

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CCT Telecom Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser, the transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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TELECOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

CONNECTED TRANSACTION

SALE OF THE CONVERTIBLE NOTE

Independent Financial Adviser to the Independent Board Committee

ALTUS CAPITAL LIMITED

A letter from the Board is set out on pages 3 to 8 of this circular and a letter from the Independent Board Committee is set out on pages 9 to 10 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee is set out on pages 11 to 18 of this circular.

A notice convening the EGM to be held at 32/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Thursday, 15 April 2004 at 10:00 a.m. is set out on pages 26 to 27 of this circular. A form of proxy is also enclosed. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tengis Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, as soon as possible but in any event, not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

“2008 Convertible Note”	the convertible note due 2008 in the aggregate principal amount of HK\$768 million issued by CCT Tech
“associate”	has the same meaning ascribed to it under the Listing Rules
“Agreement”	the agreement dated 2 March 2004 entered into between New Capital as purchaser and the Company as vendor relating to the sale and purchase of the Convertible Note
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturdays) on which banks are generally open for business in Hong Kong
“CCT Tech”	CCT Tech International Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“CCT Tech Share(s)”	the ordinary share(s) of HK\$0.01 each in the capital of CCT Tech
“Company”	CCT Telecom Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Convertible Note”	the zero coupon convertible note in the principal amount of HK\$45,000,000 due 2005 issued to Emporium by CCT Tech on 4 November 2002
“Directors”	the directors of the Company (including the independent non-executive directors)
“Disposal”	disposal of the Convertible Note by the Company to New Capital pursuant to the Agreement
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of approving the Agreement and the Disposal or any adjournment thereof (as the case may be)
“Emporium”	Emporium International Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising Messrs. Tam King Ching, Kenny and Lau Ho Man, Edward which is formed to advise the Independent Shareholders in respect of the Agreement and the Disposal
“Independent Financial Adviser”	Altus Capital Limited, a deemed licensed corporation under the SFO and engaged in types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities, and the independent financial adviser to the Independent Board Committee
“Independent Shareholders”	the Shareholders other than Mr. Mak and his associates
“Latest Practicable Date”	23 March 2004, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Mak”	Mr. Mak Shiu Tong, Clement, a substantial Shareholder, the chairman of the Board and an executive Director
“New Capital”	New Capital Industrial Limited, a company incorporated in the British Virgin Islands with limited liability which is controlled by Mr. Mak and his associates
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

TELECOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Executive Directors:

Mak Shiu Tong, Clement
Tam Ngai Hung, Terry
Cheng Yuk Ching, Flora
William Donald Putt

Registered office:

The offices of The Harbour Trust Co. Ltd.
P. O. Box 1787 GT
One Capital Place
Grand Cayman
Cayman Islands
British West Indies

Independent non-executive Directors:

Samuel Olenick
Tam King Ching, Kenny
Lau Ho Man, Edward

Head office and principal place of business:

32/F., China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

26 March 2004

*To the Shareholders and, for information only,
the holders of share options of the Company*

Dear Sir or Madam,

CONNECTED TRANSACTION SALE OF THE CONVERTIBLE NOTE

INTRODUCTION

Reference is made to the announcement of the Company dated 4 March 2004.

It was announced on 4 March 2004 that the Company has entered into the Agreement pursuant to which the Company agreed to sell or procure the sale of the Convertible Note to New Capital for a consideration of HK\$45 million. The consideration represents the face value of the Convertible Note and was agreed after arm's length negotiations.

The net sale proceeds of the Convertible Note will be distributed to the Shareholders.

As New Capital is controlled by Mr. Mak and his associates and Mr. Mak is a substantial Shareholder and an executive Director, New Capital is a connected person (as defined in the Listing Rules) of the Company and the Disposal constitutes a connected transaction for the Company under the Listing Rules.

LETTER FROM THE BOARD

The Independent Board Committee has been formed to advise the Independent Shareholders in relation to the Agreement and the Disposal.

An independent financial adviser, Altus Capital Limited, has been appointed to advise the Independent Board Committee as to whether or not the terms of the Agreement and the Disposal are fair and reasonable so far as the Independent Shareholders are concerned.

The purpose of this circular is:

- (i) to provide the Shareholders with details of the Agreement and the Disposal;
- (ii) to set out the opinion of the Independent Financial Adviser in respect of the terms of the Agreement and the Disposal;
- (iii) to set out the recommendation of the Independent Board Committee in respect of the terms of the Agreement and the Disposal; and
- (iv) to give you a notice of the EGM to consider and, if thought fit, to approve the Agreement and the Disposal.

THE AGREEMENT

Date: 2 March 2004

Parties:

Vendor: the Company

Purchaser: New Capital, a company controlled by Mr. Mak and his associates. Mr. Mak is a substantial Shareholder, the chairman of the Board and an executive Director. Mr. Mak and his associates are interested in approximately 20.44% of the issued share capital of the Company as at the Latest Practicable Date.

Asset: the Convertible Note

Terms of the Convertible Note:

Issuer: CCT Tech

Principal amount: HK\$45 million

Interest: The Convertible Note does not bear any interest.

Maturity: 17 May 2005. If the principal amount of the Convertible Note is not converted into CCT Tech Shares or repaid, such amount shall be automatically redeemed on the maturity date.

LETTER FROM THE BOARD

- Transferability:** The Convertible Note may be assigned to any third party subject to compliance with the terms and conditions of the Convertible Note and further subject to the conditions, approvals, requirements and any other provisions of or under all applicable laws and regulations. If the Convertible Note is transferred to connected persons (as defined under the Listing Rules) of CCT Tech other than the Company or its associates, CCT Tech shall immediately notify the Stock Exchange.
- Conversion:** The conversion price under the Convertible Note is HK\$0.01 per CCT Tech Share and the noteholder shall have the right on any Business Day from the date of issue of the Convertible Note to five Business Days prior to maturity thereof to convert the whole or part of the principal amount of the Convertible Note.
- Listing:** No listing has been sought for the Convertible Note.

After completion of the Agreement, the following convertible notes issued by CCT Tech will remain outstanding: (1) the Convertible Note; (2) the 2008 Convertible Note; (3) the 5% convertible notes due 2004 in the principal amount of HK\$8 million; and (4) the 2% convertible notes due 2005 in the principal amount of HK\$10 million. There are 1,082,781,000 outstanding share options which are convertible into CCT Tech Shares as at the Latest Practicable Date. The Group will remain interested in the 2008 Convertible Note upon completion of the Agreement.

Consideration:

The consideration in the sum of HK\$45 million payable in cash represents the face value of the Convertible Note and was agreed after arm's length negotiations.

The Directors consider that the Agreement including the consideration has been negotiated on an arm's length basis and agreed on normal commercial terms between the parties involved. The Directors believe that the terms of the Agreement are fair and reasonable and consider that the Disposal is in the interests of the Company so far as the Shareholders are concerned.

The net sale proceeds after the expenses for the Disposal amount to approximately HK\$44 million.

Condition:

Completion of the Disposal is conditional upon the passing of a resolution by the Independent Shareholders at the EGM approving the terms of and the transactions contemplated under the Agreement and the implementation thereof, in compliance with the Listing Rules.

If the condition as set out above is not fulfilled on or before 30 June 2004 (or such other date as may be agreed between the parties), the Agreement shall lapse and the parties shall be released from all obligations thereunder (save in respect of any antecedent breaches).

LETTER FROM THE BOARD

Completion date:

On the second Business Day after fulfilment of the condition of the Agreement, which is expected to take place on or before 30 June 2004 (or such other date as may be agreed between the parties).

REASON FOR THE DISPOSAL

The Convertible Note was issued to Emporium by CCT Tech on 4 November 2002. The Directors consider that the Disposal is a good opportunity for the Company to divest of the Convertible Note rather than the 2008 Convertible Note, since the Convertible Note does not carry any interest income.

The audited consolidated net loss before and after taxation of CCT Technology Holdings Limited for the financial year ended 30 September 2001 were both HK\$44,953,000 and the audited consolidated net profit before and after taxation and minority interests of CCT Tech for the 15 months period ended 31 December 2002 were approximately HK\$99,693,000 and HK\$98,158,000 respectively. The audited consolidated net asset value of CCT Tech as at 31 December 2002 was HK\$46,401,000.

USE OF SALE PROCEEDS

The net sale proceeds of the Disposal in the sum of approximately HK\$44 million will be distributed to the Shareholders, which has been approved by the Directors at a meeting of the Board held on 2 March 2004. It is presently proposed that a special dividend in the amount of approximately HK\$0.10 per share shall be distributed to the Shareholders, subject to completion of the Agreement. Further announcement will be made in respect of the record date and the dividend rate for the distribution.

LETTER FROM THE BOARD

CHANGES IN SHAREHOLDING

The shareholding in CCT Tech (a) as at the Latest Practicable Date; (b) immediately after full conversion of the Convertible Note; and (c) immediately after full conversion of all outstanding convertible notes and the share options of CCT Tech is approximately as follows:

	Existing shareholding as at the Latest Practicable Date	Immediately after full conversion of the Convertible Note	Immediately after full conversion of all outstanding convertible notes and the share options of CCT Tech
The Company	approximately 34.3% being 4,500,000,000 CCT Tech Shares	approximately 25.5% being 4,500,000,000 CCT Tech Shares	approximately 78.7% being 59,357,142,857 CCT Tech Shares
Mr. Mak and his associates	—	approximately 25.5% being 4,500,000,000 CCT Tech Shares	approximately 6.1% being 4,600,000,000 CCT Tech Shares
directors of CCT Tech (other than Mr. Mak)	—	—	approximately 0.4% being 266,000,000 CCT Tech Shares
Dongguan Defa Investment Limited	approximately 15.2% being 2,000,000,000 CCT Tech Shares	approximately 11.4% being 2,000,000,000 CCT Tech Shares	approximately 2.7% being 2,000,000,000 CCT Tech Shares
Public	approximately 50.5% being 6,638,422,562 CCT Tech Shares	approximately 37.6% being 6,638,422,562 CCT Tech Shares	approximately 12.1% being 9,155,203,562 CCT Tech Shares
Total	100% being 13,138,422,562 CCT Tech Shares	100% being 17,638,422,562 CCT Tech Shares	100% being 75,378,346,419 CCT Tech Shares

GENERAL

The Group is principally engaged in telecom product operation, electric component operation and plastic, baby and healthcare product operation.

LETTER FROM THE BOARD

As New Capital is a company controlled by Mr. Mak and his associates and Mr. Mak is a substantial Shareholder and an executive Director, New Capital is a connected person (as defined in the Listing Rules) of the Company and the Disposal constitutes a connected transaction for the Company under the Listing Rules. The Disposal is subject to the Independent Shareholders' approval and Mr. Mak and his associates will abstain from voting on the resolution approving the Agreement and the Disposal to be proposed at the EGM.

An Independent Board Committee has been established to advise the Independent Shareholders on the Agreement and the Disposal. The Independent Financial Adviser has been appointed to advise the Independent Board Committee in respect of the Agreement and the Disposal.

EXTRAORDINARY GENERAL MEETING

The notice convening the EGM to be held at 10:00 a.m. on Thursday, 15 April 2004 at 32/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong at which an ordinary resolution will be proposed to approve the Agreement and the Disposal is set out on pages 26 to 27 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the offices of the Company's branch share registrar and transfer office in Hong Kong, Tengis Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, as soon as possible but in any event, not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 9 to 10 of this circular which contains its recommendation to the Independent Shareholders on the Agreement and the Disposal. Your attention is also drawn to the letter of advice from the Independent Financial Adviser as set out on pages 11 to 18 of this circular which contains, amongst other matters, its advice to the Independent Board Committee in relation to the Agreement and the Disposal and the principal factors and reasons considered by it in concluding its advice.

Your attention is also drawn to the general information set out in the appendix of this circular.

Yours faithfully,
For and on behalf of
CCT TELECOM HOLDINGS LIMITED
Tam Ngai Hung, Terry
Director

TELECOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

The Independent Board Committee:

Tam King Ching, Kenny

Lau Ho Man, Edward

Registered office:

The offices of The Harbour Trust Co. Ltd.

P. O. Box 1787 GT

One Capital Place

Grand Cayman

Cayman Islands

British West Indies

Head office and principal place of business:

32/F., China Merchants Tower

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

26 March 2004

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION SALE OF THE CONVERTIBLE NOTE

We refer to the circular of the Company to the Shareholders dated 26 March 2004 (the “Circular”), in which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter will have the same meanings as given to them in the section headed “Definitions” of the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Agreement and the Disposal are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter of advice from the Independent Financial Adviser as set out on pages 11 to 18 of the Circular and the letter from the Board as set out on pages 3 to 8 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, amongst other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the terms of the Agreement and the Disposal are fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Agreement and the Disposal to be proposed at the EGM.

Yours faithfully,

The Independent Board Committee of
CCT TELECOM HOLDINGS LIMITED

Tam King Ching, Kenny Lau Ho Man, Edward

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Altus Capital Limited to the Independent Board Committee prepared for inclusion in this Circular.

ALTUS CAPITAL LIMITED

8/F Hong Kong Diamond Exchange Building
8 Duddell Street, Central
Hong Kong

26 March 2004

To the Independent Board Committee

CCT Telecom Holdings Limited

32/F., China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

CONNECTED TRANSACTION SALE OF CONVERTIBLE NOTE

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Agreement and the Disposal, particulars of which are set out in the circular to the Shareholders dated 26 March 2004 (the “Circular”) and in which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them under the section headed “Definitions” of the Circular.

The Company announced on 4 March 2004 that it has agreed to sell or procure the sale of the Convertible Note to New Capital, a company controlled by Mr. Mak and his associates for a cash consideration of HK\$45 million. The consideration represents the face value of the Convertible Note.

As New Capital is controlled by Mr. Mak and his associates and Mr. Mak is a substantial Shareholder (with an interest of approximately 20.44%) and an executive Director, New Capital is a connected person of the Company (as defined in the Listing Rules). The Disposal therefore constitutes a connected transaction for the Company under the Listing Rules and is subject to the approval of the Independent Shareholders. Mr. Mak and his associates will abstain from voting on the resolution to approve the Agreement and the Disposal to be proposed at the EGM.

The Independent Board Committee comprising Mr. Tam King Ching, Kenny and Mr. Lau Ho Man, Edward has been established by the Company to advise the Independent Shareholders in relation to the Agreement and the Disposal and to give a recommendation to the Independent Shareholders in relation to the voting of the relevant resolution to be proposed at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion, we have relied to a considerable extent on the information, statements, opinions and representations supplied to us by the Company and the Directors and we have assumed that all such information, statements, opinions and representations contained or referred to in the Circular were true and accurate and complete at the time they were made and continue to be true at the date of the Circular, and we have relied on the same. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the Circular were reasonably made after due and careful inquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the Disposal and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reason to suspect that any material facts or information (which is known to the Company) have been omitted or withheld from the information supplied or opinions expressed in the Circular nor to doubt the truth and accuracy of the information and facts, or the reasonableness of the opinions expressed by the Company and the Directors which have been provided to us. We have not, however, carried out any independent verification on the information provided to us by the Directors, nor have we conducted an independent in-depth investigation into the business and affairs of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the terms of the Agreement and the Disposal, we have taken the following principal factors and reasons into consideration:

1. The Agreement

Pursuant to the Agreement, the Company has agreed to sell or procure the sale of the Convertible Note to New Capital, a company controlled by Mr. Mak and his associates, for a consideration of HK\$45 million in cash. The consideration represents the face value of the Convertible Note and was arrived at after arm's length negotiations between the parties.

2. The remaining interest of the Company in CCT Tech after the Disposal

A table is set out in the "Letter from the Board" on page 7 of the Circular in relation to the changes in shareholding in CCT Tech (a) as at the Latest Practicable Date; (b) immediately after full conversion of the Convertible Note; and (c) immediately after full conversion of all outstanding convertible notes and the share options of CCT Tech as at the Latest Practicable Date.

As shown in the table set out in the "Letter from the Board", after the Disposal and assuming Mr. Mak converts the Convertible Note in full and assuming the Company does not convert the 2008 Convertible Note, the Company's interests in CCT Tech will be diluted to 25.5%.

Nevertheless, if the Company elects to convert the 2008 Convertible Note, immediately after full conversion of all outstanding convertible notes and the share options of CCT Tech, the Company will hold 59,357,142,857 CCT Tech Shares, represents approximately 78.7% of the enlarged issued share capital of CCT Tech, which is a substantial interest.

Therefore, the Disposal will not affect the controlling interest of the Company in CCT Tech, as it still owns a substantial amount of the convertible notes of CCT Tech, being the 2008 Convertible Note, which will enable it to increase its shareholding in CCT Tech.

3. Reasons for the Disposal

The Convertible Note was issued to Emporium by CCT Tech in November 2002. The Convertible Note will fall due in the year 2005 and does not pay any interest to its holders. According to the joint circular of the Company and CCT Tech (previously Wireless InterNetworks Limited prior to a scheme of arrangement) issued on 31 March 2002, the Convertible Note was issued by CCT Tech to settle part of the consideration for the acquisition of 100% of the issued share capital of Electronic Sales Limited. The Company has not indicated in the aforesaid circular its intention in relation to the holding period of the Convertible Note.

As discussed above, after the Disposal and assuming full conversion of all outstanding convertible notes and the share options of CCT Tech, the Company will maintain a significant interest in CCT Tech, with shareholding of about 78.7% of the enlarged issued share capital.

The Directors consider that the Disposal is a good opportunity for the Company to partially divest its interests in CCT Tech and to realise the Convertible Note, which does not generate any income for the Company. We concur with the Directors that it is reasonable for the Company to diversify its investments in the Convertible Note given that it can still maintain substantial interest in CCT Tech. In this case, the partial realisation of the Company's interest in CCT Tech for cash, which in turn would enable the Company to declare the special dividend, is in the interest of the Shareholders.

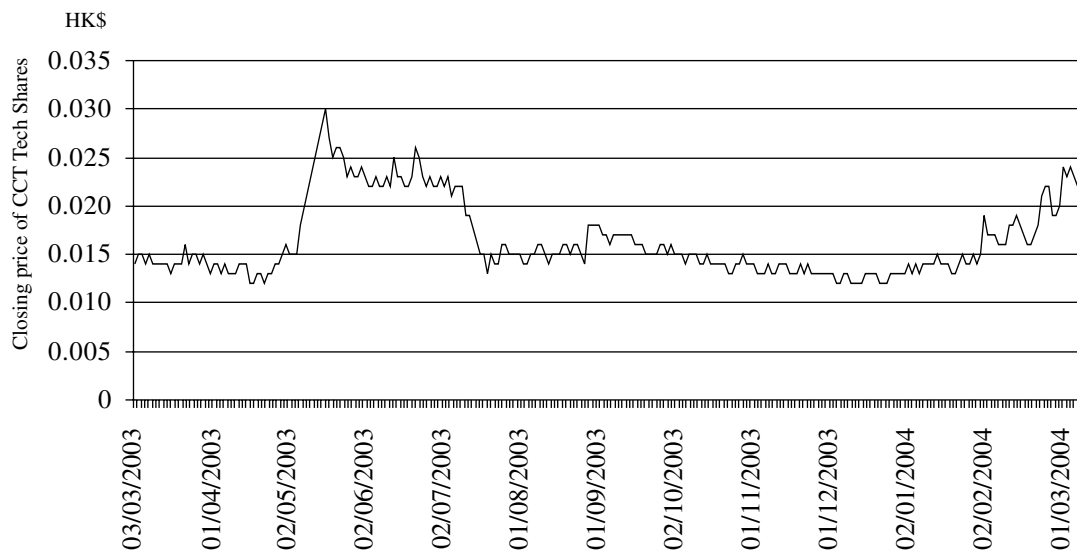
4. The share price and liquidity of CCT Tech Shares

When considering the Disposal, we have also compared the conversion price of the Convertible Note with the prevailing prices of CCT Tech Shares and their liquidity.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

CCT Tech Share price performance

The following chart sets out the daily historical closing price of CCT Tech Shares traded on the Stock Exchange from March 2003 to the latest period up to the Latest Practicable Date (the “Review Period”).



The highest and lowest closing prices of the CCT Tech Shares for each of the months during the Review Period were as follows:

Month/ period	Highest closing price of the month/period HK\$	Lowest closing price of the month/period HK\$	Month/ period end closing price HK\$	Average daily closing price of the month/period HK\$
2003				
March	0.016	0.013	0.014	0.014
April	0.014	0.012	0.014	0.013
May	0.030	0.015	0.024	0.021
June	0.026	0.022	0.023	0.023
July	0.023	0.013	0.016	0.019
August	0.016	0.014	0.016	0.015
September	0.018	0.014	0.015	0.016
October	0.016	0.013	0.013	0.015
November	0.015	0.013	0.013	0.014
December	0.014	0.012	0.012	0.013
2004				
January	0.015	0.012	0.014	0.013
February	0.019	0.013	0.018	0.016
March and up to the Latest Practicable Date	0.024	0.016	0.024	0.020

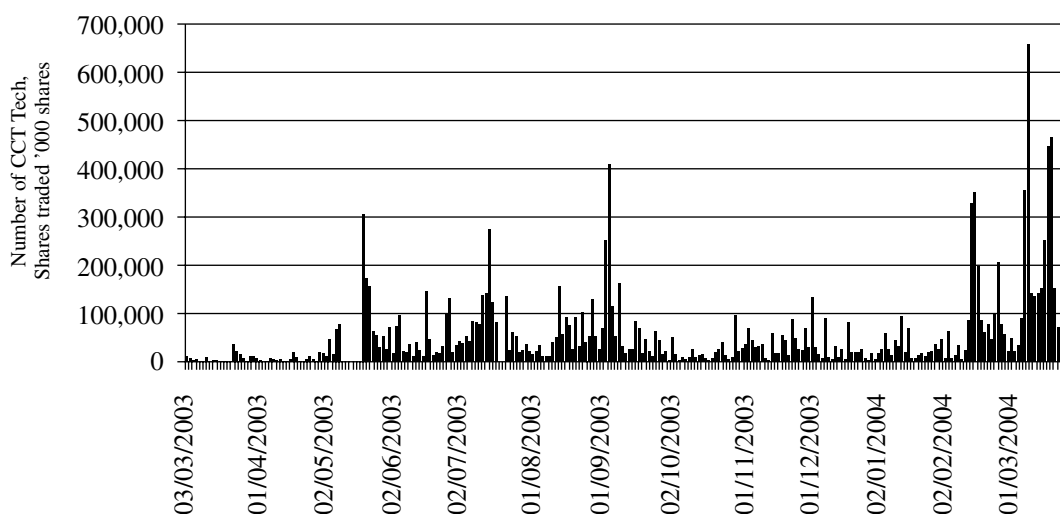
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Between March 2003 and May 2003, the price of the CCT Tech Shares increased substantially where it hit a high of HK\$0.03 per CCT Tech Share on 21 May 2003 following the joint announcement of the Company and CCT Tech of 20 May 2003 relating to the acquisition by CCT Tech of the shares of Empire Success Holdings Limited. The trading volume of CCT Tech Shares also increased substantially and CCT Tech issued an announcement on 21 May 2003 stating that, save for the acquisition of Empire Success Holdings Limited from the Company as disclosed in the joint announcement dated 20 May 2003, the directors of CCT Tech were not aware of any reason for such increases. Nevertheless, prices of CCT Tech Shares declined thereafter, reaching a low of HK\$0.012 per CCT Tech Share by the end of December 2003. CCT Tech Shares traded between HK\$0.012 and HK\$0.019 per share since January 2004 until prior to the publication of the Announcement.

It is noted that the prices of CCT Tech Shares have been consistently traded at above the conversion price.

Liquidity

The following chart sets out the daily trading volume of the CCT Tech Shares during the Review Period.



LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table sets out the total number of CCT Tech Shares traded per month, and the respective percentage of monthly trading volume compared with the issued share capital and the public float respectively during the Review Period:

Month/ period	Average number of CCT Tech Shares traded per trading day	Average daily trading volume as a percentage of the issued share capital of CCT Tech (note 1) %	Average daily trading volume as a percentage of CCT Tech Shares held by the public (note 2) %
2003			
March	7,405,024	0.06	0.11
April	5,838,647	0.04	0.09
May	78,005,951	0.59	1.18
June	47,330,598	0.36	0.71
July	78,069,030	0.59	1.18
August	53,522,545	0.41	0.81
September	75,131,127	0.57	1.13
October	18,417,700	0.14	0.28
November	37,594,996	0.29	0.57
December	28,505,852	0.22	0.43
2004			
January	29,275,969	0.22	0.44
February	93,569,334	0.71	1.41
March (Note 3)	191,991,002	1.46	2.89

Notes:

1. Based on total issued CCT Tech Shares outstanding as at the Latest Practicable Date.
2. Based on the CCT Tech Shares in public hands during the Latest Practicable Date.
3. Up to the Latest Practicable Date.

Liquidity of CCT Tech Shares fluctuated during the period from March 2003 to February 2004 where daily average trading volume accounted for approximately 0.04% to 0.71% of the total issued CCT Tech Shares, or 0.09% to 1.41% of the public float. The average number of CCT Tech Shares traded per day during March 2003 to February 2004 was 45,010,141 CCT Tech Shares. It is noted that the 4,500,000,000 CCT Tech Shares to be issued if the Convertible Note is fully converted represent about 100 times the average daily volume as described above.

When compared with the Disposal, an alternative which may be considered by the Company is to convert the Convertible Note for CCT Tech Shares and to sell them in the market. Nevertheless, having taking into account the price trend and the liquidity as well as the relatively large holding of 4.5 billion CCT Tech Shares, we are of the view that the Company may have

difficulties disposing the CCT Tech Shares without having a negative impact on their price. In addition, the disposal of CCT Tech Shares may have to be conducted over a prolonged period given the historical liquidity. The Disposal therefore represents an opportunity to realise the zero coupon Convertible Note before its maturity.

5. Proceeds from the Disposal

As stated in the “Letter from the Board”, the Directors have approved in a meeting of the Board on 2 March 2004 that, subject to completion of the Agreement, net sale proceeds from the Disposal in the sum of approximately HK\$44 million will be distributed to the Shareholders. The distribution is proposed to be in the form of a special dividend in the amount of approximately HK\$0.10 per Share.

Based on the closing price of the Shares of HK\$1.64 immediately prior to the release of the Announcement, a dividend of HK\$0.10 per Share represents a yield of about 6.1%, which we believe is attractive under the current low interest rate environment.

6. Financial effects of the Disposal on the Group

(a) Net asset value

The unaudited net asset value of the Group as at 30 June 2003 was approximately HK\$2,430 million. As discussed under the sub-section “Earnings” below, the Group will not incur any profit or loss due to the Disposal save for the expenses to be incurred relating to the Disposal of about HK\$1 million. Consequently, there will be no material impact on the net asset value of the Group. After the payment of the proposed special dividend of approximately HK\$0.10 per Share, the net asset value of the Company will correspondingly decrease by HK\$42 million to HK\$2,387 million.

(b) Earnings

As the consideration is equivalent to the book value of the Convertible Note, which amounts to HK\$45.0 million, the Group will not recognise any profit or loss due to the Disposal, save for the expenses to be incurred relating to the Disposal of about HK\$1 million. In addition, as the Convertible Note does not bear any interest, the Disposal will not have any effect on the future earnings of the Group. Therefore, the Disposal is not expected to have any significant impact on the Group’s profit and loss account.

(c) Gearing and working capital

As discussed above, since the Disposal has minimal impact on the net asset value of the Group before the payment of the special dividend, the pro forma gearing ratio (being total borrowings over total capital employed (i.e. total borrowings plus shareholders’ equity)) of the Group will increase only marginally from approximately 13.4% to 14.7%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

After the payment of the special dividend, the gearing ratio will further increase to approximately 15.0%. However, if Mr. Mak converts the Convertible Note, the gearing ratio of the Group will reduce to the original level of approximately 13.4%.

As the Convertible Note does not bear any interest and since the net proceeds from the Disposal will be utilised for the payment of special dividend, there will not be any changes in the working capital position of the Group.

Based on the foregoing, we are of the view that the Disposal will not have significant impact on the financial position of the Group as a whole.

CONCLUSION AND RECOMMENDATION

Having considered the above principal factors, we are of the view that the terms and conditions of the Agreement and the Disposal are fair and reasonable insofar as the Independent Shareholders are concerned. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution relating to the Agreement and the Disposal to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Kevin Chan
Executive Director

Sean Pey, Chang
Executive Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular with regard to the Company and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

<i>Authorised share capital</i>	<i>HK\$</i>
2,000,000,000 Shares	<u>200,000,000.00</u>
<i>Issued and fully paid or credited as fully paid Shares:</i>	
422,105,230 Shares	<u>42,210,523.00</u>

3. DISCLOSURE OF INTERESTS

(a) Directors’ intersts and short positions in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the Directors and the chief executive of the Company and their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein or

which were required, pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

(1) *Interests and short positions in the Shares, underlying Shares and debentures of the Company*

(i) Long positions in the Shares:

Name of Director	Notes	Number of Shares beneficially held and nature of interest		Approximate percentage of total shareholding (%)
		Personal	Corporate	
Mak Shiu Tong, Clement	(a)	—	86,261,941	20.44
Cheng Yuk Ching, Flora		9,876,713	—	2.34
William Donald Putt		171,500	—	0.04
Samuel Olenick	(b)	—	125,000	0.03

Notes:

- (a) The Shares were held by Capital Force International Limited and Capital Interest Limited, which are corporations controlled by Mr. Mak Shiu Tong, Clement. These interests in the Shares have also been disclosed under the section headed “Substantial Shareholders’ Interests” below.
- (b) Mr. Samuel Olenick was deemed to be interested in 125,000 Shares under the provisions of Part XV of the SFO.

(ii) Long positions in the underlying Shares of equity derivatives of the Company:

Share options in the Company						
Name of Director	Date of grant of share options	Exercise period of share options	Exercise price per Share HK\$	Number of share options outstanding	Number of total underlying Shares	Approximate percentage of total shareholding (%)
Mak Shiu Tong, Clement	17/3/2003	17/3/2003-16/3/2008	0.750	420,000	420,000	0.10
Cheng Yuk Ching, Flora	17/3/2003	17/3/2003-16/3/2008	0.750	4,200,000	4,200,000	1.00
Tam Ngai Hung, Terry	17/3/2003	17/3/2003-16/3/2008	0.750	4,200,000	4,200,000	1.00
William Donald Putt	17/3/2003	17/3/2003-16/3/2008	0.750	420,000	420,000	0.10
Samuel Olenick	17/3/2003	17/3/2003-16/3/2008	0.750	420,000	420,000	0.10
Tam King Ching, Kenny	17/3/2003	17/3/2003-16/3/2008	0.750	420,000	420,000	0.10
Lau Ho Man, Edward	17/3/2003	17/3/2003-16/3/2008	0.750	420,000	420,000	0.10

(2) *Interests and short positions in the shares, underlying shares and debentures of associated corporations*

(i) Long positions in the shares of Haier-CCT Holdings Limited (“Haier-CCT”):

Name of Director	Notes	Number of ordinary shares in Haier-CCT beneficially held and nature of interest		Approximate percentage of total shareholding (%)
		Personal	Corporate	
Mak Shiu Tong, Clement	(a)	—	107,219,667	1.076
Cheng Yuk Ching, Flora		19,312,498	—	0.194
Tam Ngai Hung, Terry		10,000,000	—	0.100
William Donald Putt		179,112	—	0.002
Samuel Olenick	(b)	—	130,548	0.001

Notes:

(a) The shares were held by Capital Winner Investments Limited and Capital Interest Limited, which are corporations controlled by Mr. Mak Shiu Tong, Clement.

(b) Mr. Samuel Olenick was deemed to be interested in 130,548 shares in Haier-CCT under the provisions of Part XV of the SFO.

(ii) Long positions in the underlying shares of equity derivatives of Haier-CCT:

Name of Director	Date of grant of share options	Exercise period of share options	Share options in Haier-CCT		Number of total underlying shares	Approximate percentage of total shareholding (%)
			Exercise price per share	Number of share options outstanding		
			HK\$			
Mak Shiu Tong, Clement	16/8/2002	16/8/2003-15/8/2007	0.156	89,000,000	89,000,000	0.89
Cheng Yuk Ching, Flora	16/8/2002	16/8/2003-15/8/2007	0.156	89,000,000	89,000,000	0.89
Tam Ngai Hung, Terry	16/8/2002	16/8/2003-15/8/2007	0.156	89,000,000	89,000,000	0.89
William Donald Putt	16/8/2002	16/8/2003-15/8/2007	0.156	5,000,000	5,000,000	0.05

(iii) Long positions in the underlying shares of equity derivatives of CCT Tech:

Name of Director	Date of grant of share options	Exercise period of share options	Share options in CCT Tech		Number of total underlying shares	Approximate percentage of total shareholding (%)
			Exercise price per share	Number of share options outstanding		
			HK\$			
Mak Shiu Tong, Clement	30/4/2003	30/4/2003-29/4/2008	0.014	100,000,000	100,000,000	0.76
Cheng Yuk Ching, Flora	30/4/2003	30/4/2003-29/4/2008	0.014	100,000,000	100,000,000	0.76
Tam Ngai Hung, Terry	30/4/2003	30/4/2003-29/4/2008	0.014	100,000,000	100,000,000	0.76

(b) **Particulars of Directors' other interests**

As at the Latest Practicable Date, none of the Directors has entered or is proposing to enter into a service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable within one year without payment of compensation other than statutory compensation).

(c) **Save as disclosed above, as at the Latest Practicable Date:**

- (i) none of the Directors and the chief executive of the Company and their respective associates hold any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange;
- (ii) none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to the Company or any of its subsidiaries; and
- (iii) none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

4. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as was known to, or can be ascertained after reasonable enquiry by, the Directors, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in the Shares:

Name of Shareholder	Notes	Number of Shares held	Approximate percentage of total shareholding (%)
Capital Force International Limited	(1)	56,850,093	13.47
Capital Interest Limited	(2)	29,411,848	<u>6.97</u>
			<u>20.44</u>

Notes:

- (1) Capital Force International Limited is a corporation controlled by Mr. Mak Shiu Tong, Clement.
- (2) Capital Interest Limited is a corporation controlled by Mr. Mak Shiu Tong, Clement.

These interests in the Shares have also been disclosed under the section headed "Disclosure of Interests" above.

Save as disclosed above, so far as was known to the Directors, there was no other person (other than the Directors or the chief executive of the Company) who, as at the Latest Practicable Date, had any interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

6. MATERIAL ADVERSE CHANGE

Save as disclosed herein, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2002, the date to which the latest published audited accounts of the Company were made up.

7. QUALIFICATION AND CONSENT OF EXPERT

Altus Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they appear.

The qualification of the expert who has provided its advice as contained in this circular is as follows:

Name	Qualification
Altus Capital Limited	A deemed licensed corporation under the SFO and engaged in types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities.

Save as disclosed in this circular, Altus Capital Limited is not interested in any Share or share in any member of the Group nor does it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Share or share in any member of the Group.

8. MISCELLANEOUS

- (a) The registered office of the Company is located at the offices of The Harbour Trust Co. Ltd., P. O. Box 1787 GT, One Capital Place, Grand Cayman, Cayman Islands, British West Indies and the head office and principal place of business of the Company in Hong Kong is located at 32/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.
- (b) The branch share registrar and transfer office of the Company in Hong Kong is Tengis Limited located at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Ms. Low Pui Man, Jaime, a fellow of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries.
- (d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any Business Day at the head office and principal place of business of the Company in Hong Kong at 32/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2001 and 31 December 2002;
- (c) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 9 to 10 of this circular;
- (d) the letter of advice from the Independent Financial Adviser to the Independent Board Committee, the text of which is set out on pages 11 to 18 in this circular;
- (e) the written consent from the Independent Financial Adviser referred to in paragraph 7 of this appendix; and
- (f) the Agreement.

TELECOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of CCT Telecom Holdings Limited (the “Company”) will be held at 32/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Thursday, 15 April 2004 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (1) the conditional agreement dated 2 March 2004 (the “Agreement”) entered into between the Company and New Capital Industrial Limited, a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose, pursuant to which the Company agrees to sell or procure the sale of the Convertible Note (as described in the Agreement) to New Capital Industrial Limited subject to and on the terms and conditions of the Agreement be and is hereby approved, ratified and confirmed; and
- (2) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in and completion of the Agreement.”

By Order of the Board of
CCT TELECOM HOLDINGS LIMITED
Tam Ngai Hung, Terry
Director

Hong Kong, 26 March 2004

Head office and principal place of business:

32/F., China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

NOTICE OF THE EGM

Notes:

1. *A form of proxy for use at the meeting is enclosed herewith.*
2. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either executed under its common seal or under the hand of any officer, attorney or other person duly authorised to sign the same.*
3. *Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.*
4. *In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged at the offices of the Company's branch share registrar and transfer office in Hong Kong, Tengis Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).*
5. *Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.*
6. *Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of such share(s) shall be accepted to the exclusion of the votes of the other registered holders.*