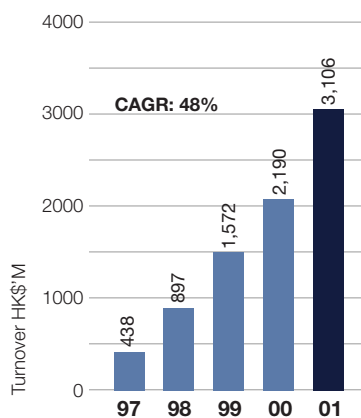


# chairman's letter

## 5 Years Turnover



**2001 was a year of progress and achievement for CCT Telecom, during which management was pleased to see the continued expansion of its core telecom product manufacturing business. In 2001, the recorded revenue was HK\$3,106 million, signifying a 42% increase over 2000. Gross profit reached HK\$392 million, representing a tremendous increase of 83% against the previous year.**

In accordance with new accounting standards, the management team had carried out an extensive review of the Group's investments and assets to assess whether there are any impairment in the carrying value of the investments and assets, and decided to take a prudent approach in assessing the recoverable value of its underperforming investments in the past few years. With provisions for the period totaling HK\$609 million for the impairment from our investments and assets, including the Internet servicing and portal investments, CCT Telecom reported a net loss attributable to shareholders of HK\$685 million for the year 2001. The prior period results were also restated by charging provisions for impairment from goodwill. This decision was not easy but will be beneficial for the Group in the long run. These exercises help to provide a basis for judicious financial performance measures as we go forward, as well as creating a clean slate for our future expansion.

Under a prudent financial management policy, CCT Telecom Group's financial position is sound with over HK\$1 billion cash on hand. This large pool of cash places the Group in a strong competitive position in the current economic environment, and provides us with a sufficient fund to expand our core business.

### **Cordless Phone Operation**

Our cordless phone operation has remained strong in 2001. Revenue of HK\$2,314 million and an operating profit of HK\$113 million were recorded, representing 25% and 66% growth, respectively, despite the economic recession experienced in the US market. New products such as the third generation of 2.4 GHz cordless phone were well-received by consumers and helped to further consolidate the GE brand name in the global market, hence further strengthening our own position as the largest supplier for GE brand cordless phones in the world.

### **Mobile Phone Operation**

We set up mobile phone joint ventures with Haier Group in 2000 and commenced mobile phone manufacturing and distribution in 2001. We are pleased to note that the HK JV and PRC JV have already recorded profit during the first year of operation. In December 2001, we injected the HK JV, which is responsible for mobile phone export and material sourcing, into another listed subsidiary company (stock code: 1169) in order to facilitate the expansion of this business. The restructured listed company is now known as "Haier-CCT

Holdings Limited", and we anticipate that it will soon acquire the PRC JV engaging in manufacturing and domestic distribution of mobile phones.

Haier has a prestigious brand name, an extensive distribution network and worldwide recognition. This, coupled with CCT Telecom's R&D strength, strong material procurement capability and financing knowledge, has created an opportunity with unprecedented potential for Haier-CCT in the future.

### **Outlook**

We have just purchased the baby care product business from Haier-CCT as the first step of a consolidation process in 2002. It is believed that the baby care product business will be synergistic with CCT Telecom's plastic product manufacturing business and will serve as an additional source of stable revenue for the Group. Under our expansion plan, we are evaluating the opportunity of distributing baby care products in the PRC, a market with huge potential, which if realized, will no doubt contribute to the profit of the Group.

Whilst CCT Telecom will continue as an original design manufacturer and will begin to develop its distribution business in the PRC, it will also develop a double identity as an investment holdings company. The development plan for the Company has been carefully researched and a path has been selected as the best way forward to advance the business and create future growth opportunities.

From an operational point of view, as an integrated original design manufacturer, we will continue to concentrate on telecom product original design manufacturing. This has proved financially successful in the past, and has generated substantial profit for us in 2001. And as a holdings company, we will try to float some businesses and some of our strategic investments in the stock market this year. An example of this is TradeEasy, one of the investee companies of the Group, which was successfully listed on the GEM Board in March 2002. More cases will follow suit. Under this strategy, our business structure can be further streamlined while at the same time the overall value of the Group can be increased.

As the PRC market opens up, we will take advantage of the new opportunities that will arise by leveraging on the close relationship with our partners in China. This will enable products manufactured by CCT Telecom to be launched in the PRC market, while at the same time, we will be able to leverage on our close ties with our foreign business partners to expand in the global market.

We are realistically optimistic about our future. Our business foundation is strong, our strategic partnership is solid, and our cash position is healthy. We will utilize our capital in an effective way and invest in businesses relevant to our core products. In 2001, we invested very prudently. We are committed to continuing this careful investment policy so as to maintain a strong and stable financial foundation, while at the same time expanding and extending our business in the years to come.

## **CCT Telecom will now have dual roles, as an original design manufacturer and as an investment holdings company.**

### **Acknowledgements**

Our success this year would not have been possible without the assistance of many people. I would like to take this opportunity of thanking our staff, whose experience and dedication have contributed greatly to the results we are able to report now. I would also like to thank our business partners and shareholders for their continued support. We rely upon all of you for our success, and we look forward to creating greater opportunities and delivering increased returns for you in the coming year.

By Order of the Board

**MAK Shiu Tong Clement**

Chairman

Hong Kong, 22 April 2002