	**3**
Minority interests	**11**
	163

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

(e) Analysis of net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries

HK$'million	2000
Cash consideration	**(149)**
Cash and bank balances acquired	**116**
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**(33)**

The subsidiary acquired during the year utilised approximately HK$87 million of the Group's net operating cash flows, received approximately HK$4 million in respect of the net returns on investments and servicing of finance and paid approximately HK$3 million in respect of investing activities, but had no significant impact in respect of tax and financing activities.

The subsidiaries acquired during the year contributed approximately HK$119 million to the Group's turnover and post-acquisition profit of approximately HK$11 million to the Group's profit before minority interests.

(f) Additions to minority interests through acquisition of subsidiaries

HK$'million	2000	1999
Net assets acquired:		
Minority interests	**–**	3
Goodwill on acquisitions	**–**	1
	–	4
Satisfied by:		
Due to a minority shareholder	**–**	4

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

(g) Partial disposal/disposal of subsidiaries

HK$'million	2000	1999
Net assets disposed of:		
Fixed assets	**68**	105
Other assets	**–**	17
Long term investments	**–**	1
Cash and bank balances	**66**	380
Trade receivable	**46**	218
Deposits and other receivables	**19**	72
Tax prepaid	**–**	1
Bank overdrafts	**–**	(66)
Bank loans	**–**	(87)
Trade payable and accruals	**(225)**	(559)
Deferred tax	**–**	(1)
Finance leases payables	**–**	(2)
Minority interests	**13**	(13)
Goodwill	**101**	29
Reclassification to interests in associates	**7**	–
Gain on disposal of a subsidiary	**30**	3
	125	98
Satisfied by:		
Cash	**125**	50
Fixed assets	**–**	55
Other payables	**–**	(7)
	125	98

(h) Analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the partial disposal/disposal of subsidiaries

HK$'million	2000	1999
Cash consideration	**125**	50
Cash and bank balances disposed of	**(66)**	(380)
Bank overdrafts disposed of	**–**	66
Net inflow/(outflow) of cash and cash equivalents in respect of the partial disposal/disposal of subsidiaries	**59**	(264)

The subsidiaries disposed of during the year utilised approximately HK$63 million (1999: contributed appoximately HK$90 million) of the Group's net operating cash flows, received Nil (1999: HK$1 million) in respect of the net returns on investments and servicing of finance, paid Nil (1999: HK$4 million) in respect of tax, paid HK$43 million (1999: HK$13 million) in respect of investing activities and received HK$54 million (1999: HK$62 million) in respect of financing activities.

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

(h) Analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the partial disposal/disposal of subsidiaries

The subsidiaries disposed of during the year contributed approximately HK$114 million (1999: HK$100 million) to the Group's turnover and loss of approximately HK$78 million (1999: HK$33 million) to the Group's profit before minority interests.

35. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
HK$'million	**2000**	1999	**2000**	1999
Corporate guarantees given to banks in connection with facilities granted to:				
Subsidiaries	**–**	–	**304**	227
Jointly-controlled entities	**–**	60	**–**	60
	–	60	**304**	287

36. PLEDGED ASSETS

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

(i) pledge of the Group's fixed deposits amounting to approximately HK$130 million (1999: HK$104 million);

(ii) fixed charges over certain of the Group's investment properties with a net carrying value amounting to approximately HK$21 million (1999: HK$44 million);

(iii) fixed charges over certain of the Group's leasehold land and buildings with an aggregate net book value amounting to approximately HK$440 million (1999: HK$423 million);

(iv) fixed charges over listed securities with a market value of approximately HK$275 million (1999: Nil); and

(v) corporate guarantees given by the Company.

37. COMMITMENTS

At the balance sheet date, the Group and the Company had the following commitments:

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

	Group		Company	
HK$'million	**2000**	1999	**2000**	1999
Capital contributions to certain subsidiaries established in the People's Republic of China	**9**	73	**–**	–
Loan to an associate	**8**	53	**–**	–
Purchase of equipment and motor vehicles	**1**	3	**–**	–
Purchase of leasehold land and buildings	**–**	29	**–**	–
Construction in progress	**92**	40	**–**	–
	110	198	**–**	–

(b) Capital commitments authorised, but not yet contracted for in respect of:

	Group		Company	
HK$'million	**2000**	1999	**2000**	1999
Investment in a jointly-controlled entity established in the People's Republic of China	**25**	–	**25**	–
Acquisition of a subsidiary	**5**	–	**–**	–
	30	–	**25**	–

(c) At the balance sheet date, the Group's share of capital commitments of the jointly-controlled entities themselves was approximately HK$376 million (1999: Nil) in respect of capital expenditures authorised but not contracted for and HK$3 million (1999: Nil) in respect of capital expenditures contracted but not provided for.

(d) Annual commitments payable in the following year under non-cancellable operating leases in the following year in respect of land and buildings:

	Group		Company	
HK$'million	**2000**	1999	**2000**	1999
Expiring:				
Within one year	**1**	1	**–**	–
In the second to fifth years, inclusive	**10**	3	**–**	–
	11	4	**–**	–

38. POST BALANCE SHEET EVENTS

(a) On 11 December 2000, the Group entered into an arrangement with two independent third parties for the sale and purchase of the entire issued share capital of Sheen Culture Program Investment Limited ("Sheen Culture") for a consideration of HK$40 million, subject to certain adjustments which will be based on the operating results of Sheen Culture for the year ending 31 December 2001. The consideration will be satisfied by the issue of new shares of CCT Multimedia. The transaction became unconditional on 10 January 2001.

Sheen Culture is principally engaged in the development and distribution of TV programs mainly in the PRC market.

Further details of this transaction are set out in CCT Multimedia's press announcement dated 11 December 2000.

(b) On 2 March 2001, the Group entered into an agreement with an independent third party for the sale and purchase of the entire issued share capital of City Howwhy Limited for a cash consideration of HK$15 million of which HK$10 million has been paid as of 31 December 2000. The transaction was completed on 2 March 2001.

(c) On 3 January 2001, the Group acquired an additional 1.45% interest in CCT Multimedia from two directors of CCT Multimedia for a cash consideration of HK$4,482,000. As a result, the Group's interest in CCT Multimedia increased from 61.42% to 62.87%.

39. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the year:

		Group	
HK$'million	Notes	**2000**	1999
Rental income from a jointly-controlled entity	(i)	**1**	–
Management fee income from an associate	(ii)	**3**	–
Mechanical and electricity work charges paid to an associate	(iii)	**7**	–

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

(i) The rental income was charged at rates approximating to market rates.

(ii) The management fee was charged in respect of the artists coordination service provided by the Group and determined based on the actual costs incurred.

(iii) The mechanical and electricity work charges were determined based on the actual costs incurred.

39. RELATED PARTY TRANSACTIONS (continued)

(b) On 21 July 2000, the Company and CCT Multimedia entered into an acquisition agreement relating to the sale of Natural Winner Investment Limited ("Natural Winner"), an indirect wholly-owned subsidiary of the Company, which holds the entire interest in e-club International Limited ("E-club") pursuant to which CCT Multimedia agreed to acquire the entire equity interest of E-club from the Company. The aggregate consideration for the E-club acquisition was HK$1,200,000,000 and CCT Multimedia agreed to issue 1,200,000,000 new shares of HK$0.10 each in the capital of CCT Multimedia to the Company in lieu of cash. The transaction was completed on 29 September 2000.

(c) On 26 September 2000, the Company entered into a share purchase agreement ("the Agreement") with NTT Communications Corporation Limited ("NTT") pursuant to which NTT agreed to acquire from the Company 30,810,000 ordinary shares at HK$1.00 each ("Sale Shares") in HKNet, an indirect 51%-owned subsidiary of the Company at that time. The Sale Shares constituted 26% of he total issued share capital of HKNet. The total consideration payable for the Sale Shares was HK$124,780,500 at the price of HK$4.05 per Sale Share. The transaction pursuant to the Agreement resulted in an increase of NTTs shareholding in HKNet fom 49% to 75% of the total issued share capital and the Company's shareholding in HKNet was reduced from 51% to 25%. The transaction was completed on 28 September 2000.

NTT was a substantial shareholder of HKNet holding 49% of the total issued share capital of HKNet prior to the completion of the above transaction.

(d) On 5 October 2000, CCT Multimedia, an indirect 64.88%-owned subsidiary of the Company at that time, entered into a sale and purchase agreement to acquire the entire issued share capital of Wellfit Multi Media Group Limited from Super Control Investments Limited ("Super Control"), an indirect wholly-owned subsidiary of the Company, and Lucky Club Management Limited ("Lucky Club") for a consideration of HK$134,400,000 which was determined after what the directors considered to be arms' length negotiations between the relevant parties. The consideration was satisified by the issue of 134,400,000 ordinary shares at HK$1.00 each of CCT Multimedia. The transaction was completed on 29 November 2000.

(e) During the year, the Group entered into the following material transactions with Shanghai CCT-McCaw Telecommunications System Co., Ltd ("Shanghai CCT-McCaw") - a jointly-controlled entity of the Group:

(i) On 6 October 1997, CCT Communications Group Limited ("CCT Communications") entered into a loan agreement with Shanghai CCT-McCaw whereby CCT Communications agreed to advance a loan in the aggregate approximate amount of US$13 million, which would be interest-bearing at 7% per annum and unsecured. The annual repayments would be in accordance with the terms set forth in the loan agreement.

During the period from 1997 to1999, CCT Communications advanced loans aggregating approximately US$13 million (approximately HK$102 million) to Shanghai CCT-McCaw and the interest expense charged by CCT Communications amounted to approximately US$99,000 which was capitalised as part of the loan. During the year, the aforementioned loans and the related interest charge for the year were repaid.

(ii) During the year, the time deposits of approximately HK$87 million previously pledged to a bank as security for banking facilities to Shanghai CCT-McCaw were released.

39. RELATED PARTY TRANSACTIONS (continued)

(f) On 28 April 2000, CCT Network Co. Ltd. ("CCT Network") entered into a shareholders' agreement with Teligent International Ltd. ("Teligent") and CCT-Teligent Co., Limited ("CCT-Teligent"), a jointly-controlled entity of the Group, whereby CCT Network and Teligent agreed to make advances to CCT-Teligent in proportion to their proportionate shares.

During the year, the Group advanced loans of approximately HK$51 million to CCT-Teligent. As at 31 December 2000, the entire loan advance remained outstanding and which are considered by the directors to be no longer recoverable. Accordingly, a full provision against this amount of HK$51 million has been made and charged to the Group's profit and loss account for the year ended 31 December 2000.

(g) On 18 December 1999, CCT Communications entered into a loan agreement with Golden Gateway Inc. ("Golden Gateway"), an associate of the Group, whereby CCT Communications agreed to advance a loan in the aggregate approximate amount of US$8 million, which would be interest-free and unsecured. The annual repayments would be in accordance with the terms set forth in the loan agreement.

In 1999, CCT Communications advanced loans of approximately HK$12 million to Golden Gateway. During the year, the Group further advanced loans of approximately HK$42 million to Golden Gateway in accordance with the loan agreement. As at 31 December 2000, approximately HK$44 million of the aforementioned loans remained outstanding and which are considered by the directors to be no longer recoverable. Accordingly, a full provision against this amount of HK$44 million has been made and charged to the Group's profit and loss account for the year ended 31 December 2000.

(h) Tesonic Satellite Network Co., Ltd. ("Tesonic Network") is a wholly-owned subsidiary of Tesonic Industrial Co., Limited. Tesonic International Limited, which is the ultimate holding company of the company, is also a substantial shareholder of a subsidiary of the Group. During the year, the Group had no transactions with Tesonic Network. Further details of the material transactions between the Group and Tesonic Network in 1999 are set out below:

HK$'million	**2000**	1999
Lease rental income on fixed assets from Tesonic Network	**–**	6
Sale of Very Small Aperture Terminal equipment to Tesonic Network	**–**	5
Purchase of stocks from Tesonic Network	**–**	6

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 19 April 2001.

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

RESULTS

	Year ended 31 December				
HK$'million	**2000**	1999	1998	1997	1996
TURNOVER	**2,190**	1,572	897	438	345
OPERATING PROFIT/(LOSS)	**188**	92	(374)	(32)	(121)
Share of profits and losses of associates	**1**	–	(14)	2	–
Share of profits and losses of jointly-controlled entities	**5**	(23)	3	1	–
PROFIT/(LOSS) BEFORE TAX	**194**	69	(385)	(29)	(121)
Tax	**(13)**	(8)	(8)	–	–
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	**181**	61	(393)	(29)	(121)
Minority interests	**40**	49	36	(1)	(1)
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	**221**	110	(357)	(30)	(122)

ASSETS AND LIABILITIES

	As at 31 December				
HK$'million	**2000**	1999	1998	1997	1996
TOTAL ASSETS	**4,541**	3,483	2,656	2,838	466
TOTAL LIABILITIES	**(1,510)**	(902)	(644)	(125)	(226)
MINORITY INTERESTS	**(95)**	(36)	(40)	(2)	(1)
NET ASSETS	**2,936**	2,545	1,972	2,711	239

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of CCT Telecom Holdings Limited (the "Company") will be held at 32/F China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Friday, 25 May 2001 at 10:30 a.m. for the following purposes: -

1. To receive and consider the audited Financial Statements and the Reports of the Directors and the Auditors for the year ended 31 December 2000

2. To re-elect the retiring Directors of the Company for the ensuing year and to authorize the Board of Directors to fix their remuneration

3. To re-appoint Messrs Ernst & Young as auditors of the Company for the ensuing year and to authorize the Board of Directors to fix their remuneration

4. As special business, to consider and, if thought fit, to pass the following resolutions, with or without amendments, as Ordinary Resolutions of the Company: -

   A. "**THAT**

      (a) subject to paragraph A(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 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 recognized 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 are 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 A(a) of this resolution shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the authority pursuant to paragraph A(a) of this resolution shall be limited accordingly; and

      (c) for the purposes of this resolution:

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

         (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 law to be held; or

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

   B. "**THAT**

      (a) subject to paragraph B(c) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the 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 B(a) shall authorize the Directors to make or grant offers, agreements and options during the Relevant Period which would or might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the approval in paragraph B(a), 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; or

(iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company,

shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and the authority pursuant to paragraph B(a) of this resolution shall be limited accordingly; and

(d) for the purposes of this resolution:

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

(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 law to be held; or

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

"Rights Issue" means an offer of shares open for a period fixed by the Directors to 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 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 recognized regulatory body or any stock exchange)."

C. "**THAT** the general mandate referred to in resolution B above be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to resolution A above provided that such purchased amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution."

5. As special business, to consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions of the Company: -

A. "**THAT** the operation of the share option scheme adopted by the Company on 21 October 1991 be and is hereby terminated."

B. "**THAT** the rules of the share option scheme (the "New Scheme") tabled at this meeting and signed by the Chairman for identification purpose be and are hereby approved and adopted and the Directors be and are hereby authorised to approve any amendments to the rules of the New Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the New Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the New Scheme."

By Order of the Board
Mak Shiu Tong Clement
Chairman

Hong Kong, 19 April 2001

Notes: The Register of Members of the Company will be closed from Tuesday, 22 May 2001 to Friday, 25 May 2001 (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 certificates, must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited, at 4/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong for registration by not later than 4:00 p.m. on Monday, 21 May 2001.

A member entitled to attend and vote at the above meeting is entitled to appoint proxy to attend and vote instead of him/her. A proxy need not be a member of the Company.

Corporate Information

Company Name
CCT Telecom Holdings Limited

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Financial Year End
December 31

Stock Ticker
138

Board of Directors
Executive Directors
MAK Shiu Tong, Clement (Chairman)
CHENG Yuk Ching, Flora
TSOI Tong Hoo, Tony
TAM Ngai Hung
PUTT William Donald

Independent Non-executive Directors
OLENICK Samuel
TAM King Ching, Kenny
LAU Ho Man, Edward

Company Secretary
TUNG Shuk Lun, Maximilian

Principal Bankers
Standard Chartered Bank
Nanyang Commercial Bank, Limited
The Hongkong Chinese Bank, Ltd

Solicitors
Sidley & Austin
Richards Butler International Law Firm
Koo & Partners
Baker & Mckenzie

Auditors
Ernst & Young
Certified Public Accountants

Registrars and Transfer Office in Hong Kong
Tengis Limited
4/F Hutchison House, 10 Harcourt Road
Central, Hong Kong

YELLOW CREATIVE CONSULTANT LIMITED / RUN ALL LIMITED