

Financial Review

FINANCIAL RESULTS

Results Summary

HK\$'million	2000	1999	% Change
Turnover			
Continuing operations	2,190	1,472	+49
Discontinued operations	-	100	N/A
	2,190	1,572	+39
Profit / (Loss) before tax			
Continuing operations	194	102	+90
Discontinued operations	-	(33)	N/A
	194	69	+181
Tax	(13)	(8)	+63
Profit after tax	181	61	+197
Minority interests	40	49	-18
Net profit attributable to shareholders	221	110	+101

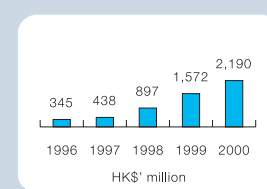
The year 2000 has been a successful year for the CCT Telecom Holdings Limited and its subsidiaries (the "Group"). Turnover increased by 39 % from HK\$1,572 million in 1999 to HK\$2,190 million in 2000. The percentage increase in turnover from continuing operations was higher at 49%. Profit attributable to shareholders increased by 101% from HK\$110 million in 1999 to HK\$221 million in 2000.

The Group has achieved impressive growth in turnover, averaging an annual compound growth rate of 59% for the last five years. With the exception of the severe market downturn in 1998, the Group has also narrowed and turned around its losses, and achieved significant profit growth in the last five years.

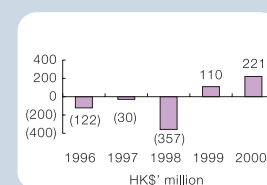
Analysis By Business Activities

The Group's turnover mainly came from the manufacture and sale of telecommunications products and accessories; the provision of Internet services; the trading of telecommunications and network equipment and provision of related consultancy services; and the manufacturing, sourcing and sale of baby care products. The increase in the Group's turnover of HK\$618 million was mostly attributable to the increase in the manufacture and sale of telecommunications products and accessories, which has increased from HK\$1,245 million to HK\$1,847 million. As a result, its share of the Group's turnover has also increased from 79% in 1999 to 84% in 2000.

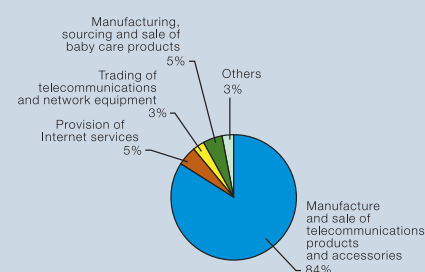
Turnover For The Last Five Years



Profit/(Loss) Attributable To Shareholders For The Last Five Years



2000 Turnover By Business Activities





The Group has commenced the distribution of mobile phones during the year, which contributed only a small percentage to the Group's turnover. Significant growth is expected from this business in the coming years.

The significant increase in profits from operating activities mainly came from the increase in profits from the manufacture and sale of telecommunications products and accessories, and net investment gains. The operating loss from the provision of Internet services was attributable to HKNet Company Limited's operations in which the Group has reduced its equity interest from 51% to 21% during the year. The operating loss from the distribution of mobile phones, which was a newly commenced business, was mainly caused by pre-operating and setting up costs during the year. We expect the mobile phone distribution business will contribute profit to the Group in 2001 and onward.

Profit / (Loss) From Operating Activities by Business Activities

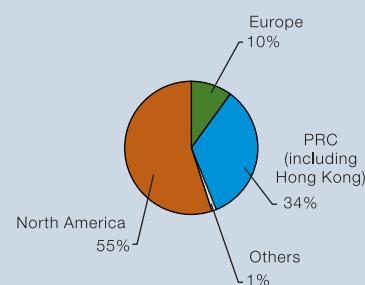
(HK\$' million)	2000	1999
Continuing Operations		
Manufacture and sale of telecommunications products and accessories	68	44
Distribution of mobile phones	(35)	-
Trading of telecommunications and network equipment and provision of related consultancy services	(5)	(54)
Provision of Internet services	(76)	(59)
Manufacturing, sourcing and sale of baby care products	4	-
Provision of multimedia contents and services	(43)	-
Interest and investment income	309	209
	222	140
Discontinued Operations		
Financial services	-	(28)
	222	112

Analysis By Geographical Region

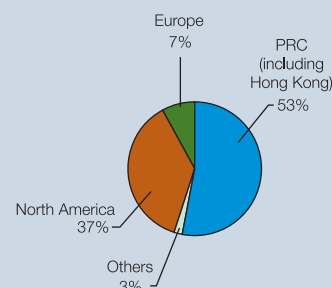
North America continued to be the major market for the Group with 55% of total turnover during the year. PRC (including Hong Kong) and Europe ranked second and third with 34% and 10%, respectively.

Due to the effects of net investment gains, 53%, 37% and 7% of the year 2000 profit from operating activities were derived from PRC (including Hong Kong), North America and Europe, respectively.

2000 Turnover by Geographical Region



2000 Profit from Operating Activities by Geographical Region



Earnings Per Share

HK\$'million	2000	1999
Profit attributable to shareholders	221	110
Weighted average number of shares in issue, million	1,543	1,192
Adjusted profit attributable to shareholders	227	112
Adjusted weighted average number of shares in issue, million	1,644	1,213
Earnings per share (HK cents)		
- Basic	14.3	9.2
- Diluted	13.8	9.2

Basic earnings per share has shown an increase of 55% from 9.2 cents in 1999 to 14.3 cents in 2000 despite an increase in the weighted average number of shares in issue.

FINANCIAL POSITION

Consolidated Balance Sheet Summary

HK\$'million	2000	1999	% Change
Non-current assets	2,116	1,890	+12
Current assets	2,425	1,593	+52
Total assets	4,541	3,483	+30
Current liabilities	1,381	580	+138
Non-current liabilities	224	358	-37
Total liabilities	1,605	938	+71
Net assets	2,936	2,545	+15

Non-current Assets

The 12% net increase in non-current assets was mainly due to further additions of new production facilities in Huiyang, PRC.

Current Assets

The 52% increase in current assets was partly due to an increase in inventories and receivables, which is in line with the increase in the Group's turnover during the year, and partly due to the Group's investment in Sendo Holdings Plc.



Current Liabilities

The increase in current liabilities was mainly due to the classification of the HK\$150 million convertible debt in this category; and increases in trade payables and bank financing which is in line with the increase in the Group's turnover.

Non-current Liabilities

The reduction of 37% in this category was mainly due to the transfer of the convertible debt to current liabilities as mentioned above.

Net Asset Value Per Share

HK\$'million	2000	1999	% Change
Net assets	2,936	2,545	+15
Number of shares in issue, million	1,565	1,302	+20
Net assets value per share (HK\$)	1.88	1.95	-4

As at 31 December 2000, the net asset value per share was HK\$1.88 (1999: HK\$1.95), a reduction of 4% from last year. The decrease was mainly due to the write-off of goodwill against reserves on certain investments in telecommunications and Internet projects, and the increase in shares outstanding during the year.

Capital Structure And Gearing Ratio

HK\$'million	2000		1999	
	Amount	Relative%	Amount	Relative %
Bank loans	339	10	190	7
Convertible debt	150	4	180	6
Total debt	489	14	370	13
Equity	2,936	86	2,545	87
Total capital employed	3,425	100	2,915	100

At the end of 2000, the ratio of total debt to total capital employed was 14% (1999: 13%). The Group had banking facilities totalling approximately HK\$604 million of which HK\$339 million had been utilized. 36% of the bank loans outstanding at year end was of a long term nature, which principally comprised of mortgage loans on properties used by the Group. The Group had HK\$497 million in cash balance at the end of 2000 (1999: HK\$476 million).

CASH AND TREASURY MANAGEMENT

Cash Flow

HK\$'million	2000	1999	% Change
Net cash inflow / (outflow) from operating activities	(21)	157	N/A
Returns on investments and servicing of finance	3	19	-84
Tax paid	(5)	(5)	0
Net cash inflow / (outflow) before investing activities	(23)	171	N/A
Net cash outflow from investing activities	(1,008)	(758)	+33
Net cash inflow from financing activities	996	447	+123
Decrease in cash balance	(35)	(140)	-75

The Group experienced a slight decrease in cash balance of HK\$35 million during the year. The purchase of fixed assets and investments mostly accounted for the HK\$1,008 million in net cash outflow from investing activities, which were funded by the proceeds from the issue of new shares during the year.

Treasury Management

The Group adopts a conservative approach to cash management and risk controls. The Group's treasury activities are centralised. More than 90 per cent 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 or United States dollars. As at 31 December 2000, the Group had borrowings outstanding denominated in Hong Kong dollars only and there was no borrowing at fixed interest rates. 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 as at 31 December 2000 was 13,200.

Remuneration packages are normally reviewed annually. Apart from salary payments, other staff benefits include provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees of the Group. As at the balance sheet date, there were 28.7 million (1999: 27.7 million) options outstanding.



Pledge of Assets

As at 31 December 2000, approximately HK\$866 million (1999: HK\$571 million) of the Group's assets have been pledged to secure general banking facilities granted to the Group.

Contingent Liabilities

Except for corporate guarantees given to banks in connection with facilities granted to subsidiaries by the Company of approximately HK\$304 million (1999: HK\$227 million), the Group has no other contingent liabilities as at the balance sheet date.

Acquisition and Disposal of Material Subsidiaries and Associates

During the year, the Group acquired a 61.42% equity interest in CCT Multimedia Holdings Limited (formerly Wiltec Holdings Limited). The Group has reduced its equity interest in HKNet Company Limited from 51% to 21%. The Group has also acquired a 40% equity interest in Team Work Corporation Limited and a 40% equity interest in Modernet Company Limited during the year. Please refer to the circulars and announcements published by the Group regarding these transactions for more details.

Significant Investments

During the year, the Group's investments, including Sendo Holdings Plc; Sino Land Company Limited; ONI Systems Corporation; and Mingpao.com Limited, performed satisfactorily and the management is confident on their prospects.