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TELECOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 00138)

ANNOUNCEMENT FOR EARLY TERMINATION OF THE LICENSE AGREEMENT WITH THE LICENSOR AND RESULTS WARNING

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

The Board wishes to inform the Shareholders and potential investors that the Licensees have mutually agreed with the Licensor to terminate the License Agreement with effect from 31 December 2011. The Board anticipates that potential additional costs and losses associated with the Discontinuation and the Material Adverse Events will have a negative impact on the Group's results in the second half of 2011 and as such the Group will experience a loss for the year ending 31 December 2011 as compared with the audited consolidated net profit attributable to owners of the parent of HK\$40 million for the year ended 31 December 2010.

Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

This announcement is made by CCT Telecom Holdings Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Reference is made to the Company's announcements dated 9 December 2009, 4 February 2010 and 14 July 2011 (the “**Previous Announcements**”) and the Company's interim report dated 29 August 2011 for the six months ended 30 June 2011 (the “**2011 Interim Report**”). Terms used herein shall have the same meanings as defined in the Previous Announcements unless the context requires otherwise.

Discontinuation of the operations and business contemplated under the License Agreement

The Board wishes to inform the Shareholders and potential investors that the Licensees (which are indirectly wholly-owned subsidiaries of CCT Tech, which in turn is a non wholly-owned listed subsidiary of the Company) have reached a mutual agreement with GE Trademark Licensing, Inc. (the “**Licensor**”) to terminate the License Agreement with effect from 31 December 2011 (the “**Discontinuation**”). The Discontinuation is caused by recent events (the “**Material Adverse Events**”) occurred in the US and worldwide, which have materially and adversely affected the CCT Tech Group’s ability to manufacture and sell globally the licensed products and accessories under the License Agreement (the “**License Business**”). These Material Adverse Events include, among others, the followings:

1. Global economy and financial markets have been adversely affected by the following recent events:
 - (a) the high unemployment rate and the sluggish economy in the US has dampened consumer sales in the US;
 - (b) unforeseen and unprecedented sovereign credit downgrading of the US caused by its enormous sovereign debt issue and huge budget deficit;
 - (c) deepening of the eurozone sovereign debt crisis having prompted world stock market to plunge and create fears of a new round of global financial tsunami and the drastic measures taken by the debt-ridden eurozone countries to cut budget deficit having seriously hit the already sluggish economy of Europe; and
 - (d) deterioration in the outlook of the major economies in the US and Europe.
2. The natural disasters in the US have dampened consumer sales in the US.
3. Prices of commodities have risen since last year. The regional political instability in Libya and the Middle East has escalated the price of petroleum, which has resulted in soaring of plastic resin prices, one of the major raw materials for producing telephones.

4. Unforeseeable governmental orders and regulations in China have dramatically altered the Group's overhead structure. These changes include, without limitation, the drastic increase in minimum wage which has caused the Group's payroll costs in China to soar since early this year.
5. Inflation pressures in China resulting in inflation rate having more than tripled since the signing of the License Agreement before having eased a bit recently. Compounded with the continuing appreciation of Renminbi, the Group's costs have been further negatively impacted.
6. The acute shortage of labour in the Guangdong Province has worsened in 2011. This has adversely affected efficiency of the Group's manufacturing operations and increased the labour costs of the Group.

Owing to the Material Adverse Events, which have deepened recently, the progress of the ramp up of the License Business is below expectation and has not reached a level to recover all the costs for start-up, product development, promotion and distribution of the GE telephony products worldwide. As a result, the License Business using GE Brand on the CCT Tech Group's telephony products has recorded loss since commencement. The Board anticipates that the Material Adverse Events will continue for some time in the future and hence both the Licensor and the Licensees consider that the Discontinuation is appropriate. The Group's turnover derived from the License Business is not significant and represents approximately 8.9% of the Group's total revenue in the first half of 2011. Therefore, the Discontinuation will not have any significant effect on the Group's revenue for the year ending 31 December 2011 and future financial years. As the License Business is loss-making, the Discontinuation will allow the CCT Tech Group to trim loss business and to further streamline and restructure its operations, and to consolidate and reallocate its resources to other more profitable products, businesses and markets.

To compensate for the loss of revenue of the License Business as a result of the Discontinuation, the CCT Tech Group will strive to expand its contract manufacturing business which the board of directors of CCT Tech (the "**CCT Tech Board**") believes to have good potential to grow.

Potential additional losses in the second half of 2011 caused by the Discontinuation and the Material Adverse Events

The Board anticipates that the Discontinuation and the Material Adverse Events will result in the potential losses which will have a negative impact on the Group's results for the year ending 31 December 2011:

1. Loss associated with the License Business and the Discontinuation
 - (a) As the performance of the License Business is below expectation caused by the Material Adverse Events, the CCT Tech Board expects that the License Business will incur further operating loss in the second half of 2011, which cannot be quantified accurately until after 31 December 2011.
 - (b) One-off losses associated with the Discontinuation:

The Discontinuation will result in the following one-off losses:

- (i) costs and losses associated with the Discontinuation and the termination of the License Business including costs associated with closure of the CCT Tech Group's US distribution company, cleaning-up of the operations of the License Business, and clearing of its inventory;
- (ii) impairment loss (representing a non-cash provision) on the moulds and tools used to manufacture GE licensed products, which may not be used to produce other products of the CCT Tech Group; and
- (iii) costs associated with the restructuring and reallocation of the resources from the License Business to other profitable products, markets and businesses of the CCT Tech Group.

The above one-off losses will be ascertained and quantified after 31 December 2011. It is expected that a major part of those losses will be charged to the Group's income statement for the year ending 31 December 2011 and some of those losses may be incurred and charged to the Group's income statement for the financial year commencing 1 January 2012.

2. Further loss incurred by the Group's manufacturing businesses excluding the License Business in the second half of 2011

As disclosed in the Company's announcement dated 14 July 2011 and the 2011 Interim Report, the production costs of the Group have soared substantially in the first half of 2011, caused by those uncontrollable Material Adverse Events that have adversely affected the Group's operating costs, which include surge of payroll costs for Chinese workers due to sharp rise in minimum wages and acute shortage of labour in the Guangdong Province, new charges and levies imposed by local government in China in 2011, rising costs of materials and commodities (including petroleum), high inflation and continuing appreciation of Renminbi. As a result, the gross margin of all of the Group's manufacturing businesses which include (i) the telecom and electronic product business engaged by the CCT Tech Group; (ii) the component business; and (iii) the infant and child product business, declined in the first half of 2011. The Board expects that the relevant Material Adverse Events continued to have a negative impact on the cost structure of the manufacturing businesses of the Group in the second half of 2011 and as such, the Board expects that the manufacturing businesses (excluding the License Business) will incur further loss in the second half of 2011 in addition to the loss incurred in the first half of 2011. The additional loss in the second half of 2011 will be ascertained and quantified accurately after 31 December 2011.

3. Potential impairment in the value of under-utilised production facilities

To combat the current adverse situation caused by the Discontinuation and the Material Adverse Events and to streamline its manufacturing operations in order to improve productivity and efficiency, the Group will take initiatives to consolidate and centralise its manufacturing operations. The consolidation and centralisation, if implemented, will cause certain production facilities of the Group to become under-utilised. As a result, the value of the under-utilised production facilities may be impaired and the potential impairment loss is expected to have a negative impact of the Group for the year ending 31 December 2011. The potential loss, if any, which may arise from impairment of the fixed assets as at 31 December 2011, will be ascertained and quantified after 31 December 2011 and any impairment loss of fixed assets will be charged to the Group's income statement for the year ending 31 December 2011. The potential impairment loss of fixed assets will be a non-cash provision and is not expected to adversely affect the liquidity position of the Group and the future results of the Group for the years 2012 and onwards.

4. Restructuring costs and other costs to combat the Material Adverse Events

In addition to consolidating and centralising its manufacturing operations, the Group has implemented tight measures to trim costs all across the board and has taken initiatives to streamline and restructure its manufacturing operations in order to partly counter the surge in production costs and to improve productivity and its competitiveness. It is expected that the Group will incur certain one-off non-recurrent costs associated with the restructuring which will be charged to the consolidated income statement of the Group for the year ending 31 December 2011. Although the one-off restructuring costs will have a negative impact on the Group's financial results for 2011, the streamline and restructuring of its manufacturing operations will overcome part of the cost impact, improve the efficiency, productivity and competitiveness of the Group in the long run. The exact amount to be charged will be ascertained when the financial information of the Group for the year ending 31 December 2011 is finalised.

5. Further losses of the Group's securities business in the second half of 2011

The economic woes in the US and the debt turmoil in the eurozone have prompted the world stock markets to plummet since the beginning of this year. The Hang Seng Index and the Hang Seng China Enterprises Index has plunged 29.5% and 36.2% respectively from 31 December 2010 to their lowest level in 2011 so far appeared on 4 October 2011. In view of the uncertain outlook of the world stock market, the Group has realised some of its securities and reduced its investment in listed shares. As a result of the severe downturn and high volatility of the stock market, the Group has incurred net realised losses and unrealised fair value losses of the securities portfolio of its securities business since 1 January 2011. The Group's securities business has incurred unaudited net realised loss of approximately HK\$21 million in 2011 up to 28 December 2011. The total net realised and unrealised losses of the Group's securities business for the year ending 31 December 2011 are expected to increase from the net losses of approximately HK\$18 million reported in the Group's 2011 Interim Report, which are expected to have a negative impact on the Group's results for the year ending 31 December 2011. The total net realised and unrealised losses of the Group's securities business will be ascertained and quantified accurately after 31 December 2011.

Most of the investments of the Group's securities business are Hang Seng Index constituent stocks and major Chinese corporations. The Board is confident in the long-term future of economy of Hong Kong and the PRC and anticipates that the securities portfolio may return to positive contribution in the future as when the stock market in Hong Kong recovers in the future.

Results warning for the year ending 31 December 2011

The Board anticipates that the Group's results for the year ending 31 December 2011 will be affected by the potential costs and losses elaborated in the section headed "Potential additional losses in the second half of 2011 caused by the Discontinuation and the Material Adverse Events" above. As such, the Board expects that the Group will experience a consolidated net loss attributable to owners of the parent for the year ending 31 December 2011 as compared with the audited consolidated net profit attributable to owners of the parent of HK\$40 million for the year ended 31 December 2010. It is expected that the Group's consolidated net loss attributable to owners of the parent for the year ending 31 December 2011 will be increased from the HK\$57 million loss for the six months ended 30 June 2011. It is not possible to ascertain at this stage the Group's consolidated net loss attributable to owners of the parent for the year ending 31 December 2011, which can only be quantified accurately after 31 December 2011, when the financial statements for 2011 are finalised. The information contained in this announcement is only based on the preliminary assessment by the Company's management according to the information currently available and is not based on any figures nor information that has been audited or reviewed by the Company's auditors. Shareholders and potential investors are advised to read carefully the announcement of the Company's audited consolidated results for the year ending 31 December 2011 which is expected to be published in March 2012.

Despite the above situation, the Board considers that the liquidity and financial position of the Group as a whole remains sound. The total current assets of the Group as at 30 November 2011 amounted to approximately HK\$2,631 million.

On the sales front, the CCT Tech Group will strive to gain orders from existing ODM customers and enhance its product offerings and product mix by development of a full range of broadband and advance products like Android OS based products with touch screen, Dect/CAT-iq, WiFi and Bluetooth. The CCT Tech Group will strive to expand its contract manufacturing service (the "CMS") business by gaining new CMS customers and enhancing and diversifying its product range to audio, video and other consumer products. The Board is optimistic about the potentials and prospects of the CMS business and expects that this business may become a key driver of growth for the CCT Tech Group in the

future. On the cost side, the Group will try to adjust prices of some of its products in order to shift some of the cost increases to its customers with a view to improving its gross margin. The Group has already taken timely and constructive measures and initiatives to trim costs, to restructure and streamline operations and costs of all its manufacturing business segments with a view to countering cost rise, improving their productivity, efficiency and competitiveness. Furthermore, the Group's property development projects are expected to outperform other business segments of the Group. The Board believes that the prospects for the Group's property development business look promising. The Board is of the view that the measures and initiatives taken by the Group, together with its healthy financial position and its sound business fundamentals, will be able to withstand the adverse impact arising from the Discontinuation and the Material Adverse Events and to regain a solid financial foothold.

Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

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

Hong Kong, 29 December 2011

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

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