

MANAGEMENT DISCUSSION AND ANALYSIS AND OPERATIONAL REVIEW

Restructuring and reorganisation of the Group

During the year 2002, the Group underwent significant changes as a result of the restructuring that was completed on 17 May 2002 (as described in note 2 to the financial statements). After the restructuring, almost all of the previous defaulted debts were released and discharged. All loss-making and heavily indebted subsidiaries were carved out from the Group. New operating capital and a new power supply components business were injected into the Group by the new controlling shareholder, CCT Telecom. The company was renamed CCT Technology Holdings Limited ("CCT Technology") to reflect the new ownership by CCT Telecom.

To further ring-fence any unknown liabilities that might have been incurred before the Group Restructuring, the Group was reorganised in November 2002 (as described in note 3 to the financial statements). As a result, the listing status of CCT Technology was replaced by the Company and CCT Technology became a wholly-owned subsidiary of the Company.

Review of operations

After the restructuring, the principal business of the Group is now the manufacture and development of telecom products, including power supply components.

The principal business, which was operated through a wholly-owned subsidiary named Electronic Sales Limited ("ESL"), was established in Hong Kong in 1972. ESL manufactures a variety of power supply products including AC/DC adaptors, linear lighting ballasts and custom built-in power supplies. With steady growth over 30 years, ESL has developed a customer base with a stable revenue stream and positive cash flow.

The manufacturing base of ESL was relocated to Dongguan, the PRC in 2001 to enhance production capacity and efficiency in order to cater for increasing production demands. The new manufacturing plant offers bigger space and more advanced facilities. With our sound status in the industry, an aggressive yet realistic expansion plan and our continued efforts, the Company's business has a promising future.



Our manufacturing base in Dongguan, Guangdong Province, the PRC.