CCT TELECOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2003

FINANCIAL HIGHLIGHTS

HK$'million	Six months ended 30 June 2003 *(Unaudited)*	2002 *(Unaudited) (Restated)*	Change +/(-)
Turnover	1,424	1,311	9%
Operating profit / (loss)			
— products businesses	90	69	30%
— corporate items	(53)	(451)	(88)%
	37	(382)	
Profit before tax	7	(395)	
Taxation	2	(3)#	
Minority interests	(1)	1	
Profit/(loss) attributable to shareholders	8	(397)#	
Earnings/(loss) per share	1.9 cents	(94.1) cents#	
Proposed interim dividend per share	1.5 cents	1.0 cent	

 # Restated due to implementation of new deferred tax policy

CHAIRMAN'S LETTER

I am pleased to report that CCT Telecom Holdings Limited (the "Company") and its subsidiaries (together the "Group") recorded revenue of approximately HK$1,424 million for the six months ended 30 June 2003, representing an increase of 9% over the corresponding period last year.

Operating profit for the period amounted to HK$37 million, as compared to a loss of HK$382 million in the corresponding period last year. Net profit attributable to shareholders for the period amounted to HK$8 million, turn-around from HK$397 million loss in last period. The loss of last period was attributable mainly to impairment of investments and goodwill.

Interim dividend

The board of directors has declared an interim dividend for 2003 of HK$0.015 per share (30 June 2002: HK$0.01 per share), to be payable from the Company's capital reserve, representing an increase of 50%. This signifies the board's confidence in the future of the Group. The interim dividend will be payable on 16 October 2003 to shareholders whose names appear on the register of members of the Company on 9 October 2003.

Closure of register of members

The register of members of the Company will be closed from 7 October 2003 to 9 October 2003 (both dates inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tengis Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 6 October 2003.

Review of operations

ODM and OEM manufacturing business

Original design and manufacture of telecom product remains the principal business of the Group for the period under review. Despite the general slow-down of the economy, original design manufacturing ("ODM") and original equipment manufacturing ("OEM") business managed to report an increase in sales with increasing orders from famous branded customers in respect of the cordless phones, family radio systems and other telecom products. Our encouraging results are attributable to the continuing improvement in operational efficiencies and the effort of our strong research and development team.

In June 2003, the Group underwent a business realignment, whereby the Company sold its 100% interest in Empire Success Holdings Limited ("ESH") to CCT Tech International Limited ("CCT Tech International", SEHK: 261), a listed subsidiary of the Company. ESH and its subsidiaries (together the "ESH Group") are principally engaged in the design, manufacture and sale on an ODM and OEM basis, of home-use telecommunication products including cordless phones. Despite of the acquisition of ESH by CCT Tech International on 30 June 2003, the Company shall continue to consolidate the turnover and financial results of CCT Tech International, which will include the performance of the ESH Group's business operation.

Electric component business

The electric component business is carried out through CCT Tech International. It comprises of the manufacture of power supply components including linear and switching power supplies and transformers. The electric component business continues to be the principal business of CCT Tech International for the period under review, before its acquisition of the ESH Group on 30 June 2003.

Plastic product business

The plastic product business continues to contribute a stable revenue stream to the Group, which has seen a steady growth in line with the growth of the telecom business as most of its plastic products are supplied internally for production of telecom products. With the synergy of the baby and health care product business which the Group acquired last year, our plastic product group is now prepared and adequately equipped for expansion.

Mobile phone business

The Group's mobile phone business, conducted in cooperation with Haier Group Company ("Haier"), is operated through its listed associate, Haier-CCT Holdings Limited ("Haier-CCT", SEHK: 1169). Haier is the largest white goods manufacturer in China.

With confidence and a determined strategy in the mobile phone market in China and overseas, the business of Haier-CCT grows at a steady pace. Haier-CCT is committed to developing innovative, quality products for its customers and continues to introduce original and useful features via new products in order to attract customers and capture more market share in this huge and attractive mobile phone market.

In February 2003, Haier-CCT announced Haier's intention to further inject assets into Haier-CCT, which may include part or all of the white goods domestic appliances business of the Haier group. Among other things, the possible asset injection will depend on regulatory matters and approvals in the Mainland China and Hong Kong. As a major shareholder of Haier-CCT, we are very pleased and excited about the possible injection which, if it proceeds, will enlarge the asset and revenue bases of Haier-CCT.

Outlook

The realignment of the business of the ESH Group from the Company to CCT Tech International facilitates clearer business identities for both groups and appreciates the value of their businesses. Subsequent to the completion of the business realignment, the Group is able to further improve its business efficiencies and focus on expanding the operations including plastic, baby and health care products, which we believe have a promising market potential.

The Group maintained a strong cash position for the period under review with a cash balance of HK$739 million as at 30 June 2003 which will, on the one hand, provide sufficient resources for the Group to expand its core business, while on the other hand, allow the Group to look for valuable investment opportunities. We are committed to maximising your returns in the years ahead.

UNAUDITED INTERIM RESULT

The Board of Directors of CCT Telecom Holdings Limited (the "Company") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2003 together with the comparative figures for the corresponding period in 2002 are as follows:-

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the six months ended 30 June 2003

		Six months ended 30 June	
		2003	**2002**
HK$'million	Notes	*(Unaudited)*	*(Unaudited)* *(Restated)*
Turnover		1,424	1,311
Cost of sales		(1,225)	(1,143)
Gross profit		199	168
Other revenue		14	61
Selling and distribution costs		(21)	(21)
Administrative expenses		(126)	(119)
Other operating expenses		(29)	(471)
PROFIT / (LOSS) FROM OPERATING ACTIVITIES	2	37	(382)
Finance costs		(5)	(16)
Share of profits and losses of:			
Jointly-controlled entities		—	6
Associates[##]		(25)	(3)
PROFIT / (LOSS) BEFORE TAX		7	(395)
Tax	4	2	(3)[#]
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		9	(398)
Minority interests		(1)	1
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		8	(397)[#]
PROPOSED INTERIM DIVIDEND	5	6	4
EARNINGS / (LOSS) PER SHARE	6		
- basic		1.9 cents	(94.1) cents[#]
- diluted		1.9 cents	N/A
PROPOSED INTERIM DIVIDEND PER SHARE	5	1.5 cents	1 cent

Restated due to implementation of new deferred tax policy

Including a realisation of the relevant portion of the unrealised profits of approximately HK$12 million (last period: nil) arising from the disposal of subsidiaries to an associate.

NOTES

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No.25 "Interim Financial Reporting" and the presentation and accounting policies used are consistent with those used in the Group's annual financial statements for the year ended 31 December 2002, except that the Group has adopted SSAP 12 (Revised) "Income Taxes" which became effective on 1 January 2003.

Upon adoption of SSAP 12 (Revised), full provision was made for deferred tax using the balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit of the corresponding period, with limited exceptions. In prior periods, partial provision was made for deferred tax using the income statement liability method whereby deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallize in the foreseeable future. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

The change in accounting policy has resulted in an increase in the Group's deferred tax assets by HK$11 million and HK$4 million, deferred tax liabilities by HK$4 million and HK$4 million, and an increase in the Group's share of net assets from an associate by HK$1 million and HK$2 million as at 30 June 2003 and 31 December 2002, respectively. As a consequence, the Group's net profit attributable to shareholders for the period ended 30 June 2003 has been increased by HK$8 million, the net loss attributable to shareholders for the period ended 30 June 2002 has been decreased by HK$1 million, the Group's retained profits at 1 January 2003 have been increased by HK$2 million and the Group's accumulated losses at 1 January 2002 have been reduced by HK$2 million.

2. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services that they each provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the telecom products segment engages in the manufacture and sale of telecom products and accessories and components;

(b) the baby and health care product segment manufactures and sells baby and health care products;

(c) the corporate and other segment comprises of corporate income and expenses items and multimedia operation including the publishing of magazines.

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

(a) **Business segments**

The following tables present revenue and profit information regarding the Group's business segments for the period ended 30 June 2003 and 2002.

2003 **Group** **HK$'million**	**Telecom products** *(Unaudited)*	**Baby and health care products** *(Unaudited)*	**Corporate and others** *(Unaudited)*	**Consolidated** *(Unaudited)*
Segment revenue:				
Sales to external customers	1,318	71	31	1,420
Total revenue	1,318	71	31	1,420
Segment results	83	7	(57)	33
Interest income				4
Finance costs				(5)
Share of profits and losses of:				
Jointly-controlled entities				—
Associates				(25)
Profit before tax				7
Tax				2
Profit before minority interests				9
Minority interests				(1)
Net profit from ordinary activities attributable to shareholders				8

2002 **Group** **HK$'million**	**Telecom products** *(Unaudited)*	**Baby and health care products** *(Unaudited)*	**Corporate and others** *(Unaudited)*	**Consolidated** *(Unaudited)* *(Restated)*
Segment revenue:				
Sales to external customers	1,203	81	21	1,305
Total revenue	1,203	81	21	1,305
Segment results	68	1	(457)*	(388)
Interest income				6
Finance costs				(16)
Share of profits and losses of:				
Jointly-controlled entities				6
Associates				(3)
Loss before tax				(395)
Tax				(3)#
Loss before minority interests				(398)
Minority interests				1
Net loss from ordinary activities attributable to shareholders				(397)#

* including provision and impairment of investments and goodwill.

\# Restated due to implementation of new deferred tax policy

(b) **Geographical segments**

The following table presents revenue and results regarding the Group's geographical segments for the period ended 30 June 2003 and 30 June 2002.

2003 Group HK$'million	**United States of America** *(Unaudited)*	**PRC, including HK** *(Unaudited)*	**Europe** *(Unaudited)*	**Others** *(Unaudited)*	**Consolidated** *(Unaudited)*
Segment revenue:					
Sales to external customers	932	274	64	150	1,420
Total revenue	932	274	64	150	1,420
Segment results	69	7	5	(48)	33

2002 Group HK$'million	**United States of America** *(Unaudited)*	**PRC, including HK** *(Unaudited)*	**Europe** *(Unaudited)*	**Others** *(Unaudited)*	**Consolidated** *(Unaudited)*
Segment revenue:					
Sales to external customers	843	125	164	173	1,305
Total revenue	843	125	164	173	1,305
Segment results	52	(459)	6	13	(388)

3. DEPRECIATION AND AMORTISATION

During the period, depreciation of HK$58 million (six months ended 30 June 2002: HK$54 million) and amortisation of HK10 million (six months ended 30 June 2002: HK$25 million) were charged in respect of the Group's fixed assets and intangible assets, respectively.

4. TAX

HK$'million	**For the six months ended 30 June 2003** *(Unaudited)*	**2002** *(Unaudited) (Restated)*
Company and subsidiaries		
Hong Kong profits tax — current	6	4
— deferred	(7)	—
	(1)	4
Associates		
Hong Kong profits tax — current	—	—
— deferred	(1)	(1)
Tax (credit)/charge for the period	(2)	3

The Company is exempted from tax in the Cayman Islands until 2010. Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 June 2002: 16%) on the estimated assessable profits arising in Hong Kong during the period.

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

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

5. DIVIDEND

The board of directors has declared an interim dividend for 2003 of HK$0.015 per share (30 June 2002: HK$0.01 per share) to be payable from the Company's capital reserve. The interim dividend will be payable on 16 October 2003 to shareholders whose names appear on the register of members of the Company on 9 October 2003. The register of members of the Company will be closed from 7 October 2003 to 9 October 2003 (both days inclusive).

6. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of approximately HK$8 million (30 June 2002: restated loss of HK$397 million), and the weighted average number of 422,105,230 (30 June 2002: 422,105,230) ordinary shares in issue during the period.

The weighted average number of ordinary shares used in the calculation of diluted earnings per share is 423,678,769 which includes the weighted average number of 422,105,230 ordinary shares in issue during the period, as used in the basic earnings per shares calculation and the weighted average of 1,573,539 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

Diluted loss per share for the period ended 30 June 2002 has not been disclosed, as the outstanding options and convetible bond during last period had an anti-dilutive effect on basic loss per share.

7. COMPARATIVE FIGURES

As further explained in note 1 to the condensed consolidated financial statements, due to the adoption of the revised SSAP 12 during the period, the accounting treatment and presentation of certain items in the condensed financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative figures have been restated to conform with the current period's presentation.

FINANCIAL REVIEW

Results Summary

Group performance was strong for the first six months ended 30 June 2003. Despite the general slow-down of the economy, the Group enjoyed good demand from its customer base. With our high quality products, our customers have been able to maintain their competitive edge in the telecom product market.

During the period under review, turnover showed a robust increase of 9% to HK$1.4 billion. The growth was mainly due to the contribution from the Group's core telecom product business.

From our strong operating performance, the Group recorded a net profit of HK$8 million attributable to shareholders (last period: restated loss of HK$397 million). The loss in the last period arose mainly due to the provision and impairment of investments and goodwill.

Analysis by Business Segment

The manufacturing and sale of telecom products remains to be the major core business of the Group. This business segment contributed 93% (last period: 92%) of the Group's turnover for the current period. The baby and health care products contributed to the remaining 7% of the turnover.

The telecom products business continued to perform well in the current period, recording an operating profit of HK$83 million (last period: profit of HK$68 million), up 22% from the last period. The improvement in profit is due to the strong demand of our telecom products from the market and the improvement in efficiency caused by our strong research and development capability and effective cost control.

Analysis by Geographical Segment

North America continued to be the major market for the Group accounting for 66% (last period: 65%) of the total turnover and contributed operating profit of HK$69 million (last period: HK$52 million). PRC (including Hong Kong) and Europe continued to be the second and third business market, respectively, of the Group which accounted for 19% (last period: 10%) and 5% (last period: 13%), respectively, of the Group's total turnover.

Capital structure and Gearing Ratio

The financial position of the Group remains strong. The Group's low gearing ratio, calculated on the basis of the Group's total borrowings over total capital employed (i.e., total borrowings plus equity), stood at 13% as at 30 June 2003 (31 December 2002: 14%), reflecting a healthy and improving financial position.

At period end, the total outstanding convertible notes issued by the Company's listed subsidiary, CCT Tech International, amounted to HK$18 million which comprised:

(i) HK$8 million at 5% per annum convertible notes due 2004 with a conversion price of HK$0.01 per CCT Tech International's shares; and

(ii) HK$10 million at 2% per annum convertible notes due 2005 with a conversion price of HK$0.01 per CCT Tech International's shares.

Liquidity and Financial Resources

The Group's financial position continued to be strong as at 30 June 2003, which is due largely to the strong cash flows generated from its business operations and the implementation of a prudent investment strategy. At 30 June 2003, the Group had a cash balance of HK$739 million (31 December 2002: HK$866 million). Among the total cash balance of HK$739 million, HK$81 million (31 December 2002: HK$83 million) was pledged for general banking facilities. The decrease in total cash balance was mainly due to capital expenditure paid for construction of a new factory in PRC. Almost all of the Group's cash was placed on deposits with licensed banks in Hong Kong.

Outstanding bank loans at the period end date amounted to HK$353 million (31 December 2002: HK$363 million). 60% of these bank loans were arranged on a short-term basis for ordinary business and were repayable within one year and the remaining were of a long-term nature, which principally comprised of mortgage loans on properties used by the Group.

Certain of the Group's assets were financed by way of finance leases and the total outstanding finance lease payable at the period end date amounted to HK$4 million (31 December 2002: HK$5 million).

The outstanding convertible notes amounting to HK$18 million (31 December 2002: HK$20 million) were raised in 2002 and 2003 through the Company's listed subsidiary, CCT Tech International. The outstanding convertible notes, with conversion price at HK$0.01 per share of CCT Tech International, bear interest at the rate of 2% to 5% per annum and fall due in 2004 and 2005.

At the period end date, the maturity profile of the bank loans and other borrowings and convertible debt falling within one year, in the second to the fifth year and in the sixth to the tenth year amounted to HK$214 million, HK$91 million and HK$70 million, respectively, (31 December 2002: HK$205 million, HK$106 million and HK$77 million, respectively,). There is no material effect of seasonality on the Group's borrowings requirements.

Capital commitment

The Group had authorised and contracted capital commitments of approximately HK$102 million (31 December 2002: HK$60 million) at the period end date. These commitments mainly relate to capital expenditure for the manufacturing operation of the Group and will be funded by internal resources.

Treasury Management

The Group employs a conservative approach to cash management and risk control. To achieve better risk control and efficient fund management, the Group's treasury activities are centralised. Most 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 dollars or United States dollars. At the period end date, the Group had outstanding borrowings denominated in Hong Kong dollars only. Other than the fixed rate convertible bonds, the Group's borrowings are principally on a floating rate basis. The Group does not have any significant foreign currency or interest rate risk.

OTHER INFORMATION

Employees and Remuneration Policy

The total number of employees in the Group at 30 June 2003 was approximately 18,269. Remuneration packages are normally reviewed annually. Apart from salary payments, other staff benefits include provident fund, medical insurance and performance related bonuses. Share options may also be granted to eligible employees of the Group. At the period end date, there were approximately 54 million share options outstanding.

Pledge of Assets

At the period end date, certain of the Group's assets with net book value of HK$266 million (31 December 2002: HK$277 million) and time deposits of HK$81 million (31 December 2002: HK$83 million) were pledged to secure general banking facilities granted to the Group.

Significant Investment

During the period, there was no material acquisition and disposal of investments.

Contingent Liabilities

As at 30 June 2003, the Group has given a guarantee to an independent third party in respect of a rental arrangement in amounting to approximately HK$40 million (31 December 2002: HK$40 million). In addition to the above, the Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$7 million as at 30 June 2003 (31 December 2002: HK$7 million). A provision has not been recognised in respect of such possible payments as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

The Group did not have any other significant contingent liabilities at 30 June 2003.

Acquisition and disposal of material subsidiaries and associates

During the period, the Group made a significant group restructuring of which CCT Telecom Product Group Limited, a wholly-owned subsidiary of the Company, sold its entire interests of the ODM and OEM manufacturing business in respect of telecom product to CCT Tech International. The consideration was satisfied by way of convertible notes issued to the Company. The group restructuring aims at capturing further economies of scale by means of centralising the existing resources and rationising the business of the respective listed groups. The group restructuring was completed on 30 June 2003.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any securities (whether on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or otherwise) of the Company during the six months ended 30 June 2003.

AUDIT COMMITTEE

The audit committee had reviewed with the management the accounting principles and practices adopted by the Group and discussed financial and accounting matters including the review of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2003.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2003, in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except that the independent non-executive directors of the Company are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation at an annual general meeting in accordance with the articles of association of the Company.

PUBLICATION OF DETAILED UNAUDITED CONSOLIDATED INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

The detailed unaudited consolidated interim results containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
Mak Shiu Tong, Clement
Chairman

Hong Kong, 19 September 2003

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