

REVIEW OF OPERATIONS

THE GROUP'S PRINCIPAL OPERATIONS

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Electric component operation

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- *CCT Industrial Group*

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CCT Technology Park, our principal manufacturing base in Huiyang, Guangdong Province, the PRC



REVIEW OF OPERATIONS

Cordless phone operation

- CCT Telecom Product Group

Principal Manufacturing Base	CCT Technology Park, Huiyang, Guangdong Province, PRC (with expansion in Dongguan, Guangdong Province)
Product Range	2.4 GHz analog cordless phone 2.4 GHz digital (SST) cordless phone 2.4 GHz multi-line, multi-handset cordless phone 900 MHz analog cordless phone 900 MHz digital (SST) cordless phone 5.8 GHz digital (SST) multi-handset product CT0 (US & Europe) cordless phone DECT cordless phone Family radio system (FRS)

The Group's core business, which has marked significant achievements in recent years, continues to be the design and manufacture of original cordless phones, all of which are for export sales to the US and Europe.

We see the improvement of operational efficiency as one of the vital factors leading to our ultimate success. Hence, after the implementation of SAP in 2001, all procurement processes in the unit were automated as a result of the joint effort between Global Exchange Services (formerly GE Global Exchange Services) and our e-procurement team. The new e-procurement process has improved management and control of inventories, increased efficiencies and reduced administrative costs considerably, thus increasing the profit margin of the Group.

In July 2002, the Group was awarded the "2001 Best Product of the Year Award" by ATLINKS, a major customer of the Group. This was the third consecutive year in which we have been presented with such an award by ATLINKS, which is a testament to our excellent product quality and good relationship with our customers.

We have a very strong research and development team and the most advanced production facilities in our Huiyang plant. In order to meet the increasing demands of the cordless phone business in terms of both volume and quality requirements, we continue to upgrade our production facilities, replacing lagging and outdated equipment. We are also expanding our manufacturing plant in Dongguan and recruiting new people so as to further increase our production capacities and workforce. Our notable and encouraging results, especially in the face of a widespread economic downturn, are attributable to our successful business strategy of focusing on our core ODM business. Our ability to provide our customers with a seamless, one-stop service from product inception to mass production by leveraging on our R&D and ODM capabilities, allows our customers to place more focus on their sales and distribution efforts. This strategy will not only help the Group to expand our core ODM business, but will also assist our customers to expand their own businesses and increase their market shares, resulting in a win-win situation.

Outlook

In 2002, the achievements of the cordless phone operation unit were encouraging, with aggressive targets being met. In the near future, we will further strengthen our R&D team in order to design and produce more innovative products using advanced technology, helping us to maintain industry leadership while exploring new markets in the PRC.



Mobile phone operation

- Haier-CCT Holdings Limited (SEHK: 1169)

Manufacturing Base	Haier Hi-tech Zone, Qingdao, PRC
Product Range	Dual band GSM mobile phone WAP phone CDMA mobile phone Internet Mobile WAP / GPRS with colour display

Back in early 2001, we cooperated with Haier and started our mobile phone manufacturing and distribution business through joint ventures in both Hong Kong and the PRC. Pegasus Qingdao, the PRC joint venture, is based in the manufacturing plant within the Haier Hi-tech Zone in Qingdao, the PRC.

At the end of 2001, Pegasus HK (as defined under the heading "Connected Transactions" in the Report of the Directors), the Hong Kong joint venture, was injected into Haier-CCT, a listed associate of the Group, thereby transforming the core business of Haier-CCT into that of a mobile phone business, which was the first step in the restructuring of the Group's mobile phone business. We believe the restructuring has enhanced the business strength of Haier-CCT and will benefit CCT Telecom as its major shareholder.

In August 2002, we accelerated the second step of the restructuring, which involved the transfer of Haier's and CCT Telecom's interest in Pegasus Qingdao into Haier-CCT. This was completed in October 2002, and Haier-CCT now effectively owns 64.5% of Pegasus Qingdao, with an option to acquire the remaining 35.5% interest in Pegasus Qingdao in future (up to 31 July 2004).

Outlook

The mobile phone market in the PRC presents a wealth of business opportunities and potential. The PRC has already surpassed the US to become the world's largest mobile phone market.

The MII (Ministry of Information Industry of the PRC) has projected that total subscribers will reach approximately 300 million in 2005, representing an annualised compound growth rate of 26% over the period from 2001 to 2005. Compared with many other developed countries and locations, a penetration rate of less than 20% in China is low and has plenty of room for growth in the years ahead.

Due to the largely untapped opportunities within the mobile phone market in the PRC, domestic brands of mobile phone makers came into the arena a few years ago and have scrambled and managed to gain a market share of more than 20% by the end of 2002. The MII has estimated that in 2003, domestic brands will have a market share of more than 35%. It is strongly believed that domestic brands will capture a greater share of a growing market in the years ahead.

The increase in penetration rate coupled with the increase in market share by domestic brands is expected to enable Haier-CCT to enjoy a "compound growth" in its business in the coming years. With an experienced R&D team, unique design and technology, an extensive distribution network and Haier's prestige brand name, we are confident that the Group will enjoy attractive returns from Haier-CCT's mobile phone business.

Currently, the shareholding of Haier-CCT is owned as to 43.6% by CCT Telecom, as to 29.9% by Haier, as to 1.5% by directors of the Company and as to 25% by public shareholders. The strong support from Haier-CCT's two major shareholders will ensure that the mobile phone operation will expand and grow more rapidly.

REVIEW OF OPERATIONS

Electric component operation

- CCT Tech International Limited (SEHK: 261)

Principal Manufacturing Base	Dongguan, Guangdong Province, PRC
Product Range	Power supply - Linear and switching power supply - Power transformer / AC adaptor Antennae - Coil assembly

In May 2002, the electric component business of the Group, comprised of the manufacture of power supply products, was injected into CCT Tech International (then WIN) under a restructuring exercise. Following the completion of the restructuring exercise, the Group owns a 42% equity interest, together with convertible notes of HK\$45 million in the company. On a fully diluted basis, the Group will own a 52% equity interest in the company.

Before its acquisition by CCT Telecom, WIN had been operating under extreme financial difficulties in recent years and the business was deteriorating. After the rescue by CCT Telecom, almost all of the previous defaulted debts of WIN were released and discharged, and its business revitalised by the injection of CCT Telecom's electric component business. To reflect the ownership of the new shareholder, WIN was then renamed CCT Technology Holdings Limited. In November 2002, CCT Technology Holdings Limited was further reorganised, with its listing status being replaced by CCT Tech International. CCT Technology Holdings Limited has become a wholly owned subsidiary of CCT Tech International.

Currently, the principal business of CCT Tech International is the manufacture of telecom products including electric components. The principal manufacturing base of the business is located in Dongguan, the PRC. Through its substantial interest in CCT Tech International, CCT Telecom continues to enjoy the expansion and profitable growth of the electric component business.

Plastic product operation

- CCT Industrial Group

Principal Manufacturing Base	CCT Technology Park, Huiyang, Guangdong Province, PRC (with expansion in Dongguan, Guangdong Province)
Product Range	<p>Plastic components</p> <ul style="list-style-type: none"> - plastic moulds - plastic casings - spraying / silk-screening - hot-stamping - ultrasonic welding <p>Baby care products, including</p> <ul style="list-style-type: none"> - nursery care kits - bathroom and kitchen safety gift sets

The plastic product operation is mainly utilised internally for the production of the Group's telecom products so as to provide a vertical integration support within the Group. Currently, we have over 160 advanced moulding injection machines, including 25 automatic robot arm plastic moulding machines. Our annual production capacity of plastic components, together with some plastic components supplied by our sub-contractors, is able to cater for and fulfill the production of over 28 million units of cordless phones.

In order to increase our customer base and to develop export sales of our plastic products, the Group acquired the baby care product export business from Haier-CCT in early 2002. The acquisition provides synergy to both the baby care product export business and the original plastic product business by better utilising the plastic moulding facilities in our Huiyang plant.

During 2002, the baby care products business as well as other plastic products enjoyed a growing volume of purchase orders and we are now expanding the production capacities to cater for the increased demand. Over the years, the plastic product business unit has managed to meet the full-on internal demands of our telecom product manufacturing operations. Going forward, we will focus on developing and designing new plastic products, including baby and health care products, with the aim of increasing our share of the export market and gaining more customers. Apart from some vertical integration to support the Group's core business, the unit is now ready for its own horizontal growth and expansion.

Multimedia operation

- CCT Multimedia Group

Another stream of business within the Group is our multimedia business. We are currently focused on the media publishing business and publish three titles, namely "Citymagazine", "Milk" and "Cream" magazines. These magazines focus on modern lifestyle trends, providing entertaining news, information and insight into fashion, music, home design, luxury items and accessories for niche target audiences and different age groups, including professionals and trendy teenagers. The major market of these three magazines remains Hong Kong, but we are looking to open up other markets in Greater China.