

The year 2002 continued to be a year of consolidation for the Group, with revenue of HK\$3,130 million.

Gross profit increased by 11% to HK\$434 million. The telecom products business continued to perform well and contributed HK\$167 million in operating profit, up 19% from last year.

During the year, the Group continued to dispose of non-core investments or businesses, or to write down their value to recoverable amounts against under-performed investments in respect of high-tech related business. Having thoroughly reviewed the Group's remaining investments at the year end, it is considered that sufficient provision has been properly made. As a result, the Group recorded a loss attributable to shareholders of HK\$257 million. This loss was reduced by 62% from the loss of HK\$685 million last year.

Cordless phone operation

The success of our cordless phone operation was largely attributable to the outstanding performance of our telecom manufacturing business. This business continues to grow and expand despite the general economic recession. The market response to the 2.4 GHz cordless phones in particular is encouraging. During the year, the Group entered into additional new ODM (original design manufacturing) contracts with other well-known international cordless phone distributors, further validating our successful operating strategy. With a strong research and development team, we are now, and will continue to be, one of the leading cordless phone manufacturers in the world.

Plastic product operation

Another stable revenue stream came from our plastic products business. The plastic business grows steadily in line with growth of the telecom business as most of the plastic products are supplied internally for production of telecom products. As I last reported, the Group acquired back the baby care products business from our listed associate, Haier-CCT Holdings Limited ("Haier-CCT", SEHK code: 1169), in early 2002 with a view to adding synergy to the existing plastic products business. The decision has proved to be a desirable one. With the consolidation of the baby care products business, our plastic products group has now developed its own solid customer base for horizontal integration and expansion.

Electric component operation

During the year, we successfully acquired CCT Tech International Limited ("CCT Tech International", SEHK code: 261, then known as Wireless InterNetworks Limited, "WIN"). During the acquisition process, we injected our power supply product business into CCT Tech International. Since the completion of the acquisition, we enjoy not only the expansion and profitable growth of the power supply product business through our interest in this company, but also a broadening of our customer base and business connections through the ownership of another listed company.

Mobile phone operation

The Group's mobile phone business, conducted in cooperation with Haier Group Company ("Haier"), is operated through its listed associate, Haier-CCT.

I am pleased to report that pursuant to an acceleration agreement, which was completed in October 2002, CCT Telecom and Haier have accelerated the transfer of their interest in Pegasus Qingdao (a joint venture in the PRC engaged in the manufacture and distribution of mobile phones, as defined under the heading "Principal Activities" in the Report of the Directors) into Haier-CCT. Currently, Haier-CCT effectively holds 64.5% of Pegasus Qingdao.

CHAIRMAN'S LETTER

According to Euromonitor, a leading market research institute in Europe, Haier is the largest white goods manufacturer in China and the fifth largest globally. It is also the largest global manufacturer in terms of refrigerators and is well known and recognised internationally. The "Haier" brand name is ranked the first in China and had a brand value of RMB48.9 billion in 2002, as assessed by Beijing Famous-Brand Evaluation Co. Ltd.

The acceleration has streamlined the mobile phone operation as a whole and further improved the efficiency and management control of Haier-CCT group. With the strength of both CCT Telecom and Haier, the future of Haier-CCT is promising.

In February 2003, Haier-CCT announced Haier's intention to further inject assets into Haier-CCT, which may include part or all of the white goods domestic appliances business of the Haier group. Among other things, the possible asset injection will depend on regulatory matters and approvals in Mainland China and Hong Kong. As a major shareholder of Haier-CCT, we are very pleased and excited about the possible injection which, if it proceeds, will enlarge the asset and revenue bases of Haier-CCT.

Outlook

We are an integrated telecommunications product enterprise. It is our business strategy to continue to focus on our core ODM business which has already proved to be a great success. We are now the supplier for a range of famous brands including GE, Alcatel and others, and will work with other recognised brands in the future in order to increase our market share in the manufacturing business.

Our manufacturing plant in Huiyang has the largest and most advanced facilities of its kind in the PRC. To satisfy increasing sales demand, the Group has also started to expand its production facilities in Dongguan, Guangdong Province. Due to the expanding size of the Group, demand for production materials is increasing. We have very strong sourcing and procurement power in the market through our long-standing relationship with our suppliers, and thus we are able to consistently maintain and even improve the operating profit margins of the Group.

The Group maintained a very strong cash position throughout the year and had a cash balance of over HK\$860 million as at 31 December 2002. This advantage, together with the continued growth of our core business and prudent investment strategies, makes us highly competitive in the current depressed economy.

Acknowledgements

I wish to take this opportunity to thank the management team for its sound leadership, our staff for their hard work and excellent team spirit, and our shareholders, business partners and associates for their continued support. We are committed to maximising your returns in the years ahead.

Mak Shiu Tong, Clement

Chairman

Hong Kong, 22 April 2003



麥紹棠先生（主席）