

# mobile phone operation

## Haier – CCT Holdings Limited

<b>Manufacturing Base</b>	Haier Hi-tech Zone, Qingdao, China
<b>Product Range</b>	Dual band GSM mobile phone WAP phone CDMA mobile phone

**The mobile phone business jointly operated with Haier was injected into a listed subsidiary of CCT Telecom in December 2001. The restructured company was then renamed as “Haier-CCT Holdings Limited”**

### 2001 Review

The cooperative effort between Haier Group and ourselves in mobile phone manufacturing and distribution commenced in February 2001. This has proved to be a most successful and advantageous venture, with benefits accruing to all parties.

The US and European markets experienced an economic downturn in 2001, and this affected the sales of mobile phones adversely. As a direct result of this, large quantities of



inventory belonging to the international brands such as Nokia, Motorola and others were put into the PRC market. Amidst this over-supply situation, Haier-CCT rolled out their products in a very prudent manner, so as not to be left with excessive stocks in the market, which could lead to price-cutting of these products.

In 2001, the Company produced a series of original design mobile phones. Some of these products, under the brand name of 'Sendo', were destined for export, with those under the brand name of 'Haier' designated for the domestic market.

We are pleased that the mobile phone joint ventures in Hong Kong and the PRC made profits even in the tough market conditions of 2001. As the economic conditions in the US and Europe begin to pick up and the China market continues to grow, we expect the mobile phone business to maintain growth in 2002.

## Outlook

In July 2002, CCT Telecom and Haier announced the plan to inject their mobile phone operation into CCT Multimedia Holdings Limited (now known as Haier-CCT Holdings Limited). In December 2001, the first stage of this transaction, that is, the injection of the HK JV which is responsible for mobile phone export and material sourcing, was completed. Subsequently, the new name of "Haier-CCT Holdings Limited" was formally adopted to reflect the strategic alliance of the two major shareholders.

The Company believes that the listing status will accelerate the development of the business and increase the flexibility of financing for further growth. Moreover, the injection of assets will also increase the value of the listed company as a whole.

The second stage of the transaction, which is the acquisition of the PRC JV engaging in mobile phone manufacturing and distribution, is in progress. Upon completion, Haier's stake in Haier-CCT will be increased. Haier-CCT will expand its scale of business by leveraging on the strengths and the networks of its major shareholders, and by acquiring more quality assets in the future.

