FINANCIAL RESULTS

Summary of Results

HK$'000	(15 months) 1 Oct 2001 to 31 Dec 2002	(12 months) 1 Oct 2000 to 30 Sept 2001
Turnover	106,385	84,183
Profit/(loss) before tax:		
- before the Group Restructuring	(17,183)	(44,953)
- net gain attributable to the Group Restructuring	119,472	-
- arising from impairment of assets after the Group Restructuring	(2,831)	-
- expenses of the Group Reorganisation	(1,479)	-
- after the Group Restructuring	1,714	-
Profit/(loss) before tax	99,693	(44,953)
Tax and minority interest	(1,535)	-
Profit/(loss) attributable to shareholders	98,158	(44,953)

Turnover of HK$106.4 million for the period was solely contributed from the operations after the completion of the Group Restructuring (as defined in note 2 to the financial statements). Profit before tax for the period amounted to HK$99.7 million (last period: loss of HK$44.9 million), which can be further analysed into:

(i) *Loss before the Group Restructuring:* a loss of HK$17.2 million was incurred prior to the Group Restructuring by the previous management and the then receivers of the Group before the current management took over the control of the Group;

(ii) *Net gain attributable to the Group Restructuring:* a net gain of HK$119.5 million was realised from the Group Restructuring, which represented mainly the write-back of debts being released and discharged and the reversal of reserves as a result of the Group Restructuring, net of any related restructuring expenses;

(iii) *Impairment of assets:* an impairment of HK$10 million was made for the period in respect of a vacant property owned by a 70% subsidiary of the Company, comprised of HK$7.2 million which arose before the Group Restructuring and HK$2.8 million which arose after the Group Restructuring. The subsidiary was incorporated in Malaysia by the former management of the Group and was inherited by the new management after the Group Restructuring. Subsequent to the financial year end, the subsidiary entered into a sale and purchase agreement with an independent party on 31 March 2003 to dispose of the vacant property at its net book value, in line with the Company's intention to dispose of unused assets inherited from the previous management;

Summary of Results (cont'd)

(iv) *Expenses of the Group Reorganisation:* a one-off expense of HK$1.5 million was incurred as a result of the Group Reorganisation (as defined in note 3 to the financial statements), which included mainly legal and professional costs; and

(v) *Profit after the Group Restructuring:* a profit of HK$1.7 million was made after the Group Restructuring. This represented the profit from operations for only a few months and was attributable to the effective management of the business by the new management team and to the contribution from the newly acquired business of ESL.

Looking forward to when the effect of the satisfactory improvement derived from the reorganisation of business and financial position after the Group Restructuring has been fully reflected, we anticipate that the performance of the Group as a whole will be very promising.

Analysis by Business Segment

	Turnover		**Profit/(loss) from operating activities**	
HK$'000	(15 months) 1 Oct 2001 to 31 Dec 2002	(12 months) 1 Oct 2000 to 30 Sept 2001	(15 months) 1 Oct 2001 to 31 Dec 2002	(12 months) 1 Oct 2000 to 30 Sept 2001
Telecom products	106,020	83,774	6,991	(19,219)
Corporate	365	409	(23,677)	(20,482)
	106,385	84,183	(16,686)	(39,701)

After the Group Restructuring, business from the manufacture and development of telecom products and components continued to be the major source of revenue of the Group, and contributed over 99% of the Group's total turnover of HK$106.4 million for the period. Turnover for the preceding period amounted to HK$84.2 million, recorded from the period before the appointment of the then receivers in March 2001.

Subsequent to the acquisition of ESL and the change of the management team after the Group Restructuring in May 2002, the telecom products segment, including the manufacture of power supply components, recorded a net operating profit of HK$7 million (last period: loss of HK$19.2 million).

Analysis by Geographical Segment

The PRC, including Hong Kong, was the major market of the Group and accounted for over 90% of total turnover during the period. No analysis of turnover regarding the Group's geographical segments for the last period has been presented, as the information is not available.

FINANCIAL POSITION

The financial condition of the Group has been turned around into a positive and healthy position, attributable to the contribution and efforts of the new shareholders and management.

Net Asset Position

The net asset position of the Group has improved dramatically during the period as a result of the Group Restructuring, turning from a net deficit position of HK$50 million as at 30 September 2001 into a net asset position of HK$46 million as at 31 December 2002. The change was attributable to the following reasons: (i) almost all of the previous defaulted indebtedness was fully released and discharged; (ii) all material loss-making and heavily indebted subsidiaries were carved out from the Group; and (iii) new operating capital was injected by the new controlling shareholders.

Liquidity and Financial Resources

Following the relief of the financial difficulties of the Group from the Group Restructuring and the raising of funds during the period, the financial position and liquidity of the Group immediately returned to a very healthy position with positive net current assets. Almost all of the previous defaulted debts, including HK$69.4 million in convertible notes, were either released and discharged or compromised under the Group Restructuring.

In May 2002, as part of the consideration for the acquisition of ESL under the Group Restructuring, CCT Technology (the former holding company of the Group before the Group Reorganisation) issued convertible notes in the amount of HK$45 million to a subsidiary of CCT Telecom with a conversion price of HK$0.01 per share, interest free and falling due in 2005. In July 2002, CCT Technology issued convertible notes in the amount of HK$20 million at an interest rate of 5% per annum with a conversion price of HK$0.01 per share and falling due in 2004 to an independent investor, and raised net proceeds of HK$19.8 million. Both the HK$45 million and the HK$20 million in convertible notes were cancelled upon completion of the Group Reorganisation and, at the same time, new convertible notes in the amount of HK$45 million and HK$20 million were issued to the respective original convertible noteholders with substantially the same terms by the Company. Both the HK$45 million and the HK$20 million in convertible notes issued by the Company remained outstanding as at 31 December 2002.

At 31 December 2002, the Group had a cash balance of HK$68 million (30 September 2001: HK$7.3 million), over 90% of which was placed on deposit with licensed banks in Hong Kong and of which HK$5 million (30 September 2001: Nil) was pledged for general banking facilities. Outstanding bank loans and other borrowings amounted to only HK$2.6 million. All of these bank loans and other borrowings were arranged on a short-term basis for ordinary business of the Group and are repayable within one year. There is no material effect of seasonality on the Group's borrowing requirements.

The Group had no material capital commitment at 31 December 2002.

Capital Structure

The capital base of the Group was changed substantially during the period.

As a result of the Group Restructuring, the par value of the shares of CCT Technology was reduced from HK$0.02 each to HK$0.001 each. Ten reduced shares thereof were then consolidated into one share of HK$0.01 each and a total number of 8,420,000,000 then shares of HK$0.01 each were issued pursuant to the agreements under the Group Restructuring. Details of transactions are set out in CCT Technology's circular dated 31 March 2002.

In June 2002, CCT Technology further placed 1,780,000,000 shares at the price of HK$0.01 by a top-up placing arrangement to independent investors. Details of transactions are set out in CCT Technology's announcement dated 6 June 2002.

After the Group Restructuring and the subsequent share placement, the issued capital of CCT Technology was changed from 6,384,035,621 shares of HK$0.02 each to 10,838,403,562 shares of HK$0.01 each.

Upon completion of the Group Reorganisation in November 2002, CCT Technology became a wholly-owned subsidiary of the Company and the shareholders of CCT Technology became the shareholders of the Company with the shares exchanged on a one-to-one basis. The Company had a total number of 10,838,403,562 shares of HK$0.01 each at 31 December 2002.

Use of Proceeds

The Group raised net proceeds of HK$37.4 million as a result of the placement of shares and convertible notes in June and July 2002. The proceeds remained unused at 31 December 2002. It is intended that these proceeds will be used for capital expenditure, research and development and general working capital of the Group as announced by CCT Technology on 6 June 2002.

Key Financial Ratios

	At 31 Dec 2002		At 30 Sept 2001	
Gearing ratio	HK$'000	Relative %	HK$'000	Relative %
Bank borrowings	2,578	2%	14,657	N/A
Convertible notes	65,000	57%	48,888	N/A
Total borrowings	67,578	59%	63,545	N/A
Equity	46,401	41%	(50,364)	N/A
Total capital employed	113,979	100%	13,181	N/A

	At 31 Dec 2002	At 30 Sept 2001
Current ratio	HK$'000	HK$'000
Current assets	101,482	30,713
Current liabilities	37,488	160,201
	271%	19%

As indicated, the Group had a gearing ratio of 59% as at 31 December 2002 (total borrowings over total capital employed). Excluding the convertible notes, most of which are due to CCT Telecom, the ratio of total bank borrowings to total capital employed is only 2%. The gearing ratio for the last period is not comparable because there was a negative equity at the last period end.

Current ratio (a ratio of current assets over current liabilities) as at 31 December 2002 is 271% (30 September 2001: 19%), representing a strong liquid position for the Group.

Treasury Management

Subsequent to the completion of the Group Restructuring, the new management of the Group has adopted and continues to advocate a conservative approach to cash management and risk controls. To achieve better risk controls and efficient fund management, the Group's treasury activities are centralised. Almost all of the Group's receipts and payments are in Hong Kong dollars. Cash is generally placed in short term deposits denominated in Hong Kong dollars. At 31 December 2002, all of the Group's outstanding borrowings were denominated in Hong Kong dollars and were principally made on a floating rate basis. The Group does not have any significant foreign currency or interest rate risk.

OTHER INFORMATION

Employees and Remuneration Policy

The total number of employees of the Group as at 31 December 2002 was 1,107. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees and persons of the Group. There were no share options outstanding as at 31 December 2002.

Significant Investment

The Group did not hold any significant investment at 31 December 2002.

Acquisition and Disposal of Material Subsidiaries and Associates

As part of the Group Restructuring:

(i) CCT Technology, the former holding company of the Group, transferred its entire interest in S. Megga Telecommunications Limited to the then receivers of CCT Technology. S. Megga Telecommunications Limited, formerly a wholly-owned subsidiary of CCT Technology, was loss-making and in a net deficit position; and

(ii) CCT Technology acquired the entire interest of ESL from CCT Telecom.

Details of transactions are set out in CCT Technology's circular dated 31 March 2002.

Apart from the above, there was no acquisition or disposal of material subsidiaries and associates during the period.

Pledge of Assets

At 31 December 2002, certain of the Group's fixed assets with a net book value of HK$5 million (30 September 2001: HK$14.8 million) and time deposits of HK$5 million (30 September 2001:Nil) were pledged to secure the general banking facilities granted to the Group.

Contingent Liabilities

The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK$215,000 as at 31 December 2002. The contingent liability has arisen as a number of current employees have achieved the required number of years of service to the Group at the balance sheet date to make them eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.