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CCT TELECOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

DISCLOSEABLE AND CONNECTED TRANSACTION

CCT TECH INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

MAJOR AND CONNECTED TRANSACTION

Financial adviser to CCT Telecom Holdings Limited and CCT Tech International Limited

Hantec Capital Limited

Summary

CCT Telecom and CCT Tech entered into a conditional agreement on 15 May 2003 pursuant to which (i) CCT Telecom has agreed to procure the sale of the Sale Shares to CCT Tech; and (ii) CCT Telecom has agreed to procure the assignment of the Shareholder's Loan to CCT Tech. The Consideration under the Agreement is HK$768 million and will be satisfied by the issue of the Convertible Note.

The Acquisition constitutes a discloseable and connected transaction for CCT Telecom and a major and connected transaction for CCT Tech for the purposes of the Listing Rules.

At the request of CCT Telecom and CCT Tech, trading in the shares of CCT Telecom and CCT Tech was suspended with effect from 2:42 p.m. and 2:31 p.m. on 12 May 2003 respectively. Applications have been made to the Stock Exchange for the resumption of trading in the shares of CCT Telecom and CCT Tech with effect from 9:30 a.m. on 21 May 2003.

The Agreement

Date:	15 May 2003
Vendor:	CCT Telecom
Purchaser:	CCT Tech
Assets to be acquired:	(i) CCT Telecom to procure the sale of the Sale Shares to CCT Tech; and
	(ii) CCT Telecom to procure the assignment of the Shareholder's Loan to CCT Tech, being approximately HK$707 million as at 31 December 2002.

Consideration

The Consideration of HK$768 million is determined after arm's length negotiations between the parties to the Acquisition and taking into account, amongst others, the independent

valuation on the ESH Group of HK$770 million as at 30 April 2003 which valuation was carried out by an independent professional valuer, Grant Sherman Appraisal Limited. The Consideration of HK$768 million represents a discount of approximately 0.3% to the valuation of HK$770 million. The Directors consider the Consideration to be fair and reasonable to both CCT Telecom and CCT Tech.

The Consideration will be satisfied by the issue of the Convertible Note. A summary of the major terms of the Convertible Note is set out below:

Issuer:	CCT Tech
Conversion price:	HK$0.014 per Share, subject to adjustments in accordance with the terms and conditions thereof
Interest:	Best Lending Rate plus 2%, payable quarterly in arrears
Aggregate principal amount:	HK$768 million
Conversion right:	Subject to the exercise of the right of redemption by CCT Tech, the Convertible Note may be converted in whole or in part (in an amount not less than HK$700,000 at any one time) (in the event that at any time the outstanding principal amount of the Convertible Note is less than HK$700,000, the whole (but not part only) of the principal amount of the Convertible Note may be converted), at any time from the date of issue of the Convertible Note to 5 Business Days prior to the maturity thereof.
Maturity:	CCT Tech shall, unless the Convertible Note have previously been converted, repay the outstanding principal amount of the Convertible Note, together with accrued interest from the last interest payment date up to and including the date of repayment, on the fifth anniversary of the date of issue of the Convertible Note. CCT Tech shall have the right, at any time by written notice to the holder(s) of the Convertible Note, to redeem the whole or part of the outstanding principal amount of the Convertible Note together with the interests accrued.
Transferability:	The Convertible Note may be assigned to any third party subject to compliance with the terms and conditions of the Convertible Note and further subject to the conditions, approvals, requirements and any other provisions of or under all applicable laws and regulations and the Listing Rules. If the Convertible Note is transferred to the connected persons of CCT Tech or its associate(s) (other than CCT Telecom or its wholly-owned subsidiaries), CCT Tech shall immediately notify the Stock Exchange and all such transfers will be made subject to full compliance with the Listing Rules.

Listing: No application will be made for the listing of the Convertible Note on the Stock Exchange or any other recognised stock exchange. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued upon exercise of the conversion rights attaching to the Convertible Note. Such Shares, when issued, will rank pari passu in all respects with all Shares in issue or to be issued.

Upon full conversion of the Convertible Note, a total of 54,857,142,857 Shares will be issued at an initial conversion price of HK$0.014 per Share, subject to adjustments, which represent approximately 506.14% of the entire existing issued share capital of CCT Tech and approximately 83.50% of the entire issued share capital of CCT Tech as enlarged by the Shares to be issued upon full conversion of the Convertible Note. The conversion price of HK$0.014 per Share represents a discount of approximately 22.22% to the price of HK$0.018 per Share as the latest price quoted on the Stock Exchange on 12 May 2003, being the last trading day before the entering into the Agreement; and a premium of approximately 0.7% to the average closing price of approximately HK$0.0139 per Share as quoted on the Stock Exchange for the last 20 trading days up to and including 12 May 2003.

Conditions

Completion is conditional on:

(a) CCT Telecom having complied fully with the obligations and having performed all of the covenants and agreements required to be performed by it under the Agreement;

(b) the warranties given by CCT Telecom under the Agreement remaining true and accurate and not misleading;

(c) the warranties given by CCT Tech under the Agreement remaining true and accurate and not misleading;

(d) all requisite resolutions being passed by the Independent CCT Tech Shareholders at the Special General Meeting approving the terms of and the transactions contemplated in the Agreement and the implementation thereof, in compliance with the Listing Rules;

(e) all requisite resolutions being passed by the CCT Telecom Shareholders at the Extraordinary General Meeting approving the terms of and the transactions contemplated in the Agreement and the implementation thereof, in compliance with the Listing Rules;

(f) the Stock Exchange having granted the listing of, and permission to deal in, the Shares falling to be issued upon exercise of the conversion rights attaching to the Convertible Note;

(g) the granting of the requisite approval/consent(s) by the Bermuda Monetary Authority for the issue of the Shares falling to be issued upon exercise of the conversion rights attaching to the Convertible Note; and

(h) all necessary consents being granted by third parties (including governmental or official authorities) and no statute, regulation or decision which would prohibit, restrict or materially delay the sale and purchase of the Sale Shares and the assignment of the Shareholder's Loan having been proposed, enacted or taken by any governmental or official authority.

CCT Tech may waive the conditions set out in paragraphs (a) and (b) above at any time by notice in writing to CCT Telecom. CCT Telecom may waive the condition in paragraph (c) above at any time by notice in writing to CCT Tech.

In the event that any of the conditions shall not have been fulfilled or waived prior to 15 July 2003 or such later date as agreed by the parties to the Agreement in writing, the Agreement shall cease to be of any effect save in respect of claims arising out of any antecedent breach of the Agreement.

Completion

Completion of the Acquisition is expected to take place on or before the third Business Day after all of the conditions have been fulfilled or waived (which shall be fulfilled by no later than 15 July 2003 or such later date as agreed by the parties to the Agreement in writing).

Further information about the ESH Group

ESH is an investment holding company and the ESH Group is principally engaged in the design, manufacture and sale on an ODM and OEM basis of home-use telecommunication products including cordless phones. The major products produced by the ESH Group include 2.4 GHz and 900 MHz cordless phones, 5.8 GHz digital (SST) multi-handset cordless phones, DECT cordless phones and Family Radio Systems. The ESH Group has a leading edge on research and development of cordless phone and has strong sourcing and procurement power in its market as well as advanced production facilities in Guangdong Province, the PRC. It is one of the largest global cordless phone manufacturers and is the major supplier of home-use telecom products for a range of famous brands including GE, Alcatel and others. As at 30 April 2003, the ESH Group had approximately 13,000 employees.

Unaudited pro forma combined turnover of the ESH Group for the two years ended 31 December 2001 and 2002 were approximately HK$2,210 million and HK$2,643 million respectively, representing a growth rate of approximately 19.6% over the two years. The unaudited pro forma combined profits before tax of the ESH Group for the two years ended 31 December 2001 and 2002 were approximately HK$71 million and HK$122 million respectively. The unaudited pro forma combined profits after tax of the ESH Group for the two years ended 31 December 2001 and 2002 were approximately HK$67 million and HK$118 million respectively. As at 31 December 2002, the unaudited pro forma combined net assets of the ESH Group before deduction of the Shareholder's Loan were approximately HK$709 million. With a consideration of HK$768 million and an unaudited pro forma combined profits after tax of HK$118 million for the year ended 31 December 2002, the ESH Group is being transferred at a price earnings ratio of approximately 6.5 times. For the purpose of rationalising the contribution of each line of businesses of the CCT Telecom

Group, ESH has become the holding company of the ESH Group in 2003 and therefore the audited financial figures of the ESH Group are not available as at the date of this announcement. The Directors expect that the pro forma combined result of the ESH Group will be included in the circular of CCT Tech.

Changes to the shareholding of CCT Tech as a result of full conversion of the Convertible Note

The below table shows the shareholding movements of CCT Tech as a result of full conversion of all outstanding convertible notes, including the Convertible Note:

	Number of Shares held and approximate % of total shareholding		
	Before completion of the Acquisition	**After completion of the Acquisition and the exercise of the Convertible Note**	**After completion of the Acquisition and the exercise of all outstanding convertible notes of CCT Tech *(Note)* including the Convertible Note**
Substantial shareholders			
CCT Telecom	4,500,000,000 (41.52%)	59,357,142,857 (90.35%)	63,857,142,857 (85.95%)
Dongguan Defa Investment Limited	2,000,000,000 (18.45%)	N/A	N/A
Standard Chartered Bank	1,424,425,852 (13.14%)	N/A	N/A
Sub-total	7,924,425,852 (73.11%)	59,357,142,857 (90.35%)	63,857,142,857 (85.95%)
Public			
Existing public CCT Tech Shareholders	2,913,977,710 (26.89%)	2,913,977,710 (4.44%)	2,913,977,710 (3.92%)
Convertible notes holders which are independent third parties of CCT Tech	— (—)	— (—)	4,100,000,000 (5.52%)
Dongguan Defa Investment Limited	N/A	2,000,000,000 (3.04%)	2,000,000,000 (2.69%)
Standard Chartered Bank	N/A	1,424,425,852 (2.17%)	1,424,425,852 (1.92%)
Sub-total	2,913,977,710 (26.89%)	6,338,403,562 (9.65%)	10,438,403,562 (14.05%)
Total	10,838,403,562 (100%)	65,695,546,419 (100%)	74,295,546,419 (100%)

Note: Other than the Convertible Note, CCT Tech has three convertible notes outstanding as at the date of this announcement. The three convertible notes include (i) the HK$45 million zero coupon convertible notes

due in 2005 issued by CCT Tech to a wholly-owned subsidiary of CCT Telecom on 4 November 2002; (ii) the HK$20 million 5% convertible notes due in 2004 issued by CCT Tech to an independent third party on 4 November 2002; and (iii) the HK$21 million 2% convertible notes due in 2005 issued by CCT Tech to independent third parties on 14 May 2003.

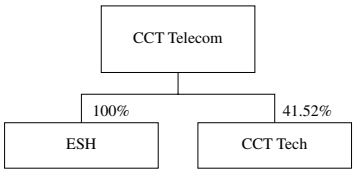
Upon full conversion of the Convertible Note and all the outstanding convertible notes of CCT Tech including the Convertible Note, the shareholding of Standard Chartered Bank in CCT Tech will decrease to approximately 2.17% and 1.92% respectively, and the shareholding of Dongguan Defa Investment Limited in CCT Tech will decrease to approximately 3.04% and 2.69% respectively. As Standard Chartered Bank and Dongguan Defa Investment Limited each will no longer be a substantial shareholder of CCT Tech after full conversion of the Convertible Note and all the outstanding convertible notes of CCT Tech including the Convertible Note, and as none of them is connected with and dependent of the directors, chief executive or the substantial shareholders of CCT Tech or any of its subsidiaries or their respective associates, both Standard Chartered Bank and Dongguan Defa Investment Limited will be public shareholders of CCT Tech after full conversion of the Convertible Note and all the outstanding convertible notes of CCT Tech including the Convertible Note.

Upon full conversion of all the outstanding convertible notes of CCT Tech including the Convertible Note, the shareholding of CCT Telecom in CCT Tech will increase to approximately 85.95%. The CCT Tech Directors have undertaken to the Stock Exchange that they will use their best endeavours and take appropriate steps to ensure that the public float of not less than 25% of the enlarged issued share capital of CCT Tech will be maintained in order to meet the requirements under Rule 8.08 of the Listing Rules as soon as possible.

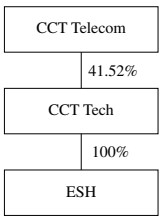
Group charts before and after the Acquisition

The group charts before and after the Acquisition are as follows:

Before the Acquisition



After the Acquisition



Reasons for the Acquisition

CCT Telecom and CCT Tech have constantly been reviewing their business strategies to enhance their shareholder value. The CCT Tech Group is principally engaged in the manufacture and development of telecom products including certain electric components. The CCT Telecom Group's principal activities can broadly be categorised into the following business areas: (i) telecom products including cordless phone operation; (ii) electric component operation; (iii) plastic, baby and health care product operation; and (iv) multimedia operation. The electric component operation is mainly carried out by the subsidiaries of CCT Tech.

Since the negotiation between CCT Telecom and CCT Tech on 7 May 2003, the Directors believe that it is in the interests of CCT Telecom and CCT Tech to attach a clearer corporate identity each for CCT Telecom and CCT Tech, with a view to enabling a better appreciation of the value of their businesses. To capture further economies of scale by means of centralising the existing resources and rationalising the businesses of the respective groups, the Directors consider that it is in the interest of both CCT Telecom and CCT Tech for CCT Tech to focus on the operation in cordless phone telecom products complemented by its existing electric component operation.

For the year ended 31 December 2002, the ESH Group contributed approximately HK$2,643 million of unaudited pro forma combined turnover and approximately HK$118 million of unaudited pro forma combined profit after tax to CCT Telecom. The CCT Tech Directors believe that the Acquisition will expand the assets, broaden the sources of revenue, and strengthen the profitability, of the CCT Tech Group. The CCT Telecom Directors believe that CCT Telecom will in turn benefit from the appreciation in value of CCT Tech after the Acquisition by holding the Convertible Note. After the Acquisition, CCT Telecom will continue to consolidate the turnover and results of the CCT Tech Group, including the turnover and results of the cordless phone operation carried out by CCT Tech.

By concentrating on the ODM and OEM manufacturing of home-use telecom products in CCT Tech after completion of the Acquisition, CCT Telecom will be able to realign its resources and focus on and expand its operations including plastic, baby and health care products and in multimedia, which the CCT Telecom Directors believe have promising market potential. Taking into account all the above considerations, the Directors believe that the Acquisition is in the interests of both CCT Telecom and CCT Tech.

Other than the Convertible Note to be issued for the satisfaction of the Consideration, CCT Tech has three convertible notes outstanding as at the date of this announcement. The three convertible notes include (i) the HK$45 million zero coupon convertible notes due in 2005 issued by CCT Tech to a wholly-owned subsidiary of CCT Telecom on 4 November 2002; (ii) the HK$20 million 5% convertible notes due in 2004 issued by CCT Tech to an independent third party on 4 November 2002; and (iii) the HK$21 million 2% convertible notes due in 2005 issued by CCT Tech to independent third parties on 14 May 2003.

Unaudited operating results and assets and liabilities of the CCT Telecom Group (excluding the CCT Tech Group and the ESH Group)

The following tables summarise the unaudited pro forma combined operating results and assets and liabilities of the CCT Telecom Group (excluding the ESH Group and the CCT Tech Group) for the year ended 31 December 2002, prepared based on the audited consolidated results of the CCT Telecom Group:

Unaudited pro forma combined operating results

	For the year ended 31 December 2002		
	The CCT Telecom Group *(HK$' million) (Audited)*	**Elimination of the ESH Group and the CCT Tech Group** *(HK$' million) (Unaudited)*	**The CCT Telecom Group, excluding the ESH Group and the CCT Tech Group** *(HK$' million) (Unaudited)*
Turnover	3,130	(2,675)	455
Operating profit generated from			
- the ESH Group	125	(125)	—
- plastic, baby and health care product operations	48	—	48
Operating profit before net losses of investments and other head office items	173	(125)	48

Unaudited pro forma combined assets and liabilities

	As at 31 December 2002		
	The CCT Telecom Group *(HK$' million) (Audited)*	**Elimination of the ESH Group and the CCT Tech Group** *(HK$' million) (Unaudited)*	**The CCT Telecom Group, excluding the ESH Group and the CCT Tech Group** *(HK$' million) (Unaudited)*
Total non-current assets	1,986	(738)	1,248
Total current assets	1,647	(904)	743
Total current liabilities	(991)	817	(174)
Long term liabilities	(214)	70	(144)
Total net assets	2,428	(755)	1,673

	As at 31 December 2002 The CCT Telecom Group, excluding the ESH Group and the CCT Tech Group *(HK$' million)* *(Unaudited)*
Fixed assets	718
Interest in associates	496
Other non-current assets	34
Total non-current assets	1,248
Short term investments	15
Trade and other receivables	209
Inventories	14
Cash and bank	505
Total current assets	743
Trade and other payables	(147)
Bank borrowings	(19)
Taxation	(8)
Total current liabilities	(174)
Long term portion of borrowings	(144)
Long term liabilities	(144)
Total net assets	1,673

The CCT Telecom Directors estimate that there will not be substantial gain or loss to the CCT Telecom Group from the disposal of the ESH Group.

After the Acquisition, the CCT Telecom Group's (excluding the CCT Tech Group and the ESH Group) principal activities will include (i) plastic, baby and health care product operation; and (ii) multimedia operation. The CCT Tech Group and the ESH Group will be principally engaged in the business of home-use telecom products including cordless phones and electric components. The employees of the CCT Telecom Group (excluding those of the CCT Tech Group and the ESH Group) were approximately 2,300 as at 30 April 2003.

General

Since (i) CCT Tech is approximately 41.52% owned by CCT Telecom and is a subsidiary of CCT Telecom; (ii) Mr. Mak Shiu Tong, Clement, Ms. Cheng Yuk Ching, Flora and Mr. Tam Ngai Hung, Terry are the common directors in CCT Telecom and CCT Tech; and (iii) the Acquisition is a transaction of CCT Tech with CCT Telecom, being the controlling shareholder of CCT Tech, the Acquisition constitutes a discloseable and connected transaction for CCT Telecom and a major and connected transaction for CCT Tech for the purposes of the Listing Rules. The Agreement is therefore subject to the approval by each of the CCT Telecom Shareholders and the Independent CCT Tech Shareholders. The CCT Telecom Group and its associates will abstain from voting in respect of the resolutions to approve the Agreement at the Special General Meeting. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued upon the exercise of the conversion rights attaching to the Convertible Note.

Hantec Capital Limited has been retained as the financial adviser to CCT Telecom and CCT Tech in connection with the Agreement. An independent board committee of CCT Tech, comprising independent non-executive directors of Mr. Lau Ho Kit, Ivan and Mr. Chow Siu Ngor, shall be set up to advise the Independent CCT Tech Shareholders, and an independent financial adviser to CCT Tech shall be appointed for the purpose of providing independent advice to the independent board committee of CCT Tech in connection with the Agreement. An independent board committee of CCT Telecom, comprising independent non-executive directors of Mr. Tam King Ching, Kenny and Mr. Lau Ho Man, Edward, shall be set up to advise the CCT Telecom Shareholders, and an independent financial adviser to CCT Telecom shall be appointed for the purpose of providing independent advice to the independent board committee of CCT Telecom in connection with the Agreement. A circular containing information (amongst other things) regarding the Acquisition, the notice of the Extraordinary General Meeting or the Special General Meeting (as the case may be) and the advice of the relevant independent financial adviser and the independent board committee of CCT Telecom and CCT Tech (as the case may be) will be despatched to the CCT Telecom Shareholders and the CCT Tech Shareholders (as the case may be) as soon as possible.

At the request of CCT Telecom and CCT Tech, trading in the shares of CCT Telecom and CCT Tech was suspended with effect from 2:42 p.m. and 2:31 p.m. on 12 May 2003 respectively. Applications have been made to the Stock Exchange for the resumption of trading in the shares of CCT Telecom and CCT Tech with effect from 9:30 a.m. on 21 May 2003.

Definitions

"Acquisition"	the proposed acquisition of the Sale Shares and the Shareholder's Loan by CCT Telecom to CCT Tech as contemplated under the Agreement
"Agreement"	the conditional agreement dated 15 May 2003 entered into between CCT Telecom as vendor and CCT Tech as purchaser in respect of the Acquisition
"associates"	has the meaning as given to it in the Listing Rules
"Best Lending Rate"	the prime or best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited for Hong Kong dollars loans, as varied from time to time
"Business Day"	a day (excluding Saturday) on which banks in Hong Kong are generally open for business for more than four hours
"BVI"	the British Virgin Islands
"CCT Tech"	CCT Tech International Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange

"CCT Tech Director(s)"	the director(s) (including independent non-executive directors) of CCT Tech
"CCT Tech Group"	CCT Tech and its subsidiaries
"CCT Tech Shareholder(s)"	the holder(s) of the Share(s)
"CCT Telecom"	CCT Telecom Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
"CCT Telecom Director(s)"	the director(s) (including independent non-executive directors) of CCT Telecom
"CCT Telecom Group"	CCT Telecom and its subsidiaries
"CCT Telecom Shareholder(s)"	the shareholder(s) of CCT Telecom
"Consideration"	HK$768 million for the Acquisition under the Agreement
"Convertible Note"	the HK$768 million Best Lending Rate plus 2% convertible note due in 2008 issued for the satisfaction of the Consideration
"connected person(s)"	has the meaning as given in the Listing Rules
"Director(s)"	the director(s) of CCT Telecom and CCT Tech
"ESH"	Empire Success Holdings Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of CCT Telecom
"ESH Group"	ESH and its subsidiaries
"Extraordinary General Meeting"	the extraordinary general meeting of the CCT Telecom Shareholders to be convened to consider and, if thought fit, inter alia, approve the Agreement
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent CCT Tech Shareholders"	CCT Tech Shareholders other than the CCT Telecom Group and its associates
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"ODM"	original design manufacturing
"OEM"	original equipment manufacturing

"PRC"	the People's Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this announcement
"Sale Shares"	16,501 shares of US$1.00 each in ESH, representing the entire issued share capital of ESH
"Shareholder's Loan"	the interest-free loan due from the ESH Group to CCT Telecom as at the date of completion of the Agreement
"Share(s)"	the ordinary share(s) of HK$0.01 each in the capital of CCT Tech
"Special General Meeting"	the special general meeting of the Independent CCT Tech Shareholders to be convened to consider and, if thought fit, inter alia, approve the Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning as given to it in the Listing Rules
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"%"	per cent.

By Order of the Board of
CCT TELECOM HOLDINGS LIMITED
Mak Shiu Tong, Clement
Chairman

By Order of the Board of
CCT TECH INTERNATIONAL LIMITED
Tam Ngai Hung, Terry
Director

Hong Kong, 20 May 2003

Please also refer to the published version of this announcement in The Standard.