

Chairman's Statement



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

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

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

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

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

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

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

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

the third quarter of 2001 and will greatly enhance our capacity to manufacture high-margin information appliances and components.

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

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

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

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

By Order of the Board

MAK Shiu Tong Clement
Chairman

Hong Kong, April 19, 2000

