CCT TELECOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 0138)

ANNOUNCEMENT OF ANNUAL AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2003

HIGHLIGHTS

Summary Highlights

- Group turnover rose by 10% to HK$3,441 million;
- Strong growth in core manufacturing businesses, operating profit turned around from an operating loss of HK$201 million in 2002 to an operating profit of HK$149 million in 2003;
- Loss attributable to shareholder reduced 54% to HK$118 million, loss in 2003 attributable to share of loss of Haier-CCT;
- Excluding share of loss from Haier-CCT, net profit of HK$82 million as compared to net loss of HK$226 million in 2002;
- Loss per share reduced 54% to HK$0.28;
- Dividend 3.0HKcents (final dividend 1.5HKcents, interim dividend 1.5HKcents) per share, dividend yield equal to 2.4%;
- Special interim dividend of HK$0.10 per share was proposed subject to the approval by the Board in the Board meeting which is to be held on 28 April 2004; and
- Cash on hand increased to approximately HK$1 billion.

CHAIRMAN'S LETTER

I am pleased to report that CCT Telecom Holdings Limited ("CCT Telecom" or the "Company") and its subsidiaries (together the "Group") achieved a steady growth in turnover of approximately HK$3,441 million in 2003, representing an increase of approximately 10% as compared to 2002. Gross profit for the year under review was approximately HK$478 million, a solid gross profit expansion of 10% as compared to 2002. This success has been driven by product excellence and our quality customer-orientated approach. Despite the challenging economic environment in the year under review, CCT Telecom, led by its experienced management team, sustained continuous growth.

The improvement in both turnover and gross profit margin was primarily driven by greater economies of scale which, in turn, increased profitability. Under our efficient cost control measures, the Group's total administrative expenses fell significantly in 2003. In addition, a change in the product mix to a higher profit margin product segment also contributed to the improvement.

After making a substantial write-off of non-performing investments in 2002, the Group recorded an operating loss of HK$201 million in prior year. In 2003, the Group focused on achieving a healthy and steady growth in both its ODM (original design manufacturing) and OEM (original equipment manufacturing) manufacturing business which resulted in an operating profit of HK$149 million.

During the year under review, our telecom product manufacturing business and related component business continued to form our core businesses contributing to over 90% of the Group's total turnover. To further extend the breadth and depth of our products, we are focusing on greater differentiation. Other than the existing 2.4GHz cordless phones, we have launched a variety of new telecom products and related accessories including the high-end 5.8GHz cordless phones during 2003. All these new products received very positive feedback from our customers. Despite the challenging economic conditions over the past year, we still managed to record an encouraging growth in sales orders received from our customers.

Our state-of-the-art production facility in Huiyang, Guangdong Province and our newly established production complex in Dongguan provided an annual production capacity of over 30 million cordless phones. However, in order to meet anticipated future production demands, capital expenditure has been budgeted for the continuous expansion and upgrade of these production facilities.

The United States remained our core market accounting for around 65% of the Group's turnover in 2003. We have, nonetheless, actively pursued new business opportunities in other markets to avoid over relying on the United States market. In this regard, we have directed more resources to develop opportunities in Europe and Asia Pacific. Our efforts thus far have resulted in a significant improvement on the revenue generated from China (including Hong Kong) in 2003.

Due to increasing competition among domestic manufacturers and with foreign players, the mobile handset business of Haier-CCT Holdings Limited ("Haier-CCT", a listed associated company of the Group) has been in a loss-making position for the past two years. The board of directors of Haier-CCT therefore decided this year that it would be appropriate to write down the carrying amount of goodwill attributable to Haier-CCT's acquired interest in the mobile handset business to reflect the impact of the intensifying market competition. The impairment of goodwill of approximately HK$732 million was assessed by the directors of Haier-CCT and was written off to the consolidated profit and loss account of Haier-CCT for the year ended 31 December 2003. As the goodwill is an intangible and non-cash item, the impairment of such goodwill will not have any adverse impact on Haier-CCT's cash position and its normal business operations. After the impairment of such goodwill, we expect to see a decrease in the annual amortisation of goodwill attributable to Haier-CCT's acquired interest in the mobile handset business in the immediate future. Taking into account the share of loss from Haier-CCT amounted to HK$200 million, the Group recorded a net loss attributable to shareholders of HK$118 million.

Without the substantial share of loss from Haier-CCT, the Group in fact recorded a net profit of HK$82 million, turnaround from a net loss of HK$226 million (before share of loss of associates) in 2002.

Outlook

Going forward, the Group will focus on its core manufacturing business. We remain bullish in sustaining growth in our leading market, the United States. In addition, we will actively strengthen our presence in selected European countries and the Asia Pacific region especially China as a whole. Leveraging on the improved economic environment in Asia Pacific especially China, we are expecting to generate healthy revenues from this market region in the near future.

With our technical expertise in digital and high radio frequency technology, we are confident that our sales in DECT telecom related product will further drive to our growth in 2004.

Internally, the Group will continue to strengthen our operational efficiency by streamlining the business. The management continues to explore new products and market segments with potential to contribute growth and higher profitability to the Group. With our strong professional management, outstanding research and development team and our most advance telecom products production facilities in the People's Republic of China ("PRC"), we are confident of maintaining our leading position in the high radio frequency telecom products manufacturing market.

On 5 March 2004, Haier-CCT entered into a conditional agreement with the Haier Group to acquire from the Haier Group its washing machine business. Haier-CCT also intends to exercise a call option in respect of the remaining 35.5% interest in Pegasus Telecom (Qingdao) Co., Ltd which is engaged in the manufacturing of mobile handsets. It is intended that the acquisition of the washing machine business and the exercise of the call option will be completed at the same time. The acquisition, once completed, is expected to provide a major boost to the business of Haier-CCT in that it will broaden Haier-CCT's revenue and profit base and result in Haier-CCT's diversification into the white goods business. Upon completion of the acquisition, Haier Group will become the controlling shareholder of Haier-CCT. The Group's shareholding in Haier-CCT will be diluted from 43.62% to 26.61%. The acquisition is, however, subject to, amongst other things, the approval of the independent shareholders of the Haier-CCT and regulatory approvals.

As a major shareholder of Haier-CCT, we are very pleased about the acquisition which, if it proceeds, will enlarge the asset and revenue bases of Haier-CCT. Please refer to Haier-CCT's announcement dated 2 April 2004 for more details on the acquisition.

Haier Group also intends to inject its remaining white goods businesses into Haier-CCT in the future with a view to positioning Haier-CCT as the listed flagship for its white goods business. Haier-CCT will consider this potential acquisition of the remaining white goods businesses at the relevant time, subject to, amongst other things, the satisfactory completion of due diligence on their financial and business operation, the negotiation of a legally binding acquisition agreement and the receipt of all applicable governmental, regulatory and shareholders' approvals in Hong Kong and the PRC.

Acknowledgements

I would like to take this opportunity to express my appreciation to our management team for its sound leadership, our staff for their hard work and excellent team spirit especially during this challenging period, and to our customers, suppliers, bankers and shareholders for their continuing support. We will continue to strengthen our telecom business and explore other potential business opportunities so as to increase the value of the Company and returns to our shareholders.

Mak Shiu Tong, Clement
Chairman

Hong Kong, 23 April 2004

REVIEW OF OPERATIONS

The Group continues to deliver sound results with strong revenue growth, encouraging margin expansion and improvement in overall financial strength.

Cordless phone manufacturing business

Our cordless phone manufacturing business continued to form our core business contributing to over 90% of the Group's turnover. One of the main success stories in our cordless phone manufacturing business this year was the strong ongoing demand for our 900MHz and 2.4GHz cordless phones and the unexpected positive feed-back on our newly launched 5.8GHz cordless phones. The sales of our advance 5.8GHz cordless phones clearly demonstrated that there is still excellent potential for long-term growth in the cordless phone industry. To further extend the breadth and depth of our products, wide range of reliable and high quality telecom products have been launched which received recognition from our many well-known brand-name customers like GE, Alcatel and others. The continuing introduction of new technology and broadening of our customer base further led to a promising growth in both the turnover and the operating profit in the cordless phone manufacturing business. Our encouraging performance is also 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", Stock Code: 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 cordless telecom products. 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 operations.

Electric component business

The electric component business is carried out through Electronic Sales Limited ("ESL"), a wholly-owned subsidiary of CCT Tech International, the Company's currently 33.49% listed subsidiary. ESL is engaged in the manufacture of power supply components including linear and switching power supplies and transformers with ESH Group's cordless phone manufacturing business being one of its main customers. With the ongoing improvement in both product quality and pricing competitiveness, the electric component business contributed to our cordless phone manufacturing business' ability to remain competitive in an increasingly crowded market.

Plastic product business

The plastic product business continues to contribute a stable revenue to the Group. It has seen a steady growth that is in line with the growth of the cordless phone manufacturing business as the majority of its products are supplied internally to ESH Group's cordless phone business.

With the internal integration of our baby and health care businesses over the past two years, the baby and health care business achieved a satisfactory performance in 2003. With the synergy effect of the plastic product business, the profit margin of baby and health care business has improved considerably and has resulted in the growth of the operating profit of the baby and health care business in 2003. We expect to grow in this area as the market is huge and our present market share is relatively small.

Mobile handset business

The Group's mobile handset business, conducted in cooperation with Haier Group Corporation and its associates ("Haier Group") is operated through Haier-CCT, the Company's listed associate. Haier is the largest white goods manufacturer in China.

Following the acquisition of 64.5% interest in PRC mobile handset operation in October 2002, this is the first year that Haier-CCT has enjoyed a full-year return from its mobile handset business. Turnover of Haier-CCT in 2003 was HK$1,665 million, representing a significant increase of 233% over year 2002 due to the fact that turnover of year 2002 included only a three-month contribution from the PRC mobile handset operation after the Haier-CCT's acquisition.

Due to the substantial impairment of goodwill and the operating loss mainly caused by the provision of slow moving stock and amortisation of goodwill, the Group shared a loss of HK$200 million from Haier-CCT, an associate of the Company.

The directors of Haier-CCT are, nonetheless, optimistic towards the future of the Haier-CCT's mobile handset business in light of the steady and rapidly growing China mobile handset market. To this end, Haier-CCT has made a substantial investment in a new mobile handset factory in Qingdao. With the new factory, Haier-CCT is now set to increase its production capacity to cater for the increasing production demand in the years ahead.

In the foreseeable future, we will continue to place strong emphasis on research and development in order to maintain our leading position in the telecom products market.

AUDITED RESULTS

The board of Directors of the Company (the "Board") are pleased to announce the audited results of the Group for the year ended 31 December 2003 together with comparative figures for the previous year as follows:—

HK$'million	*Notes*	**Audited 2003**	Audited 2002 (Restated)
TURNOVER	*2*	**3,441**	3,130
Cost of sales		**(2,963)**	(2,696)
Gross profit		**478**	434
Other revenue		**32**	41
Selling and distribution costs		**(49)**	(49)
Administrative expenses		**(264)**	(314)
Other operating expenses		**(35)**	(72)
Profit from operating activities before net gains/(losses) on investments and impairment of fixed assets		**162**	40
Net gains/(losses) on disposal/deemed disposal of subsidiaries		**(12)**	599
Net unrealised holding losses on short term investments		**(1)**	(383)
Net realised gains/(losses) on disposal of short term investments		**5**	(12)
Impairment of long term investments		**—**	(313)
Impairment of fixed assets		**(2)**	(3)
Deficit on revaluation of investment properties		**(3)**	—
Net losses on disposal/deemed disposal of associates		**—**	(129)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		**149**	(201)
Finance costs	*4*	**(8)**	(27)
		141	(228)
Share of profits and losses of:			
Jointly-controlled entities		**—**	5
Associates *(Note)*		**(200)**	(33)
		(200)	(28)
LOSS BEFORE TAX		**(59)**	(256)
Tax	*5*	**(12)**	(9)
LOSS BEFORE MINORITY INTERESTS		**(71)**	(265)
Minority interests		**(47)**	6
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**(118)**	(259)
DIVIDEND	*6*		
Interim		**6**	4
Proposed final		**6**	8
		12	12
LOSS PER SHARE	*7*		
Basic		**HK$0.28**	HK$0.61
Diluted		**N/A**	N/A

Note: Including a realisation of the relevant portion of the unrealised profits of approximately HK$175 million (2002: HK$6 million) arising from the disposal of subsidiaries to an associate in the prior year.

Notes:

1. Adoption of Hong Kong Financial Reporting Standard

In current year, the Group has adopted for the first time, the following Hong Kong Financial Reporting Standard ("HKFRS") — Statement of Standard Accounting Practice ("SSAP") 12 (Revised) "Income taxes" issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRS is inclusive of SSAPs and interpretations approved by the HKSA:

Upon adoption of SSAP 12 (Revised), full provision was made for deferred tax using the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount's 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 as at 31 December 2003 and 2002 by HK$9 million and HK$3 million respectively and an increase in the Group's deferred tax liability as at 31 December 2003 and 2002 by HK$4 million and HK$4 million, respectively. As a consequence, consolidated net loss attributable to shareholders for the year ended 31 December 2003 and 2002 have been decreased by HK$6 million and increased by HK$2 million, respectively, and the consolidated retained profits at 1 January 2003 and accumulated losses at 1 January 2002 have been decreased by HK$1 million and HK$1 million, respectively.

Further details of these changes arising from them will be set out in the forthcoming annual report.

2. Business Segment Information

The following tables present revenue and profit information regarding the Group's business segments for the year ended 31 December 2003 and 2002.

Group

	Telecom products		Baby and health care products		Corporate and others		Inter-segment eliminations		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
HK$' million										
Segment revenue:										
Sales to external customers	**3,224**	2,864	157	166	**52**	85	**—**	—	**3,433**	3,115
Other revenue	**—**	—	**—**	—	**32**	41	**—**	—	**32**	41
Total revenue	**3,224**	2,864	**157**	166	**84**	126	**—**	—	**3,465**	3,156
Segment results	**215**	167	**19**	6	**(86)**	(847)	**—**	—	**148**	(674)
Interest income									**8**	15
Unallocated revenue									**5**	599
Unallocated expenses									**(12)**	(141)
Profit/(loss) from operating activities									**149**	(201)
Finance costs									**(8)**	(27)
Share of profits and losses of:										
Jointly-controlled entities	**—**	—	**—**	—	**—**	5			**—**	5
Associates	**—**	—	**—**	—	**(200)**	(33)			**(200)**	(33)
Loss before tax									**(59)**	(256)
Tax									**(12)**	(9)
Loss before minority interests									**(71)**	(265)
Minority interests									**(47)**	6
Net loss from ordinary activities attributable to shareholders									**(118)**	(259)

3. Depreciation and Amortisation

HK$'million	**2003**	2002
Depreciation	**122**	122
Amortisation		
— Deferred development costs	**30**	31
— Goodwill	**1**	16
	153	169

4. Finance Costs

HK$'million	**2003**	2002
Interest on bank loans and overdrafts wholly repayable within five years	**3**	15
Interest on bank loans repayable after five years	**4**	3
Interest on convertible debts	**1**	8
Interest on finance leases	**—**	1
	8	27

5. Tax

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% (2002: 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.

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 consecutive three years.

HK$'million	**2003**	2002 (Restated)
Group:		
Current — Hong Kong:		
Charge for the year	**14**	8
Overprovision in prior years	**—**	(1)
Current — Elsewhere	**5**	—
Deferred	**(6)**	2
	13	9
Share of tax attributable to associates	**(1)**	—
Total tax charge for the year	**12**	9

6. Dividend

HK$'million	**2003**	2002
Interim — HK$0.015 (2002 :HK$0.01) per ordinary share	**6**	4
Proposed final — HK$0.015 (2002: HK$0.02) per ordinary share	**6**	8
	12	12

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

A proposed special interim dividend of HK$0.10 per share is subject to the approval by the Board in the Company's Board meeting which is to be held on 28 April 2004.

7. Loss Per Share

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of approximately HK$118 million (2002: restated loss of HK$259 million), and the weighted average number of 422,105,230 (2002: 422,105,230) ordinary shares in issue during the year.

The diluted loss per share amount for the year ended 31 December 2003 is not shown as the potential ordinary shares outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

The diluted loss per share amount for the year ended 31 December 2002 is not shown as the potential ordinary shares outstanding during that year had no dilution effect on the basic loss per share for that year.

FINANCIAL REVIEW

Summary of Results

HK$'million	**2003**	2002 (Restated)	% Change
Turnover	**3,441**	3,130	10%
Gross profit	**478**	434	10%
Profit from operating activities before net gains /(losses) on investments and impairment of fixed assets	**162**	40	305%
Net gains/(losses) on disposal/deemed disposal of subsidiaries and associates	**(12)**	470	N/A
Net gains/(losses) on investments	**4**	(708)	N/A
Impairment of fixed assets and deficit on revaluation of investment properties	**(5)**	(3)	67%
Profit/(loss) from operating activities	**149**	(201)	N/A
Finance costs	**(8)**	(27)	(70%)
Share of profits and losses of jointly-controlled entities and associates	**(200)**	(28)	614%
Tax	**(12)**	(9)	33%
Minority interests	**(47)**	6	N/A
Loss attributable to shareholders	**(118)**	(259)	(54%)
Loss per share	**$0.28**	$0.61	(54%)
Dividend per share			
Interim	**1.50 cents**	1.00 cent	
Final	**1.50 cents**	2.00 cents	

The Group recorded a turnover of approximately HK$3,441 million, an increase of approximately 10% due to the encouraging growth in our telecom product manufacturing business. Gross profit recorded an increase of 10%. Net loss attributable to shareholders amounted to HK$118 million which was mainly due to the share of loss of HK$200 million from Haier-CCT in relation to the significant amortisation and impairment of goodwill of its acquired interest in the mobile handset business. Excluding such share of loss, the Group recorded a net profit of HK$82 million, as compared to net loss of HK$226 million (before share of loss of associates) in last year.

The Board expects that the core manufacturing business will perform satisfactory in 2004 and business will continue to grow.

Dividend

The Board recommends the payment of a final dividend of 1.5HKcents per share for the year 2003 to the shareholders whose names appear on the register of members of the Company on 27 May 2004, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting. Total dividend for the year, including the interim dividend of 1.50HKcents per share, amounted to 3.0HKcents per share, representing a dividend yield of 2.4% at the date of this announcement. The proposed final dividend will be paid on or around 18 June 2004 following the shareholders' approval at the forthcoming annual general meeting of the Company. A special interim dividend of approximately 10.0HKcents per share was proposed subject to the approval by the Board in the Company's Board meeting which is to be held on 28 April 2004. The special interim dividend will be paid out of the net sale proceeds of the HK$45 million convertible note in CCT Tech International which will be disposed to New Capital Industrial Limited, a company controlled by Mr. Mak Shiu Tong, Clement and his associates. For further details, please refer to our announcement dated 4 March 2004.

Analysis by Business Segment

	Turnover				
HK$'million	**2003**	**Relative %**	2002	Relative %	% Change
Telecom products	**3,224**	**94%**	2,864	92%	13%
Baby and health care products	**157**	**5%**	166	5%	(5%)
Corporate and others	**60**	**1%**	100	3%	(40%)
Total	**3,441**	**100%**	3,130	100%	10%

	Profit/(loss) from operating activities		
HK$'million	**2003**	2002	% Change
Telecom products	**215**	167	29%
Baby and health care products	**19**	6	217%
Corporate and others	**(85)**	(374)	(77%)
Total	**149**	(201)	N/A

In 2003, the telecom products segment continued to dominate the Group's turnover with 94% (2002: 92%). The telecom products segment recorded an encouraging growth in both turnover and revenue. The turnover of telecom products segment increased 13% to HK$3,224 million in 2003. The operating profit of telecom products segments rose 29% to HK$215 million in 2003. The major success of the telecom product segment was the outstanding performance of our cordless phone products, and the improvement in efficiency produced by our strong research and development capability together with effective cost control.

The remaining turnover came from our baby and health care products and corporate items, accounting for 5% (2002: 5%) and 1% (2002: 3%), respectively of the total turnover.

The baby and health care business continues to contribute a stable revenue and satisfactory operating profit to the Group. The significant drop in operating loss from corporate segment was mainly attributable to our effective cost control and the substantial drop in impairment of investments and fixed assets.

Analysis by Geographical Segment

	Turnover				
HK$'million	**2003**	**Relative %**	2002	Relative %	% change in sales amount
USA	**2,222**	**65%**	2,198	70%	1%
PRC, including Hong Kong	**645**	**19%**	462	15%	40%
Europe	**119**	**3%**	155	5%	(23%)
Others and unallocated	**455**	**13%**	315	10%	44%
Total	**3,441**	**100%**	3,130	100%	10%

North United States, continued to be the major market of the Group, accounting for 65% (2002: 70%) of the Group's total turnover for the year. The increase in turnover and operating profit from the USA was mainly attributable to the strong demand of our cordless phone products in the USA. Due to the ongoing strong demand of telecom products in the USA, management believes that USA will continue to remain as a key market of the Group. However, following to the continuing growth in sales to the PRC market and other Asia Pacific countries, the market segment will believed to be more evenly distributed and more diversified.

The PRC (including Hong Kong) and Europe ranked second and third, accounting for 19% (2002: 15%) and 3% (2002: 5%), respectively, of the Group's total turnover. With the effort from our strong sales team together with our effective business strategy, the percentage sales derived from the PRC including Hong Kong was growing from 15% in 2002 to 19% in 2003. PRC market is still believed to be a fast-growing market and its portion is expected to jump in the coming years.

FINANCIAL POSITION

Capital Structure and Gearing Ratio

	As at 31 Dec 2003		As at 31 Dec 2002	
HK$'million	**Amount**	**Relative %**	Amount	Relative %
Bank loans	**253**	**10%**	363	13%
Convertible debt	**18**	**1%**	20	1%
Finance lease payable	**2**	**—**	5	—
Total borrowings	**273**	**11%**	388	14%
Equity	**2,295**	**89%**	2,427	86%
Total capital employed	**2,568**	**100%**	2,815	100%

The financial position of the Group remains strong, with a low gearing ratio (total borrowings over total capital employed) of only 11% at 31 December 2003 (2002: 14%), reflecting a healthy financial position and the prudent financial policy of the Group.

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

At 31 December 2003, total borrowings of the Group substantially dropped by HK$115 million to HK$273 million (2002: HK$388 million), due to the repayment of some borrowings. The maturity profile of the borrowings falling due within one year, in the second to the fifth year and in the sixth to the tenth year amounted to HK$138million, HK$73 million and HK$62 million, respectively (2002: HK$205 million, HK$106 million and HK$77 million, respectively). There is no material effect of seasonality on the Group's borrowing requirements.

Liquidity and Financial Resources

	At 31 Dec 2003	At 31 Dec 2002
Current ratio	***HK$'million***	*HK$'million*
Current assets	**1,872**	1,647
Current liabilities	**1,202**	991
	156%	166%

Current ratio (a ratio of current assets over current liabilities) as at 31 December 2003 was 156% (2002: 166%). The strong liquid position was attributable to strong cash flow from the operations and the prudent investment strategy of management.

At 31 December 2003, the Group had a cash balance of HK$973 million (2002: HK$866 million), increased by HK$107 million as compared with 2002.

Among the total cash balance of HK$973 million, approximately HK$100 million (2002: HK$83 million) was pledged for general banking facilities. Almost all of the Group's cash was placed on deposits with licensed banks in Hong Kong.

The Group had outstanding bank loans amounting to HK$253 million at 31 December 2003 (2002: HK$363 million). Approximately 51% of these bank loans were arranged on a short-term basis for the ordinary business of the Group and are repayable within one year. The remaining 49% were of long-term nature, principally comprised of mortgage loans on properties used by the Group.

Certain of the Group's assets were financed by finance leases and the total outstanding for finance leases payable at 31 December 2003 amounted to HK$2 million (2002: HK$5 million).

At 31 December 2003, the Group had banking facilities of HK$584 million (2002: HK$646 million), of which HK$327 million (2002: HK$360 million) had been utilised.

Capital Commitments

The Group had authorised and contracted capital commitments of approximately HK$62 million (2002: HK$60 million) at 31 December 2003. These capital commitments mainly relate to capital expenditure for the manufacturing business 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.

During the year under review, the Group's receipts were mainly denominated in United States dollars, with a small portion of the receipts denominated in Hong Kong dollars and Euros. Payments were mainly made in Hong Kong dollars and United States dollars, with some in Renminbi and Euros. Cash was generally placed in short-term deposits denominated in Hong Kong dollars and United States dollars. At 31 December 2003, all of the Group's outstanding borrowings were denominated in Hong Kong dollars. Other than the fixed rate convertible notes of HK$18 million in principal amount, the Group's borrowings were principally made on a floating rate basis.

The objective of the Group's treasury policies is to minimize risks and exposures from the fluctuations in foreign currency exchange rates and interest rates. The Group does not have any significant interest rate risk as the interest rate is stable and remains at low level. As the Hong Kong dollar continues to be pegged to United States dollar at a fixed exchange rate, the Group does not foresee any substantial risk or exposure from having the majority of its receipts and payments in United States dollars. The Group's exposure to foreign exchange risk is not substantial and forward exchange contracts will be entered into to minimize such risks when necessary and appropriate.

OTHER INFORMATION

Employees and Remuneration Policy

The total number of employees of the Group as at 31 December 2003 was 18,673 (2002: 13,245). Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees and persons of the Group. At 31 December 2003, there were outstanding share options of approximately 42 million.

Significant Investment

There was no significant investment unrelated to the core ODM and OEM manufacturing business during the year. The Group continues to focus on the original design and manufacturing of telecom products. During the year, HK$245 million was used for capital expenditure, mainly relating to the Group's core manufacturing business.

Acquisition and Disposal of Material Subsidiaries and Associates

During the year under review, the Group did not have any significant acquisition and disposal of material subsidiaries and associates.

In June 2003, the Group made a significant group restructuring of which the Company sold its entire interests in ESH Group, which is engaged in the OEM and ODM manufacturing business of cordless telecom product, to CCT Tech International. The consideration was satisfied by way of convertible note 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.

Pledge of Assets

At 31 December 2003, certain of the Group's assets with a net book value of HK$255 million (2002: HK$277 million) and time deposits of HK$100 million (2002: HK$83 million) were pledged to secure the general banking facilities granted to the Group.

Contingent Liabilities

Apart from guarantee in lieu of property rental of HK$45 million (2002: HK$40 million) and possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$8 million (2002: HK$7 million), the Group did not have any other significant contingent liabilities at 31 December 2003.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 24 May 2004 to Thursday, 27 May 2004 (both days inclusive), during which period no transfer of share(s) will be effected. In order to qualify for the proposed final dividend and to determine the entitlement to attend and vote at the forthcoming annual general meeting of the Company, all transfer of share(s), accompanied by the relevant share certificate(s) with the completed transfer form(s) with overleaf or separately, 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 Friday, 21 May 2004.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company during the year.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Board, the Company has complied 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 of Hong Kong Limited (the "Listing Rules") throughout the financial year, except that the independent non-executive directors of the Company are not appointed for any specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

AUDIT COMMITTEE

Pursuant to the requirements of the Listing Rules, the Company has established an audit committee comprising three independent non-executive directors of the Company. A set of written terms of reference which describes the authorities and duties of the audit committee, was adopted by the Board.

The audit committee is answerable to the Board and the principal duties of the audit committee include the review and supervision of the financial reporting process and internal control of the Company. The audit committee had reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2003.

PUBLICATION OF DETAILED FINAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The detailed final results of the Group for the year ended 31 December 2003 containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be subsequently published on the website of The Stock Exchange of Hong Kong Limited in due course.

ANNUAL GENERAL MEETING

The 2004 annual general meeting of the Company will be held on Thursday, 27 May 2004 and the notice convening the annual general meeting of the Company will be published and despatched in the manner as required by the Listing Rules in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the executive directors of the Company are Messrs. Mak Shiu Tong, Clement, Cheng Yuk Ching, Flora, Tam Ngai Hung, Terry and William Donald Putt and the independent non-executive directors of the Company are Messrs. Samuel Olenick, Tam King Ching, Kenny and Lau Ho Man, Edward.

By Order of the Board
Mak Shiu Tong, Clement
Chairman

Hong Kong, 23 April 2004