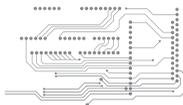




 TECHNOLOGY

**CCT**

chairman's letter

FINANCIAL HIGHLIGHTS

HK\$ million	Six months ended 30 June	
	2006 (Unaudited)	2005 (Unaudited)
Revenue	1,873	1,737
Profit before finance costs and tax	87	103
Finance costs	(6)	(26)
Profit before tax	81	77
Tax	(8)	(9)
Net profit after tax	73	68

CHAIRMAN'S LETTER

On behalf of the board of directors (the "Board") of CCT Tech International Limited (the "Company"), I am pleased to announce the interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2006.

During the reporting period, the revenue of the Group increased by 7.8% to HK\$1,873 million, attributable to the performance of our key market, the United States of America (U.S.), and strong growth in the European market. Net profit after tax rose by 7.4% to HK\$73 million mainly due to the significant reduction of the finance costs as a result of the full conversion of the convertible notes by the Company's holding company, CCT Telecom Holdings Limited ("CCT Telecom").

INTERIM DIVIDEND

In order to conserve cash for operations and future growth, the directors do not recommend payment of an interim dividend for the six months ended 30 June 2006 (30 June 2005: nil).

REVIEW OF OPERATIONS

During the period under review, the Group maintained its leading position as one of the world's largest ODM manufacturers of cordless phones and hi-tech electronic products. Revenue from the manufacturing business rose by approximately 7.8% as compared to



the previous corresponding period. Our key markets continued to perform well. The robust consumer spending in the U.S. and the strong growth in the European markets generated additional demand for our products. We made significant progress in growing our revenue from the markets outside the U.S. The performance in Europe was excellent, reporting growth in revenue of approximately 296%. Our product strategy has been successful. Our key products of 2.4 GHz and 5.8 GHz cordless phones and DECT cordless phones continued to sell well. Until recently, DECT phones were only popular in Europe. In the second half of this year, we launched DECT phones in the U.S. and the response has been very positive. We are convinced that DECT phones will be accepted by U.S. consumers and will become mainstay products in the U.S. We have already developed VoIP (voice over Internet protocol) phones, wireless broadband cordless phones and cordless phones with Skype capability. We target to launch these new and innovative products in the second half of the year. We expect the market response to be positive. We believe the VoIP and the broadband markets will offer considerable opportunities as this new technology platform further improves, it will provide quality voice and image transmission at relatively effective costs. Our market strategy to broaden our customer base and diversify our market geographically has also been successful. Today, our customers include many of the world's well-known brands and our business footprint covers most parts of the world.

In 2006, we continued to encounter many business challenges. Keen competition in the Group's major markets brought pressure from our customers for us to offer them ever more competitive prices. The rise in cost of raw materials and certain electronic components resulted in pressure on our cost and margins. The prolonged problem of labour shortage and power failure in the Guangdong Province has led to a further rise in cost and the minimum wages, hence, increasing our production costs. Furthermore, as a result of the appreciation of the Renminbi against the US dollars, our production costs in the PRC have increased in terms of Hong Kong dollars. In order to alleviate such pressures, the management has continued to implement measures in streamlining and improving our production efficiency and keeping overheads under control. We have also devoted considerable efforts to further strengthening our product research and development capabilities. These efforts have been successful as we continue to gain market share by delivering quality products to meet our customers' needs at effective costs.

CONVERSION OF CONVERTIBLE NOTES AND RESTORATION OF PUBLIC FLOAT

In May 2006, CCT Telecom converted all the convertible notes in the Company and sold 13.8 billion shares in the Company to Deutsche Bank and three other independent investors. The public float of the Company has since been restored. CCT Telecom has maintained its controlling interest in the Company to approximately 74.63% and the independent shareholders' interest in the Company has become approximately 25.37%.

The above transaction is beneficial to the Company. The conversion of the convertible notes, on the one hand, has broadened the capital base of the Company and, on the other hand, has relieved the financial burden to the Company arising from the substantial annual interest cost payable on the convertible notes and the principal repayment that would have arisen on the maturity date. The sale of the sale shares has restored the public float of the Company and has broadened the shareholders' base of the Company to include major institutional investors.

OUTLOOK

The second half of the year will remain challenging for the Group. Shortage of labour and power failure in the Guangdong Province, price competition and unstable prices of raw materials remain key issues that will affect our operations. To deal with the labour shortage and power failure problem, we have decided to establish additional manufacturing facilities in the Liaoning Province, in North Eastern China where we can tap into the abundant supply of workers at costs cheaper than in the Guangdong Province. The operating costs of the new factory in terms of labor and energy costs are much cheaper than the factories in the Guangdong Province. Furthermore, the new factory in the Liaoning Province will be entitled to certain preferential treatments in terms of costs and fees which are not be available in the Guangdong Province. The new factory in the Liaoning Province will commence production in the third quarter of next year. We believe the new factory will deliver significant savings in costs and will further improve our competitiveness and profit margins.

We expect the high petroleum price and increased interest cost will affect the U.S. economy. However, the strong demand of our products from our various European markets and the rest of the world will result in additional orders from new and existing customers in these markets. Our product roadmap also holds great potential. We are



cautiously optimistic over new business opportunities that our new hi-tech wireless and broadband products will create. We expect these new products to generate growth and will improve the profitability of the Group and bring us continuous growth in the years ahead.

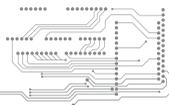
ACKNOWLEDGEMENTS

On behalf of the Board, I would like to take this opportunity to express our appreciation and gratitude to the senior management and all staff for their support, hard work and dedication over the years. We would also like to express our sincere thanks to our shareholders, bankers, investors, customers and suppliers for their continued encouragement and strong support to the Group.

Mak Shiu Tong, Clement

Chairman

Hong Kong, 20 September 2006

**CCT**

financial review

Highlights on Financial Results

HK\$ million	Six months ended 30 June		
	2006 (Unaudited)	2005 (Unaudited)	% Increase/ (decrease)
Revenue	1,873	1,737	7.8%
Profit before finance costs and tax	87	103	(15.5%)
Finance costs	(6)	(26)	(76.9%)
Profit before tax	81	77	5.2%
Tax	(8)	(9)	(11.1%)
Net profit after tax	73	68	7.4%

Discussion on financial results

Our key markets remained robust in the first half reporting growth in both sales volume and revenue. Due to keen market competition, average selling prices in the review period fell over the corresponding period.

Revenue of the Group for the six months ended 30 June 2006 amounted to HK\$1,873 million which represents an increase of approximately 7.8% as compared to the corresponding period. The increase in revenue was caused mainly by an increase in orders from our European customers. Net profit after tax increased by 7.4% from HK\$68 million to HK\$73 million mainly due to the elimination of the finance cost on the convertible notes due by the Company to CCT Telecom, which had been fully converted into shares during the first half of 2006.

The profit before finance costs and tax for the period under review dropped by approximately 15.5% from HK\$103 million to HK\$87 million as a result of reduction in average selling price and increase in overall operating costs caused by the rise in costs of raw materials and components and salaries and wages.

Analysis by Business Segment

HK\$ million	Revenue (excluding other revenue)		Operating profit before corporate and others, finance costs and tax	
	2006 (Unaudited)	2005 (Unaudited)	2006 (Unaudited)	2005 (Unaudited)
Telecom and electronic products	1,873	1,737	96	114

During the period under review and the corresponding period, 100% of the Group's turnover and operating profit was derived from the manufacture and sale of telecom and electronic products. Operating profit declined by approximately 16% due to the reduction of average selling prices and increase in operating costs.

Analysis by Geographical Segment

HK\$ million	2006		2005		% increase/ (decrease)
	Amount (Unaudited)	Relative %	Amount (Unaudited)	Relative %	
U.S. market	1,045	55.8%	1,090	62.8%	(4.1%)
PRC, including Hong Kong	444	23.7%	372	21.4%	19.4%
European Union	360	19.2%	91	5.2%	295.6%
Others	24	1.3%	184	10.6%	(87.0%)
Total	1,873	100.0%	1,737	100.0%	7.8%

The U.S. market remained the major market segment of the Group, accounting for approximately 55.8% (2005: 62.8%) of the Group's turnover for the period under review. The PRC (including Hong Kong and Macau) market ranked second, contributing 23.7% (2005:21.4%) of the Group's turnover, reporting a solid growth of 19.4%. The performance from the European Union market was extremely well, achieving a growth of 295.6% and contributing 19.2% (2005:5.2%) of the Group's total turnover.

Highlights on Financial Position

	30 June 2006 (Unaudited)	31 December 2005 (Audited)	% increase/ (decrease)
Non-current assets	864	856	0.9%
Current assets	1,665	1,608	3.5%
Current liabilities	1,305	1,303	0.2%
Net current assets	360	305	18.0%
Non-current liabilities	70	735	(90.5%)
Shareholders' funds	1,154	426	170.9%

Discussion on financial position

The non-current assets increased by approximately 0.9% during the period, attributable mainly to the purchase of additional tools, moulds, plant and machinery in the PRC to cope with increase in orders less depreciation made during the period.

Net current assets increased by approximately 18.0%, mainly due to (i) the increase of inventories in order to prepare for the peak sales season in the second half of the year; and (ii) the increase of trade and bills receivables arising from the increase in sales orders from the customers during the period ended 30 June 2006.

The significant decrease in non-current liabilities of approximately 90.5% was mainly due to conversion of the convertible notes due by the Company to CCT Telecom during the period ended 30 June 2006.

Shareholders' funds increased from HK\$426 million to HK\$1,154 million as at 30 June 2006 due to the full conversion of the convertible notes by CCT Telecom and the net profits earned by the Group during the period. The full conversion of two convertible notes with the principal amount of HK\$660 million resulted in the issue of 48,428,571,428 new shares that have substantially enlarged the capital base of the Company.

Capital Structure and Gearing Ratio

HK\$ million	30 June 2006		31 December 2005	
	Amount (Unaudited)	Relative %	Amount (Audited)	Relative %
Bank loans	170	13%	209	16%
Convertible notes (liability component)	—	—	655	51%
Finance lease payable	2	—	3	—
Total borrowings	172	13%	867	67%
Equity	1,154	87%	426	33%
Total capital employed	1,326	100%	1,293	100%

The Group's gearing ratio, calculated on the basis of the Group's total borrowings (including bank borrowings, convertible notes and finance lease payables) over total capital employed (total shareholders' funds plus total borrowings) substantially decreased to approximately 13% as at 30 June 2006 (31 December 2005: 67%) as a result of the increase in equity due to the full conversion of all the convertible notes and the net earnings of HK\$73 million during the period. After taking into account the cash on hand, the Group did not have any net borrowings and in fact had a positive net cash balance.

The Group's outstanding bank borrowings amounted to approximately HK\$170 million as at 30 June 2006 (31 December 2005: HK\$209 million). Amongst the total outstanding bank borrowings, HK\$66 million was repayable within two to five years. The balance of HK\$104 million was arranged on a short-term basis for ordinary business operations and was repayable within one year.

During the period under review, all the outstanding convertible notes of the Company had been converted into 48,428,571,428 ordinary shares of the Company. As at 30 June 2006, no convertible notes were outstanding.

Acquisition of certain of the Group's assets was financed by way of finance leases and the total outstanding finance lease payables for the Group as at 30 June 2006 amounted to approximately HK\$2 million (31 December 2005: HK\$3 million).

As at 30 June 2006, the maturity profile of the bank and other borrowings of the Group falling due within one year and in the second to the fifth year amounted to HK\$105 million and HK\$67 million, respectively (31 December 2005: HK\$135 million and HK\$732 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

Liquidity and Financial Resources

Current ratio (a ratio of current assets over current liabilities) as at 30 June 2006 was approximately 128% (31 December 2005: about 123%), reflecting a healthy and strong financial position of the Group.

As at 30 June 2006, the Group's cash balance amounted to HK\$396 million (31 December 2005: HK\$490 million), of which HK\$71 million (31 December 2005: HK\$71 million) was pledged for general banking facilities. Almost all of the Group's cash was placed on deposits with licensed banks in Hong Kong. The strong cash balance plus the cash generated from the Group's operations and funds available from the bank facilities are expected to be sufficient to cover all cash requirements, including working capital and capital expenditure needs.

Capital Expenditure and Commitments

During the period under review, the Group incurred capital expenditure amounted to approximately HK\$52 million, including the expenditure of approximately HK\$7 million for expansion of production facilities in the PRC and approximately HK\$45 million for purchase of tools, moulds, plant and machinery and furniture and office equipment of the Group.

As at 30 June 2006, capital commitment contracted by the Group but not yet provided for in the accounts amounted to approximately HK\$8 million (31 December 2005: HK\$7 million), which was mainly related to the addition of fixed assets in the PRC and all of which would be financed internally.

Treasury Management

The Group employs a conservative approach to cash management and risk control. To achieve better risk control and efficient fund management, the Group's treasury activities are centralised.

During the period under review, the Group's receipts were mainly denominated in US dollars, with some in Hong Kong dollars and the Euro. Payments were mainly made in Hong Kong dollars, US dollars and Renminbi and some made in Euros. Cash was generally placed in short-term deposits denominated in Hong Kong dollars and US dollars. The Group's borrowings were principally made on a floating rate basis.

The objective of the Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. The Group does not have any significant interest rate risk, as both the borrowings of the Group and the interest rates currently remain at low levels. In terms of foreign exchange exposures, the Group is principally exposed to two major currencies, namely the US dollar in terms of receipts and the Renminbi in terms of the production costs (including mainly wages and overhead) in China. For US dollar exposure, since the Hong Kong dollar remains pegged to the US dollar, the exchange fluctuation is not expected to be significant. Above all, as most of the Group's purchases are also made in US dollars, which are to be paid out of our sales receipts in US dollars, the management considers that the foreign exchange exposure risk for the US dollar is not material.

For Renminbi exposure, the Group entered into forward exchange contracts with banks in China to cover a significant part of our Renminbi expenses for the period up to mid 2006. The Company also entered into non-deliverable forward contracts with CCT Telecom for the six months ended 31 December 2006, which have substantially hedged the Group's exposure to further Renminbi appreciation during the second half of the year.

Acquisitions and Disposals of Material Subsidiaries and Associates

The Group did not acquire or dispose of any material subsidiaries and associates during the period under review.

Significant Investment

The Group did not hold any significant investment as at 30 June 2006 (31 December 2005: Nil).

Pledge of Assets

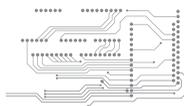
As at 30 June 2006, certain of the Group's assets with net book value of HK\$516 million (31 December 2005: HK\$535 million) and time deposits of approximately HK\$71 million (31 December 2005: HK\$71 million) were pledged to secure general banking facilities granted to the Group.

Contingent Liabilities

As at 30 June 2006, the Group had contingent liability in respect of possible future long service payments to employees amounted to approximately HK\$0.3 million (31 December 2005: HK\$1.0 million). Save as aforesaid, the Group did not have any other significant contingent liabilities as at 30 June 2006.

Employees and Remuneration Policy

The total number of employees of the Group as at 30 June 2006 was 17,835 (31 December 2005: 14,091). Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. As at 30 June 2006, there were no outstanding share options (31 December 2005: Nil) issued by the Company.



CCT



interim results

The Board of the Company is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2006 together with the comparative figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

HK\$ million	Notes	Six months ended 30 June	
		2006 (Unaudited)	2005 (Unaudited)
REVENUE	3	1,873	1,737
Cost of sales		(1,710)	(1,553)
Gross profit		163	184
Other income and gains	3	22	21
Selling and distribution costs		(23)	(22)
Administrative expenses		(64)	(76)
Other expenses		(11)	(4)
Finance costs		(6)	(26)
PROFIT BEFORE TAX	4	81	77
Tax	5	(8)	(9)
PROFIT FOR THE PERIOD		73	68
DIVIDEND	6	—	—
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
— Basic		0.24 cents	0.43 cents
— Diluted		0.11 cents	0.13 cents

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2006

HK\$ million	Notes	30 June 2006 (Unaudited)	31 December 2005 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		565	559
Investment properties		178	178
Prepaid land lease payments		50	51
Goodwill		22	22
Other intangible assets		46	44
Deferred tax assets		3	2
Total non-current assets		864	856
CURRENT ASSETS			
Inventories		328	267
Trade and bills receivables	9	907	805
Prepayments, deposits and other receivables		31	46
Forward currency contracts		3	—
Pledged time deposits		71	71
Cash and cash equivalents		325	419
Total current assets		1,665	1,608
CURRENT LIABILITIES			
Trade and bills payables	10	1,093	1,047
Tax payable		16	14
Other payables and accruals		91	107
Interest-bearing bank loans and other borrowings		105	135
Total current liabilities		1,305	1,303
NET CURRENT ASSETS		360	305
TOTAL ASSETS LESS CURRENT LIABILITIES		1,224	1,161

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

30 June 2006

HK\$ million	Notes	30 June 2006 (Unaudited)	31 December 2005 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank loans, secured		66	76
Finance lease payables		1	1
Convertible notes	11	—	655
Deferred tax liabilities		3	3
Total non-current liabilities		70	735
Net assets		1,154	426
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	12	644	159
Reserves		510	267
Total equity		1,154	426

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

HK\$ million	Attributable to equity holders of the parent					
	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital reserve (Unaudited)	Equity component of convertible notes (Unaudited)	Accumulated losses (Unaudited)	Total (Unaudited)
At 1 January 2006	159	4	733	7	(477)	426
Issue of new shares upon conversion of convertible notes	485	176	—	(7)	1	655
Net profit for the period	—	—	—	—	73	73
At 30 June 2006	644	180	733	—	(403)	1,154
At 1 January 2005	159	4	733	7	(590)	313
Net profit for the period	—	—	—	—	68	68
At 30 June 2005	159	4	733	7	(522)	381

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006

HK\$ million	Six months ended 30 June	
	2006 (Unaudited)	2005 (Unaudited)
NET CASH INFLOW FROM OPERATING ACTIVITIES	30	38
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(84)	(63)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(40)	(7)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(94)	(32)
Cash and cash equivalents at beginning of period	419	422
CASH AND CASH EQUIVALENTS AT END OF PERIOD	325	390
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	308	306
Non-pledged time deposits with original maturity of less than three months when acquired	17	84
	325	390

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standards (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2005.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the consolidated financial statements for the year ended 31 December 2005.

The following new standards, amendments to standards and interpretations which are relevant to its operations are mandatory for financial year ending 31 December 2006.

HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendment	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of new/revised HKAS 19 Amendment, HKAS 21 Amendment, HKAS 39 Amendment, HKFRS 4 Amendment and HK(IFRIC)-Int 4 did not result in substantial changes to the Group’s accounting policies.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The following new standards, amendments to standards and interpretations relevant to the Group's operations have been issued but are not effective for 2006 and have not been early adopted:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economics
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the telecom and electronic products segment engages in the manufacture and sale of telecom and electronic products and accessories; and
- (b) the corporate segment includes corporate income and expenses items.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers.

3. SEGMENT INFORMATION (Continued)

(a) Business segments

The following table presents revenue and profit/(loss) for the Group's business segments for the period ended 30 June 2006 and 2005.

HK\$ million	Telecom and electronic products		Corporate		Total	
	2006 (Unaudited)	2005 (Unaudited)	2006 (Unaudited)	2005 (Unaudited)	2006 (Unaudited)	2005 (Unaudited)
Segment revenue:						
Sales to external customers	1,873	1,737	—	—	1,873	1,737
Other revenue	22	21	—	—	22	21
Total revenue	1,895	1,758	—	—	1,895	1,758
Segment results	96	114	(9)	(11)	87	103
Finance costs					(6)	(26)
Profit before tax					81	77
Tax					(8)	(9)
Profit for the period					73	68

(b) Geographical segments

The following tables present revenue information for the Group's geographical segments for the period ended 30 June 2006 and 2005.

2006

HK\$ million	United States of America (Unaudited)	PRC, including Hong Kong (Unaudited)	European Union (Unaudited)	Others (Unaudited)	Total (Unaudited)
Segment revenue:					
Sales to external customers	1,045	444	360	24	1,873
Other revenue	—	22	—	—	22
Total revenue	1,045	466	360	24	1,895

3. SEGMENT INFORMATION (Continued)

(b) Geographical segments (Continued)

2005

HK\$ million	United States of America (Unaudited)	PRC, including Hong Kong (Unaudited)	European Union (Unaudited)	Others (Unaudited)	Total (Unaudited)
Segment revenue:					
Sales to external customers	1,090	372	91	184	1,737
Other revenue	—	21	—	—	21
Total revenue	1,090	393	91	184	1,758

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

HK\$ million	Six months ended 30 June	
	2006 (Unaudited)	2005 (Unaudited)
Cost of inventories sold	1,710	1,553
Depreciation	44	36
Amortisation of prepaid land lease payments	1	1
Amortisation of deferred development costs	22	14
Write off of deferred development costs	8	4

5. TAX

HK\$ million	Six months ended 30 June	
	2006 (Unaudited)	2005 (Unaudited)
Current — Hong Kong:	4	6
Current — Elsewhere	5	2
Deferred	(1)	1
Total tax charge for the period	8	9

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Certain PRC subsidiaries of the Group, which are categorised as wholly-foreign-owned enterprises, are entitled to preferential tax treatments including full exemption from the PRC income tax for two years starting from the first profit-making year, followed by a 50% reduction for the next three consecutive years.

6. DIVIDEND

The directors do not recommend payment of an interim dividend for the six months ended 30 June 2006 (30 June 2005: nil).

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic and diluted earnings per share are based on:

HK\$ million	Six months ended 30 June	
	2006 (Unaudited)	2005 (Unaudited)
Earnings		
Net profit attributable to ordinary equity holders of the parent, used in basic earnings per share calculation	73	68
Interest on convertible notes (note 11)	—	23
Decrease in fair value of 2007 Convertible Note (note 11)	—	(6)
Net profit attributable to ordinary equity holders of the parent before interest on convertible notes and decrease in fair value of 2007 Convertible Note	73	85
Shares		
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	30,119,164,472	15,938,422,562
Effect of dilution-weighted average number of ordinary shares:		
Share options	—	247,790,267
Convertible notes	34,247,829,518	48,428,571,429
	64,366,993,990	64,614,784,258

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2006, the Group acquired fixed assets of approximately HK\$52 million (six months ended 30 June 2005: approximately HK\$74 million) and disposed fixed assets of HK\$1 million (six months ended 30 June 2005: Nil).

9. TRADE AND BILLS RECEIVABLES

The Group allows an average credit period of 30 to 90 days to its trade customers. An aged analysis of the trade and bills receivables as at the balance sheet date is as follows:

HK\$ million	30 June 2006 (Unaudited)		31 December 2005 (Audited)	
	Balance	Percentage	Balance	Percentage
Current to 30 days	315	35	271	34
31 to 60 days	261	29	251	31
61 to 90 days	245	27	231	29
Over 90 days	86	9	52	6
Total	907	100	805	100

The Group allows an average credit period of 30 to 90 days to its trade customers.

10. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date based on invoice date is as follows:

HK\$ million	30 June 2006 (Unaudited)		31 December 2005 (Audited)	
	Balance	Percentage	Balance	Percentage
Current to 30 days	292	27	300	29
31 to 60 days	307	28	249	24
61 to 90 days	213	19	188	18
Over 90 days	281	26	310	29
Total	1,093	100	1,047	100

Included in trade and bills payables are trade payables of HK\$188 million (31 December 2005: HK\$161 million) due to Neptune Holding Limited (“Neptune”) and Electronic Sales Limited (“ESL”), being wholly-owned subsidiaries of CCT Telecom, which are repayable within 120 days from invoice date.

11. CONVERTIBLE NOTES

- (a) On 17 May 2002, a direct wholly-owned subsidiary of the Company, issued the convertible note with principal amount of HK\$45 million to an indirect wholly-owned subsidiary of CCT Telecom, with the original due date 17 May 2005. The convertible note was subsequently extended to 31 December 2007 and the convertible note was replaced by the convertible note due 2007 (“2007 Convertible Note”) issued by the Company. The 2007 Convertible Note provided the holder an option right to convert the principal amount into ordinary shares of HK\$0.01 each of the Company on any business day prior to the fifth business day prior to the maturity of the 2007 Convertible Note at a conversion price of HK\$0.01 per share (subject to adjustment according to the terms of the 2007 Convertible Note).

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders’ equity.

11. CONVERTIBLE NOTES (Continued)

On 25 April 2005, the legal title of the 2007 Convertible Note was transferred to Jade Assets Company Limited (“Jade Assets”), an indirect wholly-owned subsidiary of CCT Telecom, pursuant to the terms of the voluntary conditional cash offers made by CCT Telecom during 2005.

On 4 May 2006, the total outstanding principal amount of HK\$45 million was converted in full into 4,500,000,000 shares of the Company of HK\$0.01 each at a conversion price of HK\$0.01 per share.

- (b) On 30 June 2003, the Company issued the convertible note due 2008 (“2008 Convertible Note”) with the principal amount of HK\$768 million to an indirect wholly-owned subsidiary of CCT Telecom, as the consideration for the acquisition of the entire interest in Empire Success Holdings Limited from an indirect wholly-owned subsidiary of CCT Telecom. The 2008 Convertible Note provided the holder the right to convert the principal amount into the Company’s ordinary shares of HK\$0.01 each on any business day until the fifth business day prior to the maturity of the convertible note at a conversion price of HK\$0.014 (subject to adjustment according to the terms of the 2008 Convertible Note) per share. The 2008 Convertible Note carried interest at the prime or best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited for Hong Kong dollar loans plus 2% per annum and would mature on the fifth anniversary of the date of its issue.

As the directors consider that the equity component of the 2008 Convertible Note is not significant, the equity component is not separately recognized in the shareholders’ equity.

11. CONVERTIBLE NOTES (Continued)

In 2004, part of the 2008 Convertible Note with the principal amount of HK\$14 million was converted into 1,000,000,000 shares of the Company of HK\$0.01 each at the conversion price of HK\$0.014 per share. Furthermore, on 13 September 2004, part of the 2008 Convertible Note with the principal amount of HK\$139 million was cancelled for the purpose of satisfying the consideration receivable from CCT Telecom in respect of the disposal of the power supply components business and an industrial property in PRC to a subsidiary of CCT Telecom.

On 4 May 2006, the total outstanding principal amount of HK\$615 million of the 2008 Convertible Note was converted in full into 43,928,571,428 shares of the Company of HK\$0.01 each at a conversion price of HK\$0.014 per share.

The net proceeds received from the issue of the convertible notes have been split between the liability and equity components, as follows:

HK\$ million	30 June 2006 (Unaudited)	31 December 2005 (Audited)
Nominal value of convertible notes issued:		
2007 Convertible Note — note (a)	45	45
2008 Convertible Note — note (b)	615	615
	660	660
Equity component	(7)	(7)
Liability component at the issuance date	653	653
Decrease in fair value due to extension of maturity date of the 2007 Convertible Note in 2005	(6)	(6)
Effective interest expense in prior years	8	8
Conversion in current period	(655)	—
Non-current liabilities component	—	655

12. SHARE CAPITAL

HK\$ million	30 June 2006 (Unaudited)	31 December 2005 (Audited)
Authorised: 120,000,000,000 ordinary shares of HK\$0.01 each	1,200	1,200
Issued and fully paid: 64,366,993,990 (31 December 2005: 15,938,422,562) ordinary shares of HK\$0.01 each	644	159

A summary of the transactions involving the Company's issued ordinary share capital during the period is as follows:

	Number of ordinary shares of HK\$0.01 each in issue	Issue capital HK\$ million
At 1 January 2006	15,938,422,562	159
Conversion of convertible notes	48,428,571,428	485
At 30 June 2006	64,366,993,990	644

During the six months ended 30 June 2006, convertible notes amounting HK\$660 million were converted into 4,500,000,000 shares and 43,928,571,428 shares of the Company of HK\$0.01 each at conversion price of HK\$0.01 and HK\$0.014 per share, respectively. There were no changes to carrying amount or the number of the ordinary shares in issue during the six months ended 30 June 2005.

13. CONTINGENT LIABILITIES

The Group had 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 HK\$0.3 million as at 30 June 2006 (31 December 2005: HK\$1.0 million). The contingent liability have arisen as a number of current employees have achieved the required number of years of service to the Group in order to be 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.

14. PLEDGE OF ASSETS

At 30 June 2006, the Group's bank borrowings were secured by:

- (i) pledge of the Group's fixed deposits amounted to approximately HK\$71 million (31 December 2005: HK\$71 million); and
- (ii) fixed charges over certain of the Group's leasehold land and buildings and investment property with an aggregate net book value amounting to approximately HK\$516 million (31 December 2005: HK\$535 million).

15. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment property under operating lease arrangements with lease for a term of three years.

At 30 June 2006, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

HK\$ million	30 June 2006 (Unaudited)	31 December 2005 (Audited)
Within one year	6	6
In the second to the fifth year, inclusive	9	12
	15	18

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements, with leases negotiated for terms ranging from one to three years.

At 30 June 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

HK\$ million	30 June 2006 (Unaudited)	31 December 2005 (Audited)
Within one year	4	2
In the second to the fifth year, inclusive	3	—
	7	2

16. COMMITMENTS

In addition to the operating lease commitments detailed in note 15(b) above, the Group had the following capital commitments at the balance sheet date:

HK\$ million	30 June 2006 (Unaudited)	31 December 2005 (Audited)
Contracted, but not provided for:		
Purchase of plant, machinery and equipment	8	7

17. RELATED PARTY TRANSACTIONS

- (a) During the current period, the Group had the following transactions with CCT Telecom and its subsidiaries other than the Group (the “CCT Telecom Remaining Group”):

HK\$ million		Six months ended 30 June 2006 (Unaudited)	2005 (Unaudited)
Fellow subsidiaries:			
Purchase of plastic casings and components	(i)	145	132
Purchases of power supply components	(i)	84	65
Factory rental income	(ii)	3	3
Factory rental expenses	(iii)	3	3
Office rental expenses	(iii)	1	1
Outsourcing of non-electronic baby products	(iv)	—	25
Ultimate holding company:			
Management information system service fee	(v)	2	2

17. RELATED PARTY TRANSACTIONS (Continued)

Notes:

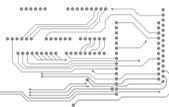
- (i) The plastic casings and components and power supply components were purchased by the subsidiaries of the Company from members of the CCT Telecom Remaining Group at prices mutually agreed between the relevant parties.
- (ii) The factory rental income was charged to a member of the CCT Telecom Remaining Group for the provision of factory space in Huiyang, at a rate determined in accordance with terms and conditions set out in a tenancy agreement.
- (iii) The factory and office rental expenses were charged to the Group by members of the CCT Telecom Remaining Group for the provision of factory spaces in Dongguan and office space in Hong Kong, at rates determined in accordance with the terms and conditions set out in the tenancy agreements.
- (iv) The non-electronic baby products were outsourced to a member of the CCT Telecom Remaining Group at prices determined in accordance with terms and conditions set out in an outsourcing agreement.
- (v) The management information system service fee was charged to CCT Telecom for the provision of general management information system support, network and software consultation and hardware maintenance services. The rate was determined in accordance with the terms and conditions set out in a MIS agreement.

(b) Compensation of key management personnel of the Group

HK\$ million	Six months ended 30 June	
	2006 (Unaudited)	2005 (Unaudited)
Short term employee benefits	7	16
Post-employment benefits	—	—
Total compensation paid to key management personnel	7	16

18. COMPARATIVE ACCOUNTS

Certain comparative figures have been re-classified to conform with the current period's presentation.



disclosure of interests

DIRECTORS' INTERESTS

As at 30 June 2006, the directors and the chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, the underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules:

(a) Interests and short positions in the shares and the underlying shares of the Company as at 30 June 2006

None of the directors of the Company had any interest and short position in respect of the shares, debentures, convertible bonds, equity derivatives or interests in the underlying shares of the Company as at 30 June 2006.

(b) Interests and short positions in the shares and the underlying shares of the convertible bonds of an associated corporation — CCT Telecom, the holding company of the Company, as at 30 June 2006

(i) Long positions in the shares of CCT Telecom:

Name of the director	Number of the shares beneficially held and nature of interest			Total	Approximate percentage of the total issued share capital (%)
	Personal	Family	Corporate		
Mak Shiu Tong, Clement	715,652	—	221,040,977	221,756,629	28.44
Cheng Yuk Ching, Flora (Note)	14,076,713	120,000	—	14,196,713	1.82
Tam Ngai Hung, Terry	1,868,000	—	—	1,868,000	0.24
Tong Chi Hoi	300,000	—	—	300,000	0.04
William Donald Putt	591,500	—	—	591,500	0.08

Note: Included in the shareholdings in which Ms. Cheng Yuk Ching, Flora was interested, 120,000 shares of CCT Telecom were held by the spouse of Ms. Cheng Yuk Ching, Flora who was deemed to be interested in such shares under the provisions of Part XV of the SFO.

(ii) *Long positions in the underlying shares of the convertible bonds of CCT Telecom:*

Name of the director	Description of equity derivatives	Notes	Number of the total underlying shares	Approximate percentage of the total issued share capital (%)
Mak Shiu Tong, Clement	2010 convertible bonds	(1)	47,185,430	6.05
	2009 convertible bonds	(2)	26,548,672	3.40

Notes:

- (1) The convertible bonds with an outstanding principal amount of HK\$28,500,000 as at 30 June 2006, were issued by CCT Telecom to New Capital Industrial Limited (a company controlled by Mr. Mak Shiu Tong, Clement) on 25 April 2005. The convertible bonds, due on 25 April 2010, are interest free and convertible into the shares of CCT Telecom at the conversion price of HK\$0.604 per share of CCT Telecom (subject to adjustments according to the terms of the convertible bonds).
- (2) The convertible bonds with an outstanding principal amount of HK\$30,000,000 as at 30 June 2006, were issued by CCT Telecom to Capital Winner Investments Limited (a company controlled by Mr. Mak Shiu Tong, Clement) on 23 June 2006. The convertible bonds, due on 23 June 2009, are interest free and convertible into the shares of CCT Telecom at the conversion price of HK\$1.13 per share of CCT Telecom (subject to adjustments according to the terms of the convertible bonds).

(c) Interests and short positions in the shares and the underlying shares of an associated corporation — Tradeeasy Holdings Limited (“Tradeeasy”), a fellow subsidiary of the Company, as at 30 June 2006

None of the directors of the Company had any interest and short position in respect of the shares, debentures, convertible bonds, equity derivatives or interests in the underlying shares of Tradeeasy as at 30 June 2006.

Save as disclosed above, as at 30 June 2006, none of the directors and the chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, the underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code contained in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS

As at 30 June 2006, the following persons (other than the directors or the chief executive of the Company) had interests or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

(i) Long positions in the shares of the Company as at 30 June 2006:

Name of the shareholder	Notes	Number of the shares held	Approximate percentage of the total issued share capital (%)
CCT Telecom	(1)	48,035,751,124	74.63
CCT Technology Investment Limited	(2)	48,035,751,124	74.63
Jade Assets Company Limited		44,335,751,124	68.88
Deutsche Bank Aktiengesellschaft		6,430,262,699	9.99

Notes:

- (1) The interest disclosed represents 48,035,751,124 shares of the Company indirectly owned by CCT Technology Investment Limited through the subsidiaries stated in Note (2) below. CCT Technology Investment Limited is a wholly-owned subsidiary of CCT Telecom.
- (2) The interest disclosed represents 44,335,751,124 shares of the Company held by Jade Assets Company Limited, 1,350,000,000 shares of the Company held by CCT Assets Management Limited, 1,350,000,000 shares of the Company held by Expert Success International Limited and 1,000,000,000 shares of the Company held by Noble Team Investments Limited, all of them are wholly-owned subsidiaries of CCT Technology Investment Limited.

(ii) Long positions in the underlying shares of equity derivatives of the Company as at 30 June 2006:

Name of the shareholder	Notes	Number of the total underlying shares interested under equity derivatives	Approximate percentage of the total issued share capital (%)
CCT Telecom	(1)	13,800,000,000	21.44
Deutsche Bank Aktiengesellschaft	(2)	7,369,737,301	11.45

Notes:

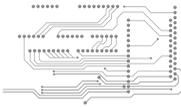
- (1) The interest disclosed represents long positions in 13,800,000,000 underlying shares of the Company which may possibly be acquired by CCT Telecom upon the exercise of the put options granted by CCT Telecom to Deutsche Bank AG in relation to the sale of 13,800,000,000 shares of the Company under the terms of the put agreement entered into between CCT Telecom and Deutsche Bank AG on 17 March 2006.
- (2) The interest disclosed represents long positions in 7,369,737,301 underlying shares of the Company which may possibly be acquired by Deutsche Bank AG upon the exercise of the put options granted by Deutsche Bank AG to the three third party investors, which bought 7,369,737,301 shares of the Company from CCT Telecom.

(iii) Short positions in the underlying shares of equity derivatives of the Company as at 30 June 2006:

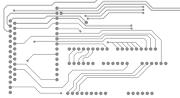
Name of the shareholder	Number of the total underlying shares interested under equity derivatives	Approximate percentage of the total issued share capital (%)
Deutsche Bank Aktiengesellschaft (Note)	13,800,000,000	21.44

Note: The interest disclosed represents short positions in 13,800,000,000 underlying shares of the Company whereas Deutsche Bank AG has a right to sell back part or whole of 13,800,000,000 shares of the Company to CCT Telecom by exercising of the put options granted by CCT Telecom to Deutsche Bank AG under the terms of the put agreement entered into between CCT Telecom and Deutsche Bank AG on 17 March 2006.

Save as disclosed above, as at 30 June 2006, there was no other person (other than the directors or the chief executive of the Company) who had any interest or short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.



CCT



share option scheme

A share option scheme was conditionally adopted by the then sole shareholder of the Company and the shareholders of CCT Technology Holdings Limited, the then holding company of the Company, on 17 September 2002 and 15 October 2002 respectively (the "Share Option Scheme"). The Company became a holding company of CCT Technology Holdings Limited by way of a scheme of arrangement (the "Scheme of Arrangement") under section 99 of the Companies Act 1981 of Bermuda (as amended) (as detailed in the circular of the Company dated 20 September 2002). The Scheme of Arrangement took effect on 4 November 2002. The Share Option Scheme became effective on 7 November 2002 upon the listing of the shares of the Company on the Stock Exchange. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of the adoption by the then sole shareholder.

As at 30 June 2006, there were no share options outstanding under the Share Option Scheme. No share options has been granted, exercised, lapsed or cancelled under the Share Option Scheme during the period for the six months ended 30 June 2006.



o t h e r i n f o r m a t i o n

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company during the six months ended 30 June 2006.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Corporate Governance Practices

In the opinion of the directors of the Company, the Company has complied with the code provisions under the Code on Corporate Governance Practices (the “CG Code”) set out in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 June 2006, except for the following deviations from the code provisions:

Code Provision A.2.1

There is no separation of the roles of chairman and chief executive officer as set out in the code provision A.2.1.

Mr. Mak Shiu Tong, Clement currently assumes the roles of both the Chairman and the Chief Executive Officer of the Company. Mr. Mak has substantial experience and a firmly established reputation in the telecom industry that is essential to fulfilling the role of the Chairman. At the same time, Mr. Mak has the appropriate management skills and business acumen that are the pre-requisites for assuming the role of the Chief Executive Officer in the day-to-day management of the Group. The Board is composed of six executive directors (including the Chairman) and three independent non-executive directors (“INED(s)”) with a balance of skills and experience appropriate for the requirements of the Group. Furthermore, the roles of the presidents and the general managers of the Company’s major operating subsidiaries are performed by other individuals. The Board believes that there is no need to segregate the roles of the Chairman and the Chief Executive Officer as the balance of power and authority is already ensured by the current structure. The Board does not believe that the separation of the roles of the Chairman and the Chief Executive Officer will improve the corporate performance.

Code Provision A.4.1

The code provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election.

None of the existing INEDs is appointed for a specific term. However, all INEDs are subject to the retirement by rotation and re-election at every annual general meeting of the Company in accordance with the bye-laws of the Company.

Code Provision A.4.2

The code provision A.4.2 provides that all directors appointed to fill a casual vacancy should be subject to the election by the shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to the retirement by rotation at least once every three years.

In accordance with the bye-laws of the Company, any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting and shall then be eligible for re-election. The Board considers that such a deviation is not material as casual vacancy seldom happens and duration between appointment to fill casual vacancy and the immediate following annual general meeting is short.

Pursuant to the bye-laws of the Company, the Chairman and the managing director of the Company shall not be subject to the retirement by rotation or also not be taken into account in determining the number of directors to retire in each year. The Board considers that the continuity of the Chairman and his leadership will be essential for the stability of the key management of the Board. On the other hand, the Board will ensure that the directors of the Company other than the Chairman will rotate at least once every three years in order to comply with the code provision A.4.2.

Other information on the corporate governance practices of the Company have been disclosed in the corporate governance report contained in the 2005 Annual Report of the Company issued in April 2006.

Audit Committee

The Company has established an audit committee (the "Audit Committee") with specific written terms of reference formulated in accordance with the requirements of the Listing Rules. The Audit Committee consists of three members comprising the three INEDs, namely Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Chen Li, one of whom is a qualified accountant and has extensive experience in accounting and financial matters. The Audit Committee is chaired by an INED who is subject to the rotation each year.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2006 and the 2006 Interim Report of the Company.

Remuneration Committee

The Company has established a remuneration committee (the “Remuneration Committee”) with specific written terms of reference in line with the code provisions under the CG Code. The Remuneration Committee consists of five members comprising the three INEDs, namely Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Chen Li, and two executive directors of the Company, namely Mr. Mak Shiu Tong, Clement and Mr. Tam Ngai Hung, Terry. The Remuneration Committee is chaired by an INED who is subject to the rotation each year.

Model Code for Securities Transactions by the Directors of the Company

The Company has adopted its code of conduct regarding the securities transactions by the directors of the Company on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors of the Company, they confirmed that they have complied with the required standard set out in the Model Code adopted by the Company throughout the period for the six months ended 30 June 2006.

Independent Non-executive Directors

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of a sufficient number of the INEDs and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise throughout the period for the six months ended 30 June 2006. The Board comprises the three INEDs, one of whom has accounting and financial expertise and brings strong independent judgement, knowledge and experience to the Board.

BOARD OF DIRECTORS

As at the date of the 2006 Interim Report, the executive directors of the Company are Mr. Mak Shiu Tong, Clement, Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora, Mr. Tong Chi Hoi, Mr. Li Man To and Dr. William Donald Putt and the INEDs are Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Chen Li.

By Order of the Board

Mak Shiu Tong, Clement

Chairman

Hong Kong, 20 September 2006