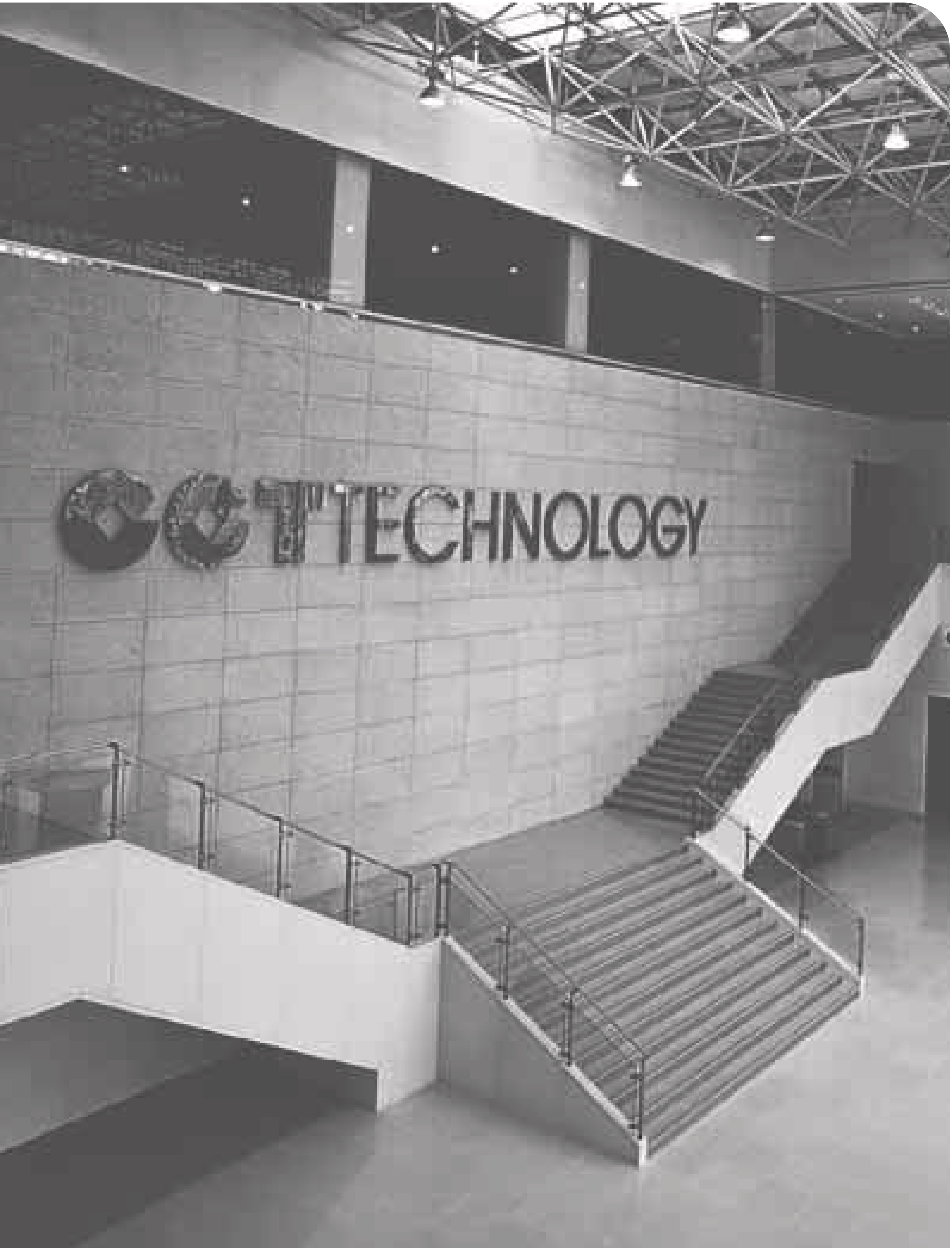

TECHNOLOGY

contents

chairman's letter

I am very pleased to report that CCT Tech International Limited (the "Company") and its subsidiaries (together the "Group") achieved an encouraging turnover of approximately HK$3,847 million and net profit of approximately HK$125 million for the year of 2004, representing an increase of 99.7% and 71.2%, respectively, as compared to that of 2003. Basic earnings per share increased 45% from 0.60 HK cents in the year 2003 to 0.87 HK cents in the year under review while diluted earnings per share increased 13.6% from 0.22 HK cents in the year 2003 to 0.25 HK cents in the year under review.

The significant growth in turnover and earnings in the year under review was attributable to the inclusion of the full year's results of the telecom product business of Empire Success Holdings Limited and its subsidiaries ("ESH Group") since our acquisition of the ESH Group from CCT Telecom Holdings Limited ("CCT Telecom"), the ultimate holding company of the Company, in June 2003.

In the year of 2004, we faced challenges from intensifying competition in the cordless phone market, increasing price of raw materials and certain electronic components and shortage of electricity and labour in the Guangdong Province where our factories are located. Despite these adversities, we were able to achieve growth and deliver satisfactory results by cost control and diversification in terms of geographical region and product differentiation.

In the year under review, the United States of America ("US") remained our major market contributing 62% of our total turnover. In addition to maintaining our strong presence and growth in our principal market in the US, we also place considerable efforts to increase our market share in Europe and Asia Pacific. As a result of the inclusion of the full-year contribution of the ESH Group and the encouraging business development in the European Union and the Asia Pacific markets, the turnover, for regions except the US, increased from HK$682 million in the year 2003 to HK$1,470 million in the year under review. Other than the diversification of geographic regions, we also continue to place great emphasis on our technological improvement and development. We launched our first 5.8 GHz digital cordless phone and a number of new models for DECT (digital enhanced cordless telephone) during 2004 and these new products have been well-received by the market due to their excellent quality, innovative designs and competitive prices. In early 2005, we set up a new research and development ("R&D") centre in Singapore which specialises in the development of new technology, software as well as high radio frequency products. The continuous development and launch of new and innovative telecom products contributed to our success in the year under review and will continue to do so in the years ahead.

Disposal of subsidiaries

In order to realign and consolidate the Group's resources in the telecom product business, the Company disposed of its power supply component business and an industrial property to CCT Telecom for a consideration of HK$139 million which was satisfied by the cancellation of part of the convertible notes in the same amount owed to CCT Telecom. The transaction was approved by the independent shareholders in a special general meeting held on 8 September 2004 and was completed on 13 September 2004.

The disposal resulted in a reduction of liabilities for the Group and the related yearly finance cost. As the power supply component business represented only a relatively small percentage to the Group's business, its disposal did not have any significant adverse impact on the earnings of the Group.

Proposed voluntary offers to be made by a major shareholder

CCT Telecom and the Company jointly announced on 31 January 2005 that Jade Assets Company Limited ("Jade Assets"), a wholly-owned subsidiary of CCT Telecom, proposed to make a voluntary conditional cash offer with securities exchange alternative to acquire all the issued shares of the Company (other than those owned by Jade Assets and parties acting in concert with it) and the convertible notes due 2005 of the Company (which is held by New Capital Industrial Limited, a company wholly owned by me and my family members), and to make a voluntary conditional cash offer to the holders of the share options of the Company to cancel all outstanding share options of the Company.

CCT Telecom has proposed to make the offers with an aim to increase its shareholding in and simplify the shareholding structure of the Company, as well as to enjoy increasing returns in the Company. CCT Telecom does not intend to make any changes to the current business operations of the Company or introduce any major changes to the business, including any redeployment of the fixed assets of the Group. Furthermore, CCT Telecom does not intend to make any major changes to the continued employment of the management and employees of the Group following the offers.

An independent board committee of the Company has been formed and an independent financial adviser has been appointed to advise the independent shareholders and holders of the share options of the Company. Details of the offers together with recommendation from the independent board committee and the independent financial adviser has been set out in the composite offer and response document of the Company dated 31 March 2005. As the price of the offers is considered fair and reasonable and the offers represent a good opportunity to the independent shareholders of the Company to realise their investment, both the independent board committee and the independent financial adviser recommend the independent shareholders to accept the offers.

CCT Telecom has also indicated that it will effect the compulsory acquisition and privatisation of the Company, so far as it is permitted to do so under the applicable laws and regulations, and to apply for the delisting of the Company.

If CCT Telecom can privatise the Company through the said offers, the Company and its subsidiaries will become wholly-owned subsidiaries of CCT Telecom. Any transactions between the CCT Telecom group and the Group, which were originally regarded as continuing connected transactions between two listed companies under the listing rules, will be excluded from disclosure and/or approval requirements under the listing rules upon privatisation of the Company. Furthermore, as an unlisted private company, the administration costs of the Company will be significantly reduced.

The proposed offers are subject to various conditions, all of which have been fulfilled on or before 21 April 2005 and as a result, the offers have become unconditional on 21 April 2005. As at 21 April 2005, being the first closing date of the offers, valid acceptances have been received in respect of approximately 7.6 billion shares of the Company, the entire amount of the convertible notes due 2005 of the Company and all the outstanding issued share options of the Company. Once the transfer of the shares of the Company, in which acceptances have been received as at 21 April 2005, is effected, CCT Telecom's equity interest in the Company will increase from 34.51% to 82.30%. The offers remain open and its closing date was extended to Friday, 6 May 2005 (or any subsequent date(s) as may be announced by Jade Assets and approved by the Securities and Futures Commission of the Hong Kong) pursuant to the Hong Kong Code on Takeovers and Mergers. We will keep the shareholders informed of the status and/or results of the offers as and when necessary.

Outlook

Despite the continuous recovery and improvement of the global economy and the satisfactory result of the Group in 2004, the Company is faced with new challenges. Competition in the North American cordless phone market has been keen and the situation is further aggravated by the rise in the cost of raw materials, notably plastics and certain electronic components, as a result of the unstable supply and rising demand of such materials globally and the increase in the price of petroleum (as plastic materials are by-products of petroleum) and an increase in energy and transportation costs of the Group. Shortage of electricity and labour in the Guangdong Province, in which our factories are located, is another operational issue facing the Group. These factors will, in general, impose pressure on the operating costs of the Group and increase uncertainties and risks to the business of the Group.

In order to stay competitive and to achieve further growth under such a competitive environment, we will continue capitalising on our strong R&D capabilities to develop and introduce innovative products with new functions and features to stimulate sales, realise our planned marketing efforts to expand and diversify our geographical markets and also improve our productivity efficiency to control costs in light of the tight supply and rising price of raw materials. We believe that with our sound management team and staff as well as our proven business strategy, we have the ability to deal with the challenges ahead.

Leveraging on the strength of our R&D and production capabilities, we have ventured into a new business area of manufacturing hi-tech electronic products on both an ODM (original design manufacturing) basis and a contract manufacturing basis. We believe the potential of this new business is promising and may become the driver for future growth of the Group.

Appreciation

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. I would also like to express our sincere thanks to our shareholders, bankers, investors and customers for their continued encouragement and strong support to the Group.

Mak Shiu Tong, Clement
Chairman

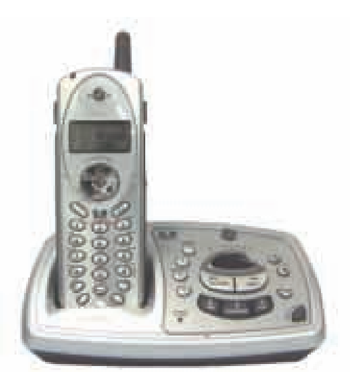
Hong Kong, 25 April 2005

r e v i e w   o f   o p e r a t i o n s

We are one of the world's largest and leading telecom product manufacturers engaged in the manufacture of cordless phones and advanced and hi-tech electronic products. We act as an original design manufacturer ("ODM") and a contract manufacturing provider for a number of leading internationally renowned brands.

The year 2004 was a difficult yet successful year for the Group. Revenue of the Group increased by 99.7% to HK$3,847 million after the injection of the ESH Group and its telecom product business by CCT Telecom on 30 June 2003. The sharp rise in turnover in 2004 was attributable to the inclusion of full year contribution from the ESH Group whereas 2003 only included half-year turnover of the ESH Group. The telecom product business grew steadily in 2004 despite the extremely competitive business environment. Operating margin, however, decreased from approximately 5.8% in 2003 to approximately 5.0% in 2004 despite the increase in revenue. The main factor leading to this outcome was keen competition which led to decrease in price of certain models of our products and the rise in the cost of raw materials, notably for plastics (which are sensitive to oil prices) and certain electronic components (due to unstable supply and rising demands). We sustained growth by geographical diversification and by product differentiation.

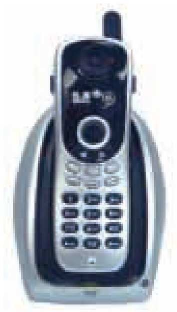
The US market continues to be the major market of the Group's business accounting for the majority of the Group's revenue. In 2004, the cordless phone market in the US experienced keen competition that resulted in price pressure from customers. In view of the concentration of the Group's sales in the US market we have not only continued to strengthen our market presence and maintain growth in the US market, we have also made significant in-roads in European and Asia Pacific markets to achieve a more balanced geographic sales mix and to reduce our reliance on a single geographical region.

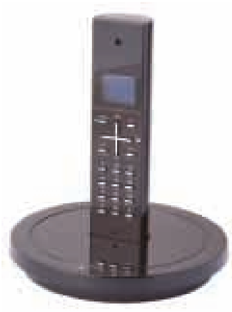


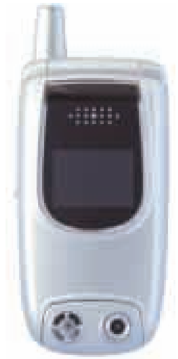
One example is the positive market response of DECT phones in the European market which resulted in an increase in the proportion of revenue derived from the European market in 2004. Our proportion of revenue derived from the Asia Pacific market has also increased in 2004 which is another clear sign of our success in diversifying our market-mix.

Technology is our core strength that has enabled us to achieve our leading position in the industry. We invest heavily in, and remain committed to, research and development and maintain a world class R&D team specialising in the development of high radio frequency products. We have a strong R&D team of over 500 engineers in our Hong Kong and Shenzhen offices. To enhance our advantage in this regard, we invested in the setting-up of a new R&D centre in Singapore in early 2005. We are aiming to develop this new R&D centre in Singapore to become a world-class R&D team, specialising in the development of new technology, software and high radio frequency products covering DECT and hi-tech electronic products.

Capitalising on our R&D strengths, we launched our first 5.8 GHz digital cordless phone and a number of new models for DECT phones in 2004. All of our new products launched during 2004 were well-received by the markets because of their unique and distinct designs, innovative functions and competitive pricing. In order to achieve growth, we have adopted the strategy of product diversification by developing and launching of new innovative product range with distinctive features and new functions to stimulate sales. With our wealth of experience, we are confident that we are able to identify what products are needed and when they are needed by the market, thus, creating the right technology ahead of other market players.

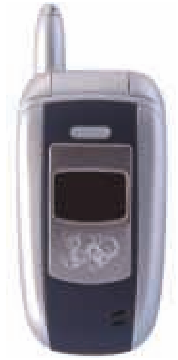




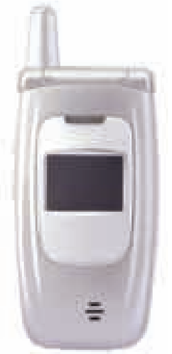


We believe that our business strategy to diversify in both market geography and product range will enable us to sustain our business growth despite the extremely competitive and tough economic environment and the prevailing trend within the industry for price reduction. We will continue to expand our market coverage as well as our ongoing pursuit of excellent product quality.

To cater for the expansion in the Company's business volume, we have invested heavily in production machinery and equipment and restructured the set-up of our production and casing lines in 2004. The results so far have been encouraging with an increase in the total number of surface mount technology ("SMT") manufacturing lines since the beginning of 2004, which has significantly increased our total production capacity. To further enhance our competitive edge and to meet the rapidly changing and stringent demands of our customers, we have actively pursued ways to improve and upgrade our manufacturing facilities and manufacturing standards.



We place great emphasis in doing our part for the environment, with an objective to delivering quality products manufactured under environmental-friendly conditions. In January 2004, our manufacturing complex in Huiyang was awarded ISO 14001 certification in acknowledgement of efforts in upholding environmental protection. This represents a significant step forward in meeting the expectations and requirements of our multinational customers.



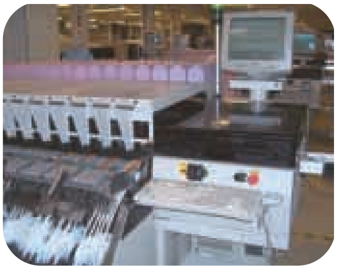
With an extensive business network and state-of-the-art manufacturing capabilities underpinned by a strong R&D team, we look forward to seizing the advantage and maintaining our leading market position in the hi-tech world of today.

To leverage on our strength of R&D and production capability of electronic products, we have entered into the business of manufacture of hi-tech electronic products on both an ODM basis and a contract manufacturing basis. This new business has a promising potential and we believe this new business will become the driver of our growth in the future.

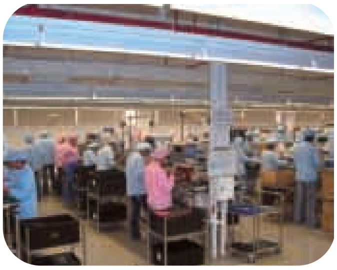

TECHNOLOGY

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



Our factory complex in Dongguan, Guangdong Province, the PRC



directors and senior management

EXECUTIVE DIRECTORS

Mr. MAK Shiu Tong, Clement, aged 51, has served as Chairman, Chief Executive Officer ("CEO") and an Executive Director of the Company since August 2002. Mr. Mak is responsible for the corporate planning and overall strategic direction of the Group and takes a leading role in managing the business. He has over 28 years of experience in the electronics manufacturing and distribution industry, specialising in telephone and telecom products. He holds a Diploma in Electrical Engineering.

Mr. TAM Ngai Hung, Terry**, aged 51, has served as Deputy Chairman and an Executive Director of the Company since August 2002. Mr. Tam is mainly responsible for the corporate finance and accounting function of the Group. Mr. Tam has more than 27 years of experience in finance and accounting management, and also has extensive experience in mergers and acquisitions. Mr. Tam is a fellow of the Association of Chartered Certified Accountants and an associate of both the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Secretaries and Administrators. Mr. Tam has previously held a number of senior positions in several listed companies. Mr. Tam is also an executive director of CCT Telecom Holdings Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Tam was an executive director of Haier Electronics Group Co., Ltd. (formerly known as Haier-CCT Holdings Limited), a company listed on the main board of The Stock Exchange of Hong Kong Limited, and a non-executive director of Tradeeasy Holdings Limited, a company listed on the GEM board of The Stock Exchange of Hong Kong Limited, until his resignations on 28 January 2005 and 18 December 2003 respectively. Mr. Tam is also a director of certain subsidiaries of the Group.

Save as disclosed above and apart from being an Executive Director of the Company, Mr. Tam did not hold any directorship in any listed public company in the past three years and does not hold any other positions with the Company and any of its subsidiaries.

Mr. Tam has entered into service contract with the Company for a fixed term. Mr. Tam's directorship is subject to retirement by rotation and re-election at the annual general meeting of the Company. His emoluments comprise annual salaries of HK$1,820,000 and bonuses. His emoluments are determined with reference to his duties and responsibilities with the Group, the Group's performance as well as the market benchmark. Mr. Tam does not have any relationship with any director, senior management or substantial or controlling shareholder of the Company. As at the date of this report, Mr. Tam had interest in 100,000,000 share options of the Company and has accepted the Option Offer (as defined in the composite offer and response document of the Company and CCT Telecom Holdings Limited dated 31 March 2005 relating to the voluntary conditional cash offers to acquire all the issued shares and the convertible note due 2005 of the Company and to cancel all outstanding options of the Company (the "Offers")) in respect of his entire holding of 100,000,000 share options at the consideration of HK$0.009 per share option. The Offers have become unconditional in all respects on 21 April 2005 and all such share options will be cancelled in accordance with the terms of the Offers.

Save as disclosed above, as at the date of this report, Mr. Tam had no other interests (within the meaning of Part XV of the Securities and Futures Ordinance) in any shares, underlying shares or debentures of the Company and/or its associated corporations.

The Company confirms that it is not aware of any other matters that need to be brought to the attention of the shareholders.

** *Being the directors proposed to be rotated and re-elected by the shareholders at the forthcoming annual general meeting of the Company.*

EXECUTIVE DIRECTORS *(Cont'd)*

Ms. CHENG Yuk Ching, Flora**, aged 51, has served as an Executive Director of the Company since August 2002. Ms. Cheng assists the Chairman/CEO in overseeing the day-to-day management of the telecom and electronic product business of the Group. Ms. Cheng has over 25 years of experience in the electronics industry and has held senior positions in various well-known electronics companies. She holds a Diploma in Business Administration. Ms. Cheng is also an executive director of CCT Telecom Holdings Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited. Ms. Cheng was an executive director of Haier Electronics Group Co., Ltd. (formerly known as Haier-CCT Holdings Limited), a company listed on the main board of The Stock Exchange of Hong Kong Limited, until her resignation on 4 November 2002. Ms. Cheng is also a director of certain subsidiaries of the Group.

Save as disclosed above and apart from being an Executive Director of the Company, Ms. Cheng did not hold any directorship in any listed public company in the past three years and does not hold any other positions with the Company and any of its subsidiaries.

Ms. Cheng has entered into service contract with the Company for a fixed term. Ms. Cheng's directorship is subject to retirement by rotation and re-election at the annual general meeting of the Company. Her emoluments comprise annual salaries of HK$2,268,000 and bonuses. Her emoluments are determined with reference to her duties and responsibilities with the Group, the Group's performance as well as the market benchmark.

Ms. Cheng does not have any relationship with any director, senior management or substantial or controlling shareholder of the Company. As at the date of this report, Ms. Cheng had interest in 100,000,000 share options of the Company and has accepted the Option Offer (as defined in the composite offer and response document of the Company and CCT Telecom Holdings Limited dated 31 March 2005 relating to the voluntary conditional cash offers to acquire all the issued shares and the convertible note due 2005 of the Company and to cancel all outstanding options of the Company (the "Offers")) in respect of her entire holding of 100,000,000 share options at the consideration of HK$0.009 per share option. The Offers have become unconditional in all respects on 21 April 2005 and all such share options will be cancelled in accordance with the terms of the Offers.

Save as disclosed above, as at the date of this report, Ms. Cheng had no other interests (within the meaning of Part XV of the Securities and Futures Ordinance) in any shares, underlying shares or debentures of the Company and/or its associated corporations.

The Company confirms that it is not aware of any other matters that need to be brought to the attention of the shareholders.

** *Being the directors proposed to be rotated and re-elected by the shareholders at the forthcoming annual general meeting of the Company.*

EXECUTIVE DIRECTORS *(Cont'd)*

Mr. TONG Chi Hoi, aged 39, has served as an Executive Director of the Company since November 2002. Mr. Tong currently serves as the Managing Director of a principal subsidiary of the Company and a key management person for the telecom and electronic product business of the Group. He is responsible for the day-to-day management of the business. Mr. Tong has a First Class Honours Degree in Electrical and Electronics Engineering from the University of London. He has over 18 years of experience in the electronics manufacturing industry.

Dr. William Donald PUTT, aged 68, has served as an Executive Director of the Company since September 2003. Dr. Putt is responsible for the worldwide business development and also assists the Chairman/CEO in setting the overall strategic direction of the Group. Dr. Putt obtained his PhD in Management from the Massachusetts Institute of Technology in the United States. Dr. Putt has over 32 years of experience in the telecom industry, and was the president and co-founder of TeleConcepts Corporation, which specialised in the design, production and distribution of telecom products. Dr. Putt is also an executive director of the Company's holding company, CCT Telecom Holdings Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHOW Siu Ngor, aged 49, has served as an Independent Non-executive Director and a member of the Audit Committee of the Company since August 2002. Mr. Chow is a practising solicitor in Hong Kong. Mr. Chow graduated from the Chinese University of Hong Kong in 1981 with an Honours Degree in Social Science. Mr. Chow then obtained an Honours Degree in Laws from the University of Birmingham in 1987. Mr. Chow was admitted as a solicitor of the High Court of Hong Kong in 1990 and has been in private practice since then. Currently, Mr. Chow is an Assistant Solicitor with Messrs. P. C. Woo & Co., Solicitors and Notaries of Hong Kong. Mr. Chow also serves as an independent non-executive director of three other listed companies, namely, REXCAPITAL International Holdings Limited, REXCAPITAL Financial Holdings Limited and eForce Holdings Limited.

Mr. LAU Ho Kit, Ivan, aged 46, has served as an Independent Non-executive Director and a member of the Audit Committee of the Company since August 2002. Mr. Lau has extensive experience in accounting and financial management. Mr. Lau holds a Master's Degree in Professional Accounting and is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Lau is also an independent non-executive director of Glory Mark Hi-Tech (Holdings) Limited, a company listed on the GEM board of The Stock Exchange of Hong Kong Limited. Mr. Lau was an executive director of Omnicorp Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited, until his resignation on 28 February 2003 and was a non-executive director of Omnitech Holdings Limited, a company listed on the Australian Stock Exchange, until his resignation on 31 July 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Cont'd)*

Mr. CHEN Li**, aged 40, has served as an Independent Non-executive Director and a member of the Audit Committee of the Company since September 2004. Mr. Chen is currently a senior management of a reputable telecommunications company in China. In 1985, Mr. Chen graduated from the faculty of physics in a university in China with a profession in radio technology and has extensive experience in the Chinese telecommunications and management field.

Apart from being an Independent Non-executive Director of the Company, Mr. Chen did not hold any directorship in any listed public company in the past three years and does not hold any other positions with the Company and any of its subsidiaries.

There is no service contract entered into between Mr. Chen and the Company or any of its subsidiaries. Mr. Chen's directorship is subject to retirement by rotation and re-election at the annual general meeting of the Company. Mr. Chen will receive a director's fee of HK$20,000 per month which is determined by the Board with reference to his duties, responsibilities and is in line with that payable to other independent non-executive directors of the Company.

Mr. Chen does not have any relationship with any director, senior management or substantial or controlling shareholder of the Company and does not have any interest (within the meaning of Part XV of the Securities and Futures Ordinance) in any shares, underlying shares or debentures of the Company and/or its associated corporations.

The Company confirms that it is not aware of any other matters that need to be brought to the attention of the shareholders.

** *Being the directors proposed to be rotated and re-elected by the shareholders at the forthcoming annual general meeting of the Company.*

SENIOR MANAGEMENT

Ms. CHIK Bik Fong, Ella, aged 49, currently holds the position of Material Director in a principal subsidiary of the Company and is responsible for the production material control, purchasing, warehousing and transportation functions of the products of the Company and its subsidiaries, and has more than 22 years of extensive experience in materials sourcing and control in the manufacturing of telecom products.

Mr. FUNG Cheuk Chiu, Johnny, aged 51, currently holds the position of Technical Director in a principal subsidiary of the Company and is primarily responsible for the research and development of cordless products, hi-tech electronic products and LCM (liquid crystal display modules). He holds a Higher Certificate in Electronics Engineering. He has more than 27 years of experience in telecom product design and development. Prior to joining the Company, he held a number of senior positions in several electronics companies.

Mr. HO Yiu Hong, Victor, aged 37, currently holds the position of Director of Finance in a principal subsidiary of the Company. He is the qualified accountant of the Company and is responsible for the accounting and financial functions, and information technology development of the Company and its subsidiaries. He has a First Class Honours Degree in Accountancy from the Hong Kong Polytechnic University and a Master's Degree in Business Administration from the University of Strathclyde. He is a fellow of the Association of Chartered Certified Accountants, an associate of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Certified Public Accountants.

Mr. LAI Lui Bor, aged 54, currently holds the position of Director of Manufacturing of the Company's manufacturing plant in Dongguan and is in charge of new establishment and planning of the production process of both cordless products and hi-tech electronic products. Mr. Lai has more than 27 years of experience in the electronics manufacturing industry. Mr. Lai has a Degree in Mechanical Engineering.

Mr. LAU Chau Ming, Terry, aged 38, currently holds the position of Director of Manufacturing of the Company's manufacturing plant in Huiyang and is responsible for overseeing the manufacturing process of both cordless products and advance products. Mr. Lau has more than 14 years in qualify control and management in the electronics industry and has a Master's Degree in Manufacturing Systems Engineering.

Mr. LI Man To, Feynman, aged 34, currently holds the positions of Technical Director and Business Development Director in a principal subsidiary of the Company. Mr. Li is primarily responsible for the research and development, sales and marketing, customer service and logistics activities of advance products. Mr. Li also oversees the operations of the new R&D office in Singapore. Mr. Li graduated from The Chinese University of Hong Kong in Electronics Engineering Department in 1995. He has been in research and development of telecommunication field for more than 10 years with extensive engineering management experiences. He was recently invited as member of Advisory Committee on Electronics Engineering of The Chinese University of Hong Kong.

Ms. LO Yok Ming, Kitty, aged 50, currently holds the position of Business Development Director in a principal subsidiary of the Company and is responsible for sales and marketing, customer service and logistics activities of cordless products, hi-tech electronic products and contract manufacturing services. Ms. Lo holds a Master's Degree in Business Administration from the University of Western Sydney. Ms. Lo has more than 22 years of experience in the consumer electronics industry and has held senior positions in various multinational companies in the past.

Ms. LOW Pui Man, Jaime, aged 36, has served as Company Secretary of the Company since August 2002. She has extensive experience in company secretarial practice. She is a fellow of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries.

financial review

FINANCIAL RESULTS

Summary of Results

HK$ million	2004	2003	% Change
Turnover	3,847	1,926	99.7%
Profit from operating activities	194	111	74.8%
Finance costs	(53)	(29)	82.8%
Profit before tax	141	82	71.9%
Tax	(16)	(9)	77.8%
Net profit attributable to shareholders	125	73	71.2%

Turnover and net profit of the Group for the year under review amounted to approximately HK$3,847 million (2003: HK$1,926 million) and approximately HK$125 million (2003: HK$73 million) respectively, representing a significant increase of about 99.7% and about 71.2% respectively, as compared to that of the corresponding period. The significant increase can be explained by the inclusion of the full year's result of the cordless telecom product business of the ESH Group in 2004 while only half year's result of the ESH Group was included in 2003 after the Company's acquisition of the ESH Group from CCT Telecom on 30 June 2003.

Analysis by Business Segment

	Turnover		Profit/(loss) from operating activities	
HK$ million	2004	2003	2004	2003
Telecom products	3,847	1,926	197	119
Corporate and others	—	—	(3)	(8)
	3,847	1,926	194	111

During the year under review, the Group focused on ODM and contract manufacturing business of telecom products while the corresponding period included only six months' results of this business after the Group acquired this business from CCT Telecom on 30 June 2003. The telecom product business was the core business of the Group and contributed to 100% turnover and the entire operating profit of the Group during the year under review.

FINANCIAL RESULTS *(Cont'd)*

Analysis by Business Segment *(Cont'd)*

The ratio of the net operating profit (before finance costs, taxation and minority interest) as a percentage of turnover decreased from approximately 5.8% in 2003 to approximately 5.0% in 2004. This was mainly due to the price reduction of certain products of the Group, unstable supply and rising demand of certain principal materials of the Group globally which led to increase in costs. It is expected that pricing pressure, the fluctuation in the supply and demand and the prices of raw materials will continue to impose pressure on the operating cost and margin of the Group.

Corporate segment recorded an operating loss of approximately HK$3 million (2003: loss of HK$8 million) which arose from the head office administrative expenses incurred for the year after the set-off of the gain on disposal of the power supply component business and the industrial property to CCT Telecom during the year.

Analysis of Turnover by Geographical Segment

HK$ million	2004		2003	
US	**2,377**	**62%**	1,244	65%
PRC (including Hong Kong)	**641**	**17%**	344	18%
European Union and others	**829**	**21%**	338	17%
Total	**3,847**	**100%**	1,926	100%

The Group is one of the world's major suppliers of cordless telecom products and the Group's turnover was primarily derived from the export of telecom products to its worldwide customers for the year under review. The US was the primary market of the Group, accounted for about 62% (2003: 65%) of the Group's total turnover for the year with an increase turnover of 91.1% from HK$1,244 million in 2003 to HK$2,377 million in 2004. The PRC (including Hong Kong) and European Union and others accounted for about 17% (2003: 18%) and 21% (2003: 17%) respectively of the Group's total turnover. The proportion of the turnover in the US market decreased was due to our expansion in the European Union and Asia Pacific markets during the year under review. The diversification of geographic regions has proven to be successful and has reduced our reliance on markets in a single region.

FINANCIAL POSITION

Consolidated Balance Sheet Summary

HK$ million	31 December 2004	31 December 2003	% Change
Non-current assets	**746**	768	(3%)
Current assets	**1,432**	1,306	10%
Total assets	**2,178**	2,074	5%
Current liabilities	**1,239**	1,105	12%
Non-current liabilities	**640**	827	(23%)
Total liabilities	**1,879**	1,932	(3%)
Net assets	**299**	142	111%

Non-current assets

The 3% decrease in non-current assets was mainly due to the decrease in goodwill as a result of the disposal of the power supply component business.

Current assets

The 10% increase in current assets was mainly due to the increase in inventory and trade and bills receivables, which is in line with the growth of the Group's business during the year.

Current liabilities

The 12% increase in current liabilities was mainly due to (i) the increase in trade and bills payables, which is in line with the growth of the Group's business during the year and (ii) the reclassification of convertible notes as current liabilities amounted to HK$45 million.

Non-current liabilities

The 23% decrease in non-current liabilities was mainly due to the decrease in convertible notes as a result of the conversion of convertible notes in the amount of HK$32 million and the cancellation of part of the 2008 convertible notes in the amount of HK$139 million in relation to the disposal of the power supply component business and the industrial property during the year.

FINANCIAL POSITION *(Cont'd)*

Liquidity and Financial Resources

HK$ million	31 December 2004	31 December 2003
Current assets	1,432	1,306
Current liabilities	1,239	1,105
	116%	118%

The current ratio (a ratio of current assets over current liabilities) as at 31 December 2004 was approximately 116% (2003: 118%), reflected a healthy financial position of the Group and was in line with the growth of business of the Group.

As at 31 December 2004, the Group maintained a cash balance of approximately HK$517 million (2003: HK$550 million). The strong cash balance plus the cash generated from the Group's operations and funds available from bank facilities are expected to be sufficient to cover all cash requirements, including working capital and capital expenditure needs.

Capital Structure and Gearing Ratio

	As at 31 December 2004		As at 31 December 2003	
HK$ million	Amount	Relative %	Amount	Relative %
Bank borrowings	137	13%	111	10%
Convertible notes	660	60%	831	77%
Finance lease payables	2	0%	2	0%
Total borrowings	799	73%	944	87%
Equity	299	27%	142	13%
Total capital employed	1,098	100%	1,086	100%

The Group's gearing ratio, calculated on the basis of the Group's total borrowings over total capital employed (equity plus total borrowings), decreased to 73% at 31 December 2004 (2003: 87%). The improvement in the gearing ratio was mainly due to the decrease in outstanding convertible notes as further explained below.

The Group's outstanding bank borrowings increased to approximately HK$137 million as at 31 December 2004 (2003: HK$111 million), which was increased in line with the growth in business in 2004. Among the total outstanding bank borrowings of HK$137 million, HK$22 million is repayable within 2 years. The balance of HK$115 million was arranged on a short-term basis for ordinary business operations and is repayable within one year. There is no material effect of seasonality on the Group's borrowing requirements.

FINANCIAL POSITION *(Cont'd)*

Capital Structure and Gearing Ratio *(Cont'd)*

At the balance sheet date, the total outstanding convertible notes issued by the Company amounted to HK$660 million (2003: HK$831 million) which comprised:

(i) HK$45 million zero coupon convertible notes due 2005 to a company controlled by Mr. Mak Shiu Tong, Clement (the Chairman of the Company), with a conversion price of HK$0.01 per share; and

(ii) HK$615 million at best lending rate plus 2% per annum convertible notes due 2008 to a wholly-owned subsidiary of CCT Telecom, with a conversion price of HK$0.014 per share.

The decrease in the outstanding convertible notes in the amount of HK$171 million was due to (i) the conversion of convertible notes in the amount of HK$32 million into 2,800,000,000 ordinary shares of the Company and (ii) the cancellation of the 2008 convertible notes due to CCT Telecom in the amount of HK$139 million for the satisfaction of the consideration by CCT Telecom in respect of the disposal of the power supply component business and the industrial property by the Company to CCT Telecom during the year. The convertible notes do not impose any immediate repayment pressure on funding as most of the total outstanding convertible notes are due to a wholly-owned subsidiary of CCT Telecom and are attached with a relatively long maturity period of redemption.

Acquisition of certain of the Group's assets were financed by way of finance leases and the total outstanding finance lease payables for the Group at 31 December 2004 amounted to approximately HK$2 million (2003: HK$2 million).

Capital Expenditure and Commitments

During the financial year under review, the Group incurred capital expenditure amounted to approximately HK$132 million, including the expenditure of approximately HK$75 million for expansion of production facilities in the PRC.

As at 31 December 2004, there were outstanding capital commitment contracted by the Group but not yet provided for in the accounts amounted to approximately HK$20 million (2003: HK$2 million), which was mainly related to the expansion of the production facilities in the PRC and all of which would be financed internally.

OTHER INFORMATION

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 year, the Group's receipts were mainly denominated in US dollars, with some in Hong Kong dollars and Euro. Payments were mainly made in Hong Kong dollars, US dollars and Renminbi, with some in Euro. Cash was generally placed in short-term deposits denominated in Hong Kong dollars and US dollars. At 31 December 2004, the Group's outstanding borrowings were denominated in Hong Kong dollars and US dollars. Other than the convertible notes in principle amount of HK$45 million with zero interest rate, the Group's borrowings were principally made on a floating rate basis.

OTHER INFORMATION *(Cont'd)*

Treasury Management *(Cont'd)*

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 the interest rate is stable and remains at low level. Since the Hong Kong dollar remains pegged to the US dollar, the Group does not foresee a substantial exposure in US dollar receipts and payments. The Group's exposure to foreign exchange risk is not substantial and forward exchange contracts have been entered into to minimise such risk when necessary and appropriate.

Significant Investment

The Group did not hold any significant investment at 31 December 2004 (2003: Nil).

Pledge of Assets

At 31 December 2004, certain of the Group's time deposits of approximately HK$95 million (2003: HK$100 million) were pledged to secure general banking facilities granted to the Group.

Contingent Liabilities

At 31 December 2004, corporate guarantees of HK$426 million (2003: HK$346 million) were given by the Company to banks in connection with facilities granted to subsidiaries of the Company, of which approximately HK$223 million (2003: HK$183 million) were utilised.

At 31 December 2004, the Group had contingent liability in respect of possible future long service payments to employees amounted to approximately HK$6 million (2003: HK$5 million). Save as aforesaid, the Group did not have any other significant contingent liabilities at 31 December 2004.

Employees and Remuneration Policy

The total number of employees of the Group as at 31 December 2004 was 13,170 (2003: 15,545). Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees and persons of the Group. At 31 December 2004, there were outstanding share options of approximately 1,083 million (2003: 1,083 million).

Acquisition and Disposal of Material Subsidiaries and Associates

During the year, the Company disposed of its power supply component business and an industrial property to CCT Telecom for a consideration of HK$139 million, which was satisfied by the cancellation of the convertible note in the same amount owed to CCT Telecom. The transaction was approved by the independent shareholders in the special general meeting held on 8 September 2004 and was completed on 13 September 2004. Further details of the transaction were set out in the circular of the Company dated 20 August 2004. As the power supply component business represented only a relatively small percentage to the Group's business, the disposal did not have any significant adverse financial impact on the Group. On the contrary, the cancellation of the convertible notes in the amount of HK$139 million has reduced the Group's liabilities and the corresponding finance cost. The disposal was in the interest of the Group as it improved its financial position.

Apart from the above, the Group did not acquire or dispose of any material subsidiaries and associates during the year ended 31 December 2004.

corporate information

COMPANY NAME
CCT Tech International Limited

BOARD OF DIRECTORS

Executive Directors
Mak Shiu Tong, Clement *(Chairman and CEO)*
Tam Ngai Hung, Terry *(Deputy Chairman)*
Cheng Yuk Ching, Flora
Tong Chi Hoi
William Donald Putt

Independent Non-executive Directors
Chow Siu Ngor
Lau Ho Kit, Ivan
Chen Li

COMPANY SECRETARY
Low Pui Man, Jaime

QUALIFIED ACCOUNTANT
Ho Yiu Hong, Victor

PRINCIPAL BANKERS
Standard Chartered Bank
Nanyang Commercial Bank, Ltd

SOLICITORS
Sidley Austin Brown & Wood

AUDITORS
Ernst & Young Certified Public Accountants

FINANCIAL YEAR END
31 December

REGISTERED OFFICE
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
32/F China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tengis Limited
G/F Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

TELEPHONE NUMBER
+852 2102 8138

FAX NUMBER
+852 2102 8100

COMPANY WEBSITE
www.cct-tech.com.hk

STOCK CODE
261

report of the directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the manufacture and sale of telecom products and accessories.

During the year, the Group disposed of its entire interest in First Precision Holdings Limited ("First Precision") and its subsidiaries (collectively referred to as the "First Precision Group") and CCT Investment Limited to CCT Telecom Holdings Limited ("CCT Telecom"), the ultimate holding company of the Company, details of which are set out in notes 32(c) and 37(1) to the financial statements.

The principal activities of First Precision Group are the design, manufacture and sale of power supply components including linear and switching transformers and adaptors. The principal activity of CCT Investment Limited is property holding.

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 December 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 43 to 84.

The directors do not recommend payment of any dividend for the year (2003: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial periods/ years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 85. This summary does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 29 and 30 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF 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 year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2004, the Company had no reserves available for distribution, in accordance with the provisions of the Companies Act 1981 of Bermuda.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totaling HK$3 million (2003: HK$1 million).

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total			
	Sales		Purchases	
	2004	2003	**2004**	2003
Largest customer	**47%**	52%		
Five largest customers in aggregate	**80%**	83%		
Largest supplier			**9%**	9%
Five largest suppliers in aggregate			**31%**	31%

CCT Telecom, a substantial shareholder of the Company, had beneficial interests in one of the five largest suppliers of the Group.

Save as disclosed above, none of the directors of the Company or any of their associates or shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were as follows:

Executive directors:
Mak Shiu Tong, Clement
Tam Ngai Hung, Terry
Cheng Yuk Ching, Flora
Tong Chi Hoi
William Donald Putt

Independent non-executive directors:
Chow Siu Ngor
Lau Ho Kit, Ivan
Chen Li (appointed on 24 September 2004)

In accordance with the bye-laws of the Company, Ms. Cheng Yuk Ching, Flora, Mr. Tam Ngai Hung, Terry and Mr. Chen Li will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

The independent non-executive directors of the Company are not appointed for any specific terms and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and, as at the date of this report, still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out from pages 16 to 20 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

During the year, no director had a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year.

SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was conditionally adopted by the then 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 to comply with the new amendments to the Listing Rules in respect of the share option schemes of a listed company. The Share Option Scheme became effective on 7 November 2002. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from that date. As at 31 December 2004, there were 1,082,781,000 share options outstanding under the Share Option Scheme. Based on these outstanding share options, the total number of shares available for issue is 1,082,781,000, which represents approximately 6.79% of the existing issued share capital of the Company as at the date of this report. No share options has been granted under the Share Option Scheme during the year.

The purpose of the Share Option Scheme is to provide incentives and rewards to the eligible participants who contribute to the success of the operations of the Group. Eligible participants of the Share Option Scheme include any employee, executive or officer of the Group (including executive and non-executive directors of the Group) and any supplier, consultant, agent, adviser, shareholder, customer, partner or business associate who, at the sole discretion of the board of directors of the Company (the "Board"), will contribute or has contributed to the Group.

Pursuant to the Share Option Scheme, the maximum number of shares in respect of which share options may be granted under the Share Option Scheme is such number of shares, when aggregated with shares subject to any other share option scheme(s) of the Company, must not exceed 10% of the issued share capital of the Company upon the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or 30% of the issued share capital of the Company from time to time.

The maximum number of shares issuable upon exercise of the share options granted under the Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period is limited to 1% of the shares of the Company in issue as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Company (and if required, the holding company) and the shareholders' approval of the Company (and if required, the approval of the shareholders of the holding company) at a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to the approval in advance by the independent non-executive directors of the Company (and if required, the approval of the independent non-executive directors of the holding company), excluding the independent non-executive director(s) of the Company and the holding company who is/are the grantee(s) of the share options. In addition, any share option granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue as at the date of grant or with an aggregate value (based on the closing price of the shares of the Company as at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to the issue of a circular by the Company (and if required, the holding company) and the shareholders' approval of the Company (and if required, the approval of the shareholders of the holding company) in advance at a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than 10 years from the date of grant of the share options or the expiry date of the Share Option Scheme, whichever is earlier.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares of the Company.

SHARE OPTION SCHEME *(Cont'd)*

Details of the movements of share options under the Share Option Scheme during the year were as follows:

Name or category of participant	Number of share options: Outstanding as at 1 January 2004	Granted during the year	Exercised during the year	Lapsed/ Cancelled during the year	Outstanding as at 31 December 2004	Date of grant of share options	Exercise period of share options	Exercise price per share (Note) HK$
Executive directors								
Mak Shiu Tong, Clement	100,000,000	—	—	—	100,000,000	30/4/2003	30/4/2003 – 29/4/2008	0.014
Cheng Yuk Ching, Flora	100,000,000	—	—	—	100,000,000	30/4/2003	30/4/2003 – 29/4/2008	0.014
Tam Ngai Hung, Terry	100,000,000	—	—	—	100,000,000	30/4/2003	30/4/2003 – 29/4/2008	0.014
Tong Chi Hoi	50,000,000	—	—	—	50,000,000	30/4/2003	30/4/2003 – 29/4/2008	0.014
	350,000,000	—	—	—	350,000,000			
Independent non-executive directors								
Chow Siu Ngor	8,000,000	—	—	—	8,000,000	30/4/2003	30/4/2003 – 29/4/2008	0.014
Lau Ho Kit, Ivan	8,000,000	—	—	—	8,000,000	30/4/2003	30/4/2003 – 29/4/2008	0.014
	16,000,000	—	—	—	16,000,000			
Other employees								
In aggregate	716,781,000	—	—	—	716,781,000	30/4/2003	30/4/2003 – 29/4/2008	0.014
	716,781,000	—	—	—	716,781,000			
	1,082,781,000	—	—	—	1,082,781,000*			

Note: The exercise price of the share options is subject to adjustment(s) in the case of rights or bonus share issues, or other similar changes in the share capital of the Company.

* According to the composite offer and response document dated 31 March 2005 (the "Composite Offer Document") jointly issued by the Company and CCT Telecom, Jade Assets Company Limited (the "Offeror"), a wholly-owned subsidiary of CCT Telecom, made the voluntary conditional cash offers to acquire all the issued shares from the independent shareholders of the Company and to acquire the convertible note due 2005 of the Company and to cancel all the outstanding share options of the Company (the "Offers"). All optionholders have accepted the Offers in respect of their entire holding of the share options at the consideration of HK$0.009 per share option. The Offers have become unconditional in all respects as to acceptances on 21 April 2005 and all such outstanding 1,082,781,000 share options under the Share Option Scheme will be cancelled in accordance with the terms of the Offers.

The financial impact of the share options granted is not recorded in the balance sheet of the Company or the Group until such time as the share options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share options which are lapsed or are cancelled prior to their exercise date are deleted from the register of outstanding share options.

DIRECTORS' INTERESTS

As at 31 December 2004, 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, 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 pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") adopted by the Company:

(a) Interests and short positions in the shares, underlying shares and debentures of the Company

Long positions in the underlying shares of equity derivatives of the Company:

(i) *Share options:*

The Company has granted to certain directors of the Company the rights to subscribe for shares in the share capital of the Company. Details of the interests in the share options granted under the Share Option Scheme to the directors of the Company are disclosed under the section headed "Share Option Scheme" above.

(ii) *Convertible note:*

Name of director	Description of equity derivatives	Number of total underlying shares	Approximate percentage of total shareholding (%)
Mak Shiu Tong, Clement (Note)	HK$45 million zero coupon convertible note due 2005*	4,500,000,000	28.23

Note: The HK$45 million zero coupon convertible note due 2005 was held by New Capital Industrial Limited, which is a corporation wholly-owned by Mr. Mak Shiu Tong, Clement and his family members. This interest in the underlying shares has also been disclosed under the section headed "Substantial Shareholders' Interests" below.

* Pursuant to the Offers as detailed in the Composite Offer Document, New Capital Industrial Limited has accepted the Offers in respect of its entire holding of the convertible note due 2005 and opted for the convertible bonds due 2010 to be issued by CCT Telecom. The Offers have become unconditional in all respects as to acceptances on 21 April 2005 and the convertible note due 2005 will be transferred to the Offeror in accordance with the terms of the Offers.

DIRECTORS' INTERESTS *(Cont'd)*

(b) Interests and short positions in the shares, underlying shares and debentures of an associated corporation — CCT Telecom

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

Name of director	Notes	Number of shares beneficially held and nature of interest Personal	Family	Corporate	Total	Approximate percentage of total shareholding (%)
Mak Shiu Tong, Clement	(a)	—	—	86,261,941	86,261,941	20.42
Cheng Yuk Ching, Flora	(b)	9,876,713	100,000	—	9,976,713	2.36
Tong Chi Hoi		282,000	—	—	282,000	0.07
William Donald Putt		171,500	—	—	171,500	0.04

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.

(b) The family interest of Ms. Cheng Yuk Ching, Flora in 100,000 shares was held by her spouse, Mr. Po Pui Lam, and she was deemed to be interested in the same under the provisions of Part XV of the SFO.

(ii) *Long positions in the underlying shares of equity derivatives of CCT Telecom — Share options:*

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	0.75	420,000	420,000	0.10
Cheng Yuk Ching, Flora	17/3/2003	17/3/2003 – 16/3/2008	0.75	4,200,000	4,200,000	1.00
Tam Ngai Hung, Terry	17/3/2003	17/3/2003 – 16/3/2008	0.75	4,200,000	4,200,000	1.00
Tong Chi Hoi	17/3/2003	17/3/2003 – 16/3/2008	0.75	1,000,000	1,000,000	0.24
William Donald Putt	17/3/2003	17/3/2003 – 16/3/2008	0.75	420,000	420,000	0.10

Save as disclosed above, as at 31 December 2004, 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, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the section headed "Share Option Scheme" above in respect of the share options granted to the directors of the Company under the Share Option Scheme and the section headed "Directors' Interests — Interests and short positions in the shares, underlying shares and debentures of an associated corporation — CCT Telecom" above in respect of the share options granted by the associated corporation to the directors of the Company, at no time during the year were rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) granted to any director of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, or any of its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2004, 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 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:

Name of shareholder	Notes	Number of shares held	Approximate percentage of total shareholding (%)
CCT Telecom	(a)	5,500,000,000	34.51
CCT Technology Investment Limited	(b)	5,500,000,000	34.51
Jade Assets Company Limited		1,800,000,000	11.29
CCT Assets Management Limited		1,350,000,000	8.47
Expert Success International Limited		1,350,000,000	8.47
Noble Team Investments Limited		1,000,000,000	6.28
Kwong Cheong Trading Limited		2,000,000,000	12.55
Yang Shao Wu	(c)	2,000,000,000	12.55
Deutsche Bank Aktiengesellschaft		1,285,280,000	8.06

Notes:

(a) The interest disclosed represented 5,500,000,000 shares indirectly owned by CCT Technology Investment Limited through the subsidiaries stated in note (b) below. CCT Technology Investment Limited is a wholly-owned subsidiary of CCT Telecom.

(b) The interest disclosed represented 1,800,000,000 shares held by Jade Assets Company Limited, 1,350,000,000 shares held by CCT Assets Management Limited, 1,350,000,000 shares held by Expert Success International Limited and 1,000,000,000 shares held by Noble Team Investments Limited, all of them are wholly-owned subsidiaries of CCT Technology Investment Limited.

(c) The interest disclosed represented 2,000,000,000 shares held by Kwong Cheong Trading Limited, which is wholly-owned by Mr. Yang Shao Wu. Other than the holding of a 12.55% interest in the Company, each of Kwong Cheong Trading Limited and Mr. Yang Shao Wu is independent of, and not connected with CCT Telecom, its directors, chief executive, substantial shareholders and their respective associates.

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(Cont'd)*

(ii) Long positions in the underlying shares of equity derivatives of the Company — Convertible notes:

Name of holder of equity derivatives	Notes	Description of equity derivatives	Number of total underlying shares	Approximate percentage of total shareholding (%)
CCT Telecom	(a)	HK$615 million prime or best lending rate plus 2% convertible note due 2008	43,928,571,428	275.61
CCT Technology Investment Limited	(b)	HK$615 million prime or best lending rate plus 2% convertible note due 2008	43,928,571,428	275.61
Noble Team Investments Limited		HK$615 million prime or best lending rate plus 2% convertible note due 2008	43,928,571,428	275.61
New Capital Industrial Limited	(c)	HK$45 million zero coupon convertible note due 2005*	4,500,000,000	28.23

Notes:

(a) The interest disclosed represented 43,928,571,428 underlying shares indirectly owned by CCT Technology Investment Limited through the subsidiary stated in note (b) below. CCT Technology Investment Limited is a wholly-owned subsidiary of CCT Telecom.

(b) The interest disclosed represented 43,928,571,428 underlying shares held by Noble Team Investments Limited, which is a wholly-owned subsidiary of CCT Technology Investment Limited.

(c) New Capital Industrial Limited is a corporation wholly-owned by Mr. Mak Shiu Tong, Clement and his family members. This interest in the underlying shares has also been disclosed under the section headed "Directors' Interests" above.

* Pursuant to the Offers as detailed in the Composite Offer Document, New Capital Industrial Limited has accepted the Offers in respect of its entire holding of the convertible note due 2005 and opted for the convertible bonds due 2010 to be issued by CCT Telecom. The Offers have become unconditional in all respects as to acceptances on 21 April 2005 and the convertible note due 2005 will be transferred to the Offeror in accordance with the terms of the Offers.

Save as disclosed above, as at 31 December 2004, there was no other person (other than the directors or the chief executive of the Company) who had an interest or short position in the shares or 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.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following connected and continuing connected transactions, certain details of which are disclosed in accordance with the requirements of Chapter 14A of the Listing Rules.

(1) On 2 June 2004, the Company and CCT Telecom entered into a conditional agreement pursuant to which the Company agreed (i) to dispose of its entire interest in First Precision and CCT Investment Limited to CCT Telecom; and (ii) to assign the interest-free shareholders' loans owed by First Precision and CCT Investment Limited to CCT Telecom as at the completion date of this transaction, at a total consideration of HK$139 million. The consideration was satisfied by cancellation of the convertible note in the same amount which was issued by the Company to an indirect wholly-owned subsidiary of CCT Telecom on 30 June 2003.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(Cont'd)*

The transaction was approved by the independent shareholders of the Company in a special general meeting held on 8 September 2004 and was completed on 13 September 2004. Further details of the transaction are set out in the circular of the Company dated 20 August 2004.

(2) During the two years ended 31 December 2004, the Company and certain of its indirect wholly-owned subsidiaries had the following material transactions with CCT Telecom and certain of its subsidiaries:

2004	**Period**	**Notes**	**HK$ million**
Purchase of plastic casings and components	1 January 2004 to 14 June 2004	(i)	147
	15 June 2004 to 31 December 2004	(i)	166
Purchase of materials	1 January 2004 to 14 June 2004	(ii)	13
Factory rental income	1 January 2004 to 31 December 2004	(iii)	6
Office rental expenses	1 January 2004 to 31 December 2004	(iv)	3
Management information system service fee	1 January 2004 to 31 December 2004	(v)	3

2003	**Notes**	**Year ended 31 December 2003 HK$ million**
Purchase of plastic casings and components	(i)	132
Purchase of materials	(ii)	24
Factory rental income	(iii)	3
Office rental expenses	(iv)	2
Management information system service fee	(v)	1

Notes:

(i) The plastic casings and components were purchased by CCT Telecom (HK) Limited ("CCT HK"), an indirect wholly-owned subsidiary of the Company, from Neptune Holding Limited ("Neptune"), an indirect wholly-owned subsidiary of CCT Telecom, in accordance with the terms and conditions set out in a manufacturing agreement (the "First Manufacturing Agreement") entered into between CCT HK and Neptune on 15 May 2003. During the year, CCT HK and Neptune agreed to early terminate the First Manufacturing Agreement and on 4 May 2004, the Company and CCT Telecom entered into a new manufacturing agreement (the "Second Manufacturing Agreement") pursuant to which CCT Telecom and its subsidiaries (collectively refer as to the "CCT Telecom Group") agreed to manufacture certain plastic casings and components and toolings for telecom products and accessories and other products for the Group. The Second Manufacturing Agreement became effective on 15 June 2004.

The purchase prices under both agreements were determined based on the direct material costs plus a mark-up of no more than 300%.

(ii) The purchase of materials was made by Electronic Sales Limited ("ESL"), a wholly-owned subsidiary of First Precision, from Neptune. The purchase prices were determined based on the direct costs of the materials plus a mark-up of up to 50% of such direct costs in accordance with the terms and conditions set out in a manufacturing agreement (the "Third Manufacturing Agreement") entered into between Neptune and ESL on 23 July 2002. During the year, both parties agreed to early terminate the Third Manufacturing Agreement and on 4 May 2004, the Company and CCT Telecom entered into the Second Manufacturing Agreement, details of which are set out in paragraph (i) above.

(iii) The factory rental income was charged to Shine Best Developments Limited ("Shine Best"), an indirect wholly-owned subsidiary of CCT Telecom, by CCT Enterprise Limited ("CCT Ent"), an indirect wholly-owned subsidiary of the Company, for the provision of factory space in Huiyang, the PRC, at a rate determined in accordance with the terms and conditions set out in a tenancy agreement (the "Huiyang Tenancy Agreement") entered into between Shine Best and CCT Ent on 15 May 2003.

(iv) The office rental expenses were charged to CCT HK and CCT Telecom R&D Limited ("CCT R&D"), indirect wholly-owned subsidiaries of the Company, by Goldbay Investments Limited ("Goldbay"), an indirect wholly-owned subsidiary of CCT Telecom, for the provision of office spaces in Hong Kong, at a rate determined in accordance with the terms and conditions set out in three tenancy agreements (the "Hong Kong Tenancy Agreements") entered into between CCT HK and Goldbay on 15 September 2003 and 17 September 2004, and between CCT R&D and Goldbay on 23 December 2003, respectively.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(Cont'd)*

(v) The management information system service fee was charged to CCT Telecom by CCT HK 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 an agreement (the "MIS Agreement") entered into between CCT Telecom and CCT HK on 15 May 2003.

The transactions contemplated under the First Manufacturing Agreement are referred to as the "First Manufacturing Transaction", those under the Second Manufacturing Agreement are referred to as the "Second Manufacturing Transaction" and those under the Third Manufacturing Agreement are referred to as the "Third Manufacturing Transaction" (the First Manufacturing Transaction, Second Manufacturing Transaction and Third Manufacturing Transaction collectively referred to as "Manufacturing Transaction"). The transactions contemplated under the Huiyang Tenancy Agreement, the Hong Kong Tenancy Agreements and the MIS Agreement are collectively referred to as the "Second Transactions".

The independent non-executive directors of the Company have reviewed and confirmed that:

(a) the aggregate value under the First Manufacturing Transaction as indicated in note (i) above for the period from 1 January 2004 to 14 June 2004 did not exceed 12.5% of the consolidated cost of sales of the Group;

(b) the aggregate value under the Second Manufacturing Transaction as indicated in note (i) above for the period from 15 June 2004 to 31 December 2004 did not exceed the cap amount, which is HK$350,000,000 for the year ended 31 December 2004;

(c) the aggregate value under the Third Manufacturing Transaction as indicated in note (ii) above for the period from 1 January 2004 to 14 June 2004 did not exceed the cap amount of HK$116,000,000;

(d) the consideration receivable from/payable to the Group under each of the Second Transactions during the year did not exceed the higher of HK$10,000,000 or 3% of the net tangible asset value of the Company;

(e) the Manufacturing Transaction was entered into in the ordinary and usual course of businesses of the Group;

(f) the Manufacturing Transaction and Second Transactions were conducted on normal commercial terms; and

(g) the Manufacturing Transaction and Second Transactions were conducted in accordance with the terms of the agreements governing such transactions.

(3) ESL and CCT Investment Limited had been the indirect wholly-owned subsidiaries of the Company throughout the period up to 12 September 2004, the date on which these two subsidiaries were disposed of to CCT Telecom.

Before the completion of the disposal of ESL and CCT Investment Limited on 13 September 2004, ESL and CCT Investment Limited had the following connected transactions with certain subsidiaries of CCT Telecom up to 12 September 2004:

	Notes	**Period from 1 January 2004 to 12 September 2004 HK$ million**	Year ended 31 December 2003 HK$ million
Factory rental expenses	(i)	**4**	1
Rental expenses	(ii)	**1**	2

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(Cont'd)*

Notes:

(i) The factory rental expenses were charged to CCT Investment Limited, by CCT Properties (Dongguan) Limited ("CCT Prop"), an indirect wholly-owned subsidiary of CCT Telecom, for the provision of factory space in Dongguan, the PRC, at a rate determined in accordance with the terms and conditions set out in a tenancy agreement (the "First Tenancy Agreement") entered into between CCT Investment and CCT Prop on 15 May 2003. Both parties agreed to have an early termination of the First Tenancy Agreement in accordance with the provisions of the First Tenancy Agreement and entered into a new tenancy agreement with a greater floor area on 14 January 2004.

(ii) The rental expenses were charged to ESL by CCT Prop for the provision of factory space in Dongguan, the PRC, at a rate determined in accordance with the terms and conditions set out in a rental agreement (the "Second Tenancy Agreement") entered into between ESL and CCT Prop on 15 April 2003. Both parties agreed to have an early termination of the Second Tenancy Agreement in accordance the provisions of the Second Tenancy Agreement and enter into a new tenancy agreement with a smaller floor area on 14 January 2004.

The independent non-executive directors of the Company have reviewed and confirmed that:

(a) the aggregate value of the rental expenses as indicated in notes (i) to (ii) above for the period from 1 January 2004 to 12 September 2004 did not exceed the higher of HK$10,000,000 or 3% of the net tangible asset value of the Company;

(b) the transactions as indicated in notes (i) to (ii) above were entered into in the ordinary and usual and ordinary course of businesses of the Group;

(c) the transactions as indicated in notes (i) to (ii) above were conducted on normal commercial terms; and

(d) the transactions as indicated in notes (i) to (ii) above were conducted in accordance with the terms of the agreements governing such transactions.

(4) The following ongoing connected transactions were conducted between the Company and CCT Telecom for the period from 13 September 2004 to 31 December 2004:

	Notes	Period from 13 September 2004 to 31 December 2004 HK$ million
Factory rental expenses	(i)	**2**
Purchases of products	(ii)	**47**

Notes:

(i) The factory rental expenses were charged to the Company by CCT Telecom for the provision of factory space in Dongguan, the PRC, at a rate determined in accordance with the terms and conditions as set out in a tenancy agreement (the "New Tenancy Agreement") entered into between the Company and CCT Telecom on 13 September 2004.

(ii) The purchase prices were determined based on the direct material costs of the products plus a mark-up of up 100% of such direct material costs pursuant to a power supply components manufacturing agreement entered into between the Company and CCT Telecom on 2 June 2004.

The independent non-executive directors of the Company have reviewed and confirmed that:

(a) the aggregate value of the factory rental expenses charged for the period from 13 September 2004 to 31 December 2004 did not exceed HK$2,000,000;

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(Cont'd)*

(b) the aggregate value of the purchases of products by the Company as indicated in note (ii) above for the period from 13 September 2004 to 31 December 2004 did not exceed the cap amount of HK$170,000,000;

(c) the transactions as indicated in notes (i) to (ii) above were entered into in the ordinary and usual course of businesses of the Group;

(d) the transactions as indicated in notes (i) to (ii) above were conducted on normal commercial terms; and

(e) the transactions as indicated in notes (i) to (ii) above were conducted in accordance with the terms of the agreements governing such transactions.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 38 to the financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Board, the Company has complied with the code of best practice (the "Code") as set out in Appendix 14 to the Listing Rules which was in force prior to 1 January 2005, throughout the financial year covered by this report, except that the independent non-executive directors of the Company are not appointed for any specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules. Having made specific enquiries with 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 financial year covered by this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained a sufficient public float of not less than 25% of the Company's total issued share capital as required under the Listing Rules throughout the financial year covered by this report.

AUDIT COMMITTEE

Pursuant to the requirements of the Listing Rules, the Company has established an audit committee (the "Audit Committee") with specific written terms of reference which deal clearly with the authorities and duties of the Audit Committee. The Audit Committee consists of three members comprising the three independent non-executive directors of the Company, namely Messrs. Lau Ho Kit, Ivan, Chow Siu Ngor and Chen Li, one of whom is a qualified accountant and has extensive experience in accounting and financial matters.

The Audit Committee is answerable to the Board and the principal duties of the Audit Committee include the review and supervision of the financial reporting process and internal controls of the Company. The Audit Committee has reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2004 with the management and the auditors. Regular meetings have been held by the Audit Committee since its establishment and the Audit Committee has held three meetings in 2004.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Mak Shiu Tong, Clement
Chairman

Hong Kong
25 April 2005

report of the auditors

ERNST & YOUNG
安永會計師事務所

To the members
CCT Tech International Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 43 to 84 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Hong Kong
25 April 2005

consolidated profit and loss account

Year ended 31 December 2004

HK$ million	Notes	2004	2003
TURNOVER	5	**3,847**	1,926
Cost of sales		**(3,511)**	(1,710)
Gross profit		**336**	216
Other revenue and gains		**57**	12
Selling and distribution costs		**(46)**	(26)
Administrative expenses		**(129)**	(63)
Other operating expenses		**(24)**	(28)
PROFIT FROM OPERATING ACTIVITIES	6	**194**	111
Finance costs	7	**(53)**	(29)
PROFIT BEFORE TAX		**141**	82
Tax	10	**(16)**	(9)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11	**125**	73
DIVIDEND	12	**—**	—
EARNINGS PER SHARE	13		
Basic		**0.87 cents**	0.60 cents
Diluted		**0.25 cents**	0.22 cents

consolidated balance sheet

31 December 2004

HK$ million	Notes	2004	2003
NON-CURRENT ASSETS			
Fixed assets	14	**692**	681
Intangible assets	15	**28**	23
Goodwill	16	**22**	55
Deferred tax assets	28	**4**	9
		746	768
CURRENT ASSETS			
Inventories	18	**168**	155
Trade and bills receivables	19	**736**	594
Prepayments, deposits and other receivables	20	**11**	7
Pledged time deposits	21	**95**	100
Cash and cash equivalents	21	**422**	450
		1,432	1,306
CURRENT LIABILITIES			
Trade and bills payables	22	**963**	859
Tax payable		**10**	13
Other payables and accruals	23	**105**	113
Interest-bearing bank and other borrowings	24	**116**	112
Convertible notes	27	**45**	8
		1,239	1,105
NET CURRENT ASSETS		**193**	201
TOTAL ASSETS LESS CURRENT LIABILITIES		**939**	969
NON-CURRENT LIABILITIES			
Interest-bearing bank loans, secured	25	**22**	—
Finance lease payables	26	**1**	1
Convertible notes	27	**615**	823
Deferred tax liabilities	28	**2**	3
		640	827
		299	142
CAPITAL AND RESERVES			
Issued capital	29	**159**	131
Reserves	31(a)	**140**	11
		299	142

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

consolidated statement of changes in equity

Year ended 31 December 2004

HK$ million	Note	Issued share capital	Share premium account	Capital reserve	Accumulated losses	Total
At 1 January 2003		108	—	733	(795)	46
Issue of new shares	29	23	—	—	—	23
Net profit for the year		—	—	—	73	73
At 31 December 2003 and 1 January 2004		131	—	733	(722)	142
Issue of new shares	29	28	4	—	—	32
Net profit for the year		—	—	—	125	125
At 31 December 2004		159	4*	733*	(597)*	299

The Group's capital reserve represented the difference between the nominal value of the shares and the share premium account of the subsidiaries acquired in prior years, over the nominal value of the Company's shares issued in exchange therefor.

* These reserve accounts comprise the consolidated reserves of HK$140 million (2003: HK$11 million) in the consolidated balance sheet.

consolidated cash flow statement

Year ended 31 December 2004

HK$ million	Notes	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**141**	82
Adjustments for:			
Interest income	5	**(1)**	(1)
Gain on disposals of fixed assets, net	6	**(1)**	—
Finance costs	7	**53**	29
Gain on disposal of subsidiaries	6	**(20)**	—
Depreciation	6	**85**	43
Amortisation of goodwill	6	**2**	2
Impairment of goodwill	6	**1**	—
Amortisation of deferred development costs	6	**30**	20
Bad and doubtful debt provisions on trade receivables	6	**3**	—
Bad and doubtful debt provisions on other receivables	6	**3**	—
Provision for slow-moving and obsolete inventories	6	**33**	8
Write off of fixed assets	6	**—**	18
Write off of deferred development costs	6	**15**	7
Operating profit before working capital changes		**344**	208
Decrease/(increase) in inventories		**(51)**	28
Increase in trade and bills receivables, prepayments, deposits and other receivables		**(202)**	(44)
Increase in trade and bills payables, other payables and accruals		**132**	247
Cash generated from operations		**223**	439
Interest received		**1**	1
Interest paid		**(53)**	(29)
Hong Kong profits tax paid		**(14)**	(7)
Net cash inflow from operating activities		**157**	404

Year ended 31 December 2004

HK$ million	Notes	2004	2003
Net cash inflow from operating activities		**157**	404
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets		**(131)**	(32)
Proceeds from disposals of fixed assets		**2**	6
Additions to deferred development costs	15	**(50)**	(19)
Acquisition of subsidiaries	32(b)	**—**	135
Disposal of subsidiaries	32(c)	**(36)**	—
Decrease/(increase) in pledged time deposits		**5**	(36)
Net cash inflow/(outflow) from investing activities		**(210)**	54
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of convertible notes		**—**	21
New bank loans		**148**	93
Repayment of bank loans		**(224)**	(115)
Net new/(repayment of) trust receipts		**102**	(69)
Capital element of finance lease rental payments		**(1)**	(1)
Net cash inflow/(outflow) from financing activities		**25**	(71)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(28)**	387
Cash and cash equivalents at beginning of year		**450**	63
CASH AND CASH EQUIVALENTS AT END OF YEAR		**422**	450
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**347**	317
Non-pledged time deposits with original maturity of less than three months when acquired		**75**	133
		422	450

b a l a n c e   s h e e t

31 December 2004

HK$ million	Notes	2004	2003
NON-CURRENT ASSETS			
Interests in subsidiaries	17	**678**	886
CURRENT ASSETS			
Prepayments, deposits and other receivables	20	**1**	—
Cash and cash equivalents	21	**48**	11
		49	11
CURRENT LIABILITIES			
Other payables and accruals	23	**4**	1
Convertible notes	27	**45**	8
		49	9
NET CURRENT ASSETS		**—**	2
TOTAL ASSETS LESS CURRENT LIABILITIES		**678**	888
NON-CURRENT LIABILITIES			
Convertible notes	27	**615**	823
		63	65
CAPITAL AND RESERVES			
Issued capital	29	**159**	131
Reserves	31(b)	**(96)**	(66)
		63	65

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

notes to financial statements

31 December 2004

1. CORPORATE INFORMATION

During the year, the Group was involved in the manufacture and sale of telecom products and accessories.

In September 2004, the Group disposed of its entire interest in First Precision Holdings Limited ("First Precision") and its subsidiaries (collectively referred to as the "First Precision Group") and CCT Investment Limited ("CCT Investment") to CCT Telecom Holdings Limited ("CCT Telecom"), details of which are set out in notes 32(c) and 37(1) to the financial statements. The principal activities of First Precision Group are the design, manufacture and sale of power supply components including linear and switching transformers and adaptors. The principal activity of CCT Investment is property holding.

In the opinion of the directors, the ultimate holding company of the Company is CCT Telecom, which is incorporated in the Cayman Islands with limited liability and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRS in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2004. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

31 December 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 20 years.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use and its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.

Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed assets, the expenditure is capitalised as an additional cost of that asset.

31 December 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Fixed assets and depreciation *(Cont'd)*

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	2%–6%
Buildings	5%–6%
Plant and machinery	10%–20%
Tools, moulds and equipment	10%–20%
Furniture and office equipment	10%–20%
Motor vehicles	15%–30%

Improvements to leasehold buildings are depreciated over the shorter of the lease terms and the rate of 20% per annum.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress

Construction in progress represents building under construction. It is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction and capitalised borrowing costs on related borrowed funds during period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Intangible assets

Deferred development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding four years, commencing from the date when the products are put into commercial production.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

31 December 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased assets is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

31 December 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Leased assets *(Cont'd)*

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. 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.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of the share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding shares.

31 December 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Employee benefits *(Cont'd)*

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions accumulated in the previous retirement scheme before 1 December 2000, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

In addition to the MPF Scheme, the Group operates a separate defined contribution retirement benefits scheme for those employees who are eligible to participate in this scheme. This scheme operates in a similar way to the MPF Scheme, except that the contributions are made based on a percentage of the employees' basic salary and when an employee leaves this scheme before his/her interest in the Group's employer contributions has vested fully, the ongoing contributions payable by the Group are reduced by the relevant amount of the forfeited employer contributions.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

31 December 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms; and

(c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

4. 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 the other business segments. Summary details of the business segments are as follows:

(a) the telecom products segment engages in the manufacture and sale of telecom products and accessories; and

(b) the corporate segment includes corporate income and expense items.

31 December 2004

4. SEGMENT INFORMATION *(Cont'd)*

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

(a) Business segments

The following table presents revenue and profit/(loss) for the Group's business segments.

Group

	Telecom products		Corporate		Total	
HK$ million	**2004**	2003	**2004**	2003	**2004**	2003
Segment revenue:						
Sales to external customers	**3,846**	1,925	**—**	—	**3,846**	1,925
Other revenue and gains	**37**	12	**20**	—	**57**	12
Total revenue	**3,883**	1,937	**20**	—	**3,903**	1,937
Segment results	**197**	119	**(4)**	(9)	**193**	110
Interest income					**1**	1
Finance costs					**(53)**	(29)
Profit before tax					**141**	82
Tax					**(16)**	(9)
Net profit from ordinary activities attributable to shareholders					**125**	73

No analysis of the assets and liabilities and other segment information regarding the Group's business segments for the two years ended 31 December 2004 has been presented as over 90% of the Group's revenue is derived from the telecom products segment.

31 December 2004

4. SEGMENT INFORMATION *(Cont'd)*

(b) Geographical segments

The following table presents revenue information for the Group's geographical segments.

Group

	United States of America		PRC, including Hong Kong		European Union		Others		Consolidated	
HK$ million	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
Segment revenue:										
Sales to external customers	**2,377**	1,244	**640**	343	**139**	65	**690**	273	**3,846**	1,925
Other revenue and gains	**—**	—	**57**	12	**—**	—	**—**	—	**57**	12
Total revenue	**2,377**	1,244	**697**	355	**139**	65	**690**	273	**3,903**	1,937

Over 90% of the Group's assets are located in the People's Republic of China (the "PRC") including Hong Kong. Accordingly, no analysis of the assets and capital expenditures by geographical segments is presented.

5. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

Revenue from the following activities has been included in turnover:

HK$ million	**2004**	2003
Manufacture and sale of telecom products and accessories	**3,846**	1,925
Interest income	**1**	1
	3,847	1,926

31 December 2004

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

HK$ million	Notes	2004	2003
Cost of inventories sold		**3,480**	1,693
Depreciation	14	**85**	43
Less: Amount capitalised in deferred development costs		**—**	(2)
		85	41
Minimum lease payments under operating leases in respect of land and buildings		**5**	6
Research and development costs:			
Deferred expenditure amortised*	15	**30**	20
Current year expenditure	15	**50**	19
Goodwill:	16		
Amortisation for the year**		**2**	2
Impairment arising during the year**		**1**	—
		3	2
Staff costs (excluding directors' remuneration — note 8)***		**266**	129
Pension scheme contributions		**3**	2
Less: Amount capitalised in deferred development costs		**(29)**	(11)
		240	120
Auditors' remuneration		**3**	3
Bad and doubtful debt provisions on trade receivables		**3**	—
Bad and doubtful debt provisions on other receivables		**3**	—
Write off of fixed assets		**—**	18
Write off of deferred development costs**	15	**15**	7
Provision for slow-moving and obsolete inventories*		**33**	8
and after crediting:			
Net rental income		**6**	3
Exchange gains, net		**6**	—
Gain on disposals of fixed assets, net		**1**	—
Gain on disposal of subsidiaries	32(c)	**20**	—

* The amortisation of deferred development costs and provision for slow-moving and obsolete inventories are included in "Cost of sales" on the face of the consolidated profit and loss account.

** The amortisation and impairment of goodwill for the year and write off of deferred development costs for the year are included in "Other operating expenses" on the face of the consolidated profit and loss account.

*** The effect of forfeited contributions on the Group's contributions to the pension schemes for the year, and the amounts of forfeited contributions available to reduce contributions in future years, were not material.

31 December 2004

7. FINANCE COSTS

HK$ million	Group 2004	Group 2003
Interest on bank loans wholly repayable within five years	2	1
Interest on convertible notes	51	28
	53	29

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

HK$ million	Group 2004	Group 2003
Fees:		
Executive directors	—	—
Independent non-executive directors	—	—
	—	—
Executive directors' other emoluments:		
Salaries, allowances and benefits in kind	13	6
Performance related bonuses	5	—
Pension scheme contributions	1	—
	19	6
	19	6

31 December 2004

8. DIRECTORS' REMUNERATION *(Cont'd)*

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2004	2003
Nil–HK$1,000,000	**4**	4
HK$1,000,001–HK$1,500,000	**—**	1
HK$1,500,001–HK$2,000,000	**—**	1
HK$2,000,001–HK$2,500,000	**—**	1
HK$4,000,001–HK$4,500,000	**2**	—
HK$4,500,001–HK$5,000,000	**1**	—
HK$5,000,001–HK$5,500,000	**1**	—
	8	7

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

In 2003, certain directors were granted share options in respect of their services to the Group under the share option scheme of the Company, and further details of which are set out in note 30 to the financial statements. No value in respect of the share options granted has been charged to the profit and loss account, or is otherwise included in the above directors' remuneration disclosures.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2003: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2003: two) non-director, highest paid employee for the year are as follows:

	Group	
HK$ million	**2004**	2003
Salaries, allowances and benefits in kind	**2**	1

The number of the non-director, highest paid employees fell within the following bands is as follows:

	Number of employees	
	2004	2003
Nil–HK$1,000,000	**—**	2
HK$2,000,001–HK$2,500,000	**1**	—

In 2003, a non-director, highest paid employee was granted share options in respect of his service to the Group, future details of which are included in the disclosures in note 30 to the financial statements. No value in respect of the share options granted has been charged to the profit and loss account, or is otherwise included in the above non-director, highest paid employees' remuneration disclosures.

31 December 2004

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. 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 consecutive three years.

HK$ million	2004	2003
Group:		
Current — Hong Kong		
Charge for the year	10	8
Overprovision in prior years	(3)	(1)
Current — Elsewhere		
Charge for the year	4	2
Underprovision in prior years	1	—
Deferred — note 28	4	—
Total tax charge for the year	16	9

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group — 2004

	Hong Kong		PRC, excluding Hong Kong		Total	
	HK$ million	%	HK$ million	%	HK$ million	%
Profit before tax	1		140		141	
Tax at the statutory or applicable tax rate	0.2	17.5	33.6	24.0	33.8	24.0
Lower tax rate for specific provinces or local authority	—	—	(19.3)	(13.8)	(19.3)	(13.7)
Tax exemption	—	—	(29.6)	(21.1)	(29.6)	(21.0)
Adjustments in respect of current tax of previous periods	(2.3)	(230)	1.2	0.9	(1.1)	(0.8)
Income not subject to tax	(8.0)	(800)	(4.9)	(3.5)	(12.9)	(9.1)
Expenses not deductible for tax	19.6	1,962.5	19.1	13.6	38.7	27.4
Tax losses not recognised	1.5	150	4.9	3.5	6.4	4.5
Tax charge at the Group's effective rate	11.0	1,100	5.0	3.6	16.0	11.3

31 December 2004

10. TAX *(Cont'd)*

Group — 2003

	Hong Kong		PRC, excluding Hong Kong		Total	
	HK$ million	%	HK$ million	%	HK$ million	%
Profit before tax	8		74		82	
Tax at the statutory or applicable tax rate	1	17.5	18	24	19	23.3
Higher tax rate for specific provinces or local authority	—	—	0.4	0.6	0.4	0.6
Effect on opening deferred tax of increase in rates	0.1	1.1	—	—	0.1	0.1
Tax exemption	—	—	(2.1)	(2.8)	(2.1)	(2.6)
Income not subject to tax	(0.1)	(1.8)	(17.1)	(22.8)	(17.2)	(20.6)
Expenses not deductible for tax	6	71.6	2.8	3.9	8.8	10.9
Tax charge at the Group's effective rate	7	88.4	2	2.9	9	11.7

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2004 dealt with in the financial statements of the Company, was approximately HK$34 million (2003: net profit of HK$1 million) (note 31(b)).

12. DIVIDEND

No dividends have been paid or declared by the Company for the year ended 31 December 2004 (2003: Nil).

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK$125 million (2003: HK$73 million), and the weighted average number of 14,426,127,480 (2003: 12,066,769,981) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the year of HK$176 million (2003: HK$101 million), after adjustment for interest saved upon deemed exercise of all convertible notes during the year. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is 71,487,171,676 (2003: 46,453,485,820) which includes the weighted average number of 14,426,127,480 (2003: 12,066,769,981) ordinary shares in issue during the year, as used in the basic earnings per share calculation; the weighted average of 56,891,451,991 (2003: 34,263,463,796) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all convertible notes during the year and the weighted average of 169,592,205 (2003: 123,252,043) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

31 December 2004

14. FIXED ASSETS

Group

HK$ million	Construction in progress	Leasehold land and buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Total
Cost:							
At 1 January 2004	—	531	213	104	71	15	934
Additions	39	8	49	26	6	4	132
Disposal of subsidiaries — note 32(c)	—	(27)	(19)	(7)	(6)	(2)	(61)
Disposals	—	—	—	(1)	—	(1)	(2)
At 31 December 2004	39	512	243	122	71	16	1,003
Accumulated depreciation:							
At 1 January 2004	—	50	103	51	40	9	253
Depreciation provided during the year	—	26	29	19	9	2	85
Disposal of subsidiaries — note 32(c)	—	(3)	(13)	(4)	(4)	(2)	(26)
Disposals	—	—	—	(1)	—	—	(1)
At 31 December 2004	—	73	119	65	45	9	311
Net book value:							
At 31 December 2004	39	439	124	57	26	7	692
At 31 December 2003	—	481	110	53	31	6	681

The net book value of the Group's fixed assets held under finance leases included in the total amounts of motor vehicles at 31 December 2004, amounted to HK$2 million (2003: HK$2 million).

The Group's leasehold land and buildings included above are situated in the PRC and are held under medium term leases.

31 December 2004

15. INTANGIBLE ASSETS

Group

HK$ million	Deferred development costs
Cost:	
At 1 January 2004	85
Additions	50
Write off	(36)
At 31 December 2004	99
Accumulated amortisation:	
At 1 January 2004	62
Amortisation provided during the year	30
Write back	(21)
At 31 December 2004	71
Net book value:	
At 31 December 2004	28
At 31 December 2003	23

31 December 2004

16. GOODWILL

The amounts of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

Group

	HK$ million
Cost:	
At 1 January 2004	58
Disposal of subsidiaries — note 32(c)	(33)
At 31 December 2004	25
Accumulated amortisation and impairment:	
At beginning of year	3
Amortisation provided during the year	2
Impairment provided during the year	1
Disposal of subsidiaries — note 32(c)	(3)
At 31 December 2004	3
Net book value:	
At 31 December 2004	22
At 31 December 2003	55

17. INTERESTS IN SUBSIDIARIES

	Company	
HK$ million	**2004**	2003
Unlisted shares, at cost	**308**	308
Due from subsidiaries	**425**	595
Due to subsidiaries	**(2)**	(7)
	731	896
Provision for impairment	**(53)**	(10)
	678	886

The balances with the subsidiaries are unsecured, interest-free and are repayable on demand.

31 December 2004

17. INTERESTS IN SUBSIDIARIES *(Cont'd)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Empire Success Holdings Limited	British Virgin Islands	US$16,501 Ordinary	100	—	Investment holding
CCT Marketing Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	—	100	Trading of telecom products
CCT Telecom (HK) Limited	Hong Kong	HK$2,600,000 Ordinary	—	100	Sourcing of telecom products
Huiyang CCT Telecommunications Products Limited	People's Republic of China/ Mainland China	HK$80,000,000 Registered*	—	100	Manufacture of telecom products

* Registered as a wholly-foreign owned enterprise under the PRC law.

During the year, the Group disposed of its entire interest in First Precision Group, including Electronic Sales Limited ("ESL") and 東莞易訊電子製品有限公司, and CCT Investment to CCT Telecom. Further details of the disposal are included in note 32(c) and 37(1) to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

18. INVENTORIES

	Group	
HK$ million	**2004**	2003
Raw materials	**41**	33
Work in progress	**42**	44
Finished goods	**85**	78
	168	155

The carrying amount of inventories carried at net realisable value included in the above balance was HK$18 million (2003: Nil) as at the balance sheet date.

31 December 2004

19. TRADE AND BILLS RECEIVABLES

An aged analysis of the trade and bills receivables as at the balance sheet date, based on invoice date, and net of provisions, is as follows:

Group

	2004		2003	
	HK$ million	Percentage	HK$ million	Percentage
Current to 30 days	283	39	252	42
31 to 60 days	242	33	184	31
61 to 90 days	202	27	154	26
Over 90 days	9	1	4	1
	736	100	594	100

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

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
HK$ million	2004	2003	2004	2003
Prepayments	2	—	1	—
Deposits and other receivables	9	7	—	—
	11	7	1	—

31 December 2004

21. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
HK$ million	2004	2003	2004	2003
Cash and bank balances	347	317	22	1
Time deposits	170	233	26	10
	517	550	48	11
Less: Time deposits pledged for bank borrowings — note 34	(95)	(100)	—	—
Cash and cash equivalents	422	450	48	11

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$5 million (2003: HK$12 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

22. 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:

Group

	2004		2003	
	HK$ million	Percentage	HK$ million	Percentage
Current to 30 days	249	26	209	24
31 to 60 days	181	19	230	27
61 to 90 days	204	21	175	20
Over 90 days	329	34	245	29
	963	100	859	100

Included in trade and bills payables are trade payables of HK$194 million (2003: HK$95 million) due to Neptune Holding Limited ("Neptune") and ESL, being wholly-owned subsidiaries of CCT Telecom, which are repayable within 120 days from invoice date.

31 December 2004

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
HK$ million	**2004**	2003	**2004**	2003
Other payables	**15**	30	**—**	—
Accruals	**90**	83	**4**	1
	105	113	**4**	1

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Group	
HK$ million	Notes	**2004**	2003
Current portion of bank loans, secured	25	**115**	111
Current portion of finance lease payables	26	**1**	1
		116	112

25. INTEREST-BEARING BANK LOANS, SECURED

	Group	
HK$ million	**2004**	2003
Bank loans, repayable:		
Within one year or on demand	**115**	111
In the second year	**22**	—
	137	111
Portion classified as current liabilities — note 24	**(115)**	(111)
	22	—

31 December 2004

26. FINANCE LEASE PAYABLES

The Group leases certain of its furniture and office equipment and motor vehicles for business use. These leases are classified as finance leases and have remaining lease terms ranging from one to two years.

At 31 December 2004, the total future minimum lease payments under financial leases and their present value were as follows:

Group

HK$ million	**Minimum lease payments 2004**	Minimum lease payments 2003	**Present value of minimum lease payments 2004**	Present value of minimum lease payments 2003
Amounts payable:				
Within one year	**1**	1	**1**	1
In the second year	**1**	1	**1**	1
Total minimum finance lease payments	**2**	2	**2**	2
Future finance charges	**—**	—		
Total net finance lease payables	**2**	2		
Portion classified as current liabilities — note 24	**(1)**	(1)		
Non-current portion	**1**	1		

27. CONVERTIBLE NOTES

	Group		Company	
HK$ million	**2004**	2003	**2004**	2003
2004 Convertible notes — note (a)	**—**	8	**—**	8
2005 Convertible notes — note (b)	**45**	45	**45**	45
2005 Convertible notes — note (c)	**—**	10	**—**	10
2008 Convertible notes — note (d)	**615**	768	**615**	768
	660	831	**660**	831
Portion classified as current liabilities	**(45)**	(8)	**(45)**	(8)
Non-current portion	**615**	823	**615**	823

31 December 2004

27. CONVERTIBLE NOTES *(Cont'd)*

Notes:

(a) On 19 July 2002, CCT Technology Holdings Limited ("CCT Technology"), a direct wholly-owned subsidiary of the Company, issued convertible notes with an aggregate principal amount of HK$20 million through a placing agent to an independent third party and which were subsequently replaced by the convertible notes issued by the Company on 4 November 2002. The convertible notes provide the holder the option right to convert the principal amount into ordinary shares of HK$0.01 each of the Company on any business day until five business days prior to the maturity of the convertible notes at a conversion price of HK$0.01 per share.

The principal amount of the convertible notes bears interest at a rate of 5% per annum and the convertible notes will mature on the second anniversary of the date of their issue.

On 24 June 2003, part of the principal amount of the convertible notes of HK$12 million was converted into 1,200,000,000 shares of the Company of HK$0.01 each at a conversion price of HK$0.01 per share.

On 8 July 2004, the remaining principal amount of HK$8 million was converted into 800,000,000 shares of the Company of HK$0.01 each at a conversion price of HK$0.01 per share. There was no outstanding principal amount of the convertible notes as at 31 December 2004.

(b) On 17 May 2002, CCT Technology issued convertible note with principal amount of HK$45 million (the "2005 Convertible Note") to Emporium International Limited, an indirect wholly-owned subsidiary of CCT Telecom, which were subsequently replaced by the convertible note issued by the Company on 4 November 2002. The convertible notes provide the holder the option right to convert the principal amount into ordinary shares of HK$0.01 each of the Company on any business day until five business days prior to the maturity of the convertible notes at a conversion price of HK$0.01 per share.

The principal amount of the convertible note is interest-free and the convertible notes will mature on the third anniversary of the date of its issue.

During the year, the convertible note was disposed of in full by Emporium International Limited to New Capital Industrial Limited, a company controlled by Mr. Mak Shiu Tong, Clement, the Chairman and a director of the Company, and his family members for a cash consideration of HK$45 million.

(c) On 14 May 2003, the Company issued convertible notes with an aggregate principal amount of HK$21 million through a placing agent to several independent third parties. The convertible notes provide the holders the option right to convert the principal amount into the Company's ordinary shares of HK$0.01 each on any business day until five business days prior to the maturity of the convertible notes at a conversion price of HK$0.01 per share.

The principal amount of the convertible notes bears interest at a rate of 2% per annum and the convertible notes will mature on the second anniversary of the date of their issue.

In June 2003, part of the principal amount of the convertible notes of HK$11 million was converted into 1,100,000,000 shares of the Company of HK$0.01 each at a conversion price of HK$0.01 per share.

During the year, the remaining convertible notes with an aggregate principal amount of HK$10 million were converted into 1,000,000,000 shares of the Company of HK$0.01 each at a conversion price of HK$0.01 per share. There was no outstanding principal amount of the convertible notes as at 31 December 2004.

(d) On 30 June 2003, the Company issued convertible note with principal amount of HK$768 million to Noble Team Investments Limited, an indirect wholly-owned subsidiary of CCT Telecom, as the consideration for the acquisition of the entire interest in Empire Success Holdings Limited ("ESH") from an indirect wholly-owned subsidiary of CCT Telecom, details of which are set out in note 32(b) to the financial statements. The convertible note provides the holder the option right to convert the principal amount into the Company's ordinary shares of HK$0.01 each on any business day until five business days prior to the maturity of the convertible notes at a conversion price of HK$0.014 per share. The convertible note bears 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 will mature on the fifth anniversary of the date of its issue.

During the year, part of the convertible note with principal amount of HK$14 million was converted into 1,000,000,000 shares of the Company of HK$0.01 each at a conversion price of HK$0.014 per share. On 13 September 2004, the convertible note with 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 First Precision Group and CCT Investment.

31 December 2004

28. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group HK$ million	**2004** **Accelerated tax depreciation**
At 1 January 2004	**3**
Deferred tax credited to the profit and loss account during the year — note 10	**(1)**
Gross deferred tax liabilities At 31 December 2004	**2**

Deferred tax assets

Group **HK$ million**	**2004** **Losses available for offset against future taxable profit**
At 1 January 2004	**9**
Deferred tax charged to the profit and loss account during the year — note 10	**(5)**
Gross deferred tax assets at 31 December 2004	**4**
Net deferred tax assets at 31 December 2004	**2**

Deferred tax liabilities

Group HK$ million	2003 Accelerated tax depreciation
At 1 January 2003	1
Deferred tax credited to the profit and loss account during the year — note 10	(1)
Acquisition of subsidiaries — note 32(b)	3
Gross deferred tax liabilities At 31 December 2003	3

31 December 2004

28. DEFERRED TAX *(Cont'd)*

Deferred tax assets

Group HK$ million	2003 Losses available for offset against future taxable profit
At 1 January 2003	—
Deferred tax charged to the profit and loss account during the year — note 10	(1)
Acquisition of subsidiaries — note 32(b)	10
Gross deferred tax assets at 31 December 2003	9
Net deferred tax assets at 31 December 2003	6

The Group has tax losses arising in Hong Kong of HK$25 million (2003: HK$24 million) and in Mainland China of HK$11 million (2003: HK$8 million) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 December 2004, there was no significant unrecognised deferred tax liability (2003: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. SHARE CAPITAL

Shares

	Company	
HK$ million	**2004**	2003
Authorised:		
120,000,000,000 (2003: 120,000,000,000) ordinary shares of HK$0.01 each	**1,200**	1,200
Issued and fully paid:		
15,938,422,562 (2003: 13,138,422,562) ordinary shares of HK$0.01 each	**159**	131

31 December 2004

29. SHARE CAPITAL *(Cont'd)*

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

	Notes	Number of ordinary shares of HK$0.01 each	Issued share capital HK$ million
At 1 January 2003		10,838,403,562	108
Exercise of share options	(a)	19,000	—
Conversion of convertible notes	(b)	2,300,000,000	23
At 31 December 2003 and 1 January 2004		13,138,422,562	131
Conversion of convertible notes	(c)	2,800,000,000	28
At 31 December 2004		15,938,422,562	159

(a) In 2003, the subscription rights attaching to 19,000 share options were exercised at the subscription price of HK$0.014 per share (note 30), resulting in the issue of 19,000 shares of HK$0.01 each for a total cash consideration, before expenses, of HK$266.

(b) In 2003, HK$23 million worth of convertible notes were converted into 2,300,000,000 shares of the Company of HK$0.01 each. Further details relating to these convertible notes are set out in note 27 to these financial statements.

(c) During the year, HK$32 million worth of convertible notes were converted into 1,800,000,000 shares and 1,000,000,000 shares of the Company of HK$0.01 each at conversion prices of HK$0.01 and HK$0.014 per share, respectively. Further details relating to these convertible notes are set out in note 27 to these financial statements.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 30 to the financial statements.

30. SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was conditionally adopted by the then 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 to comply with the new amendments to the Listing Rules. The Share Option Scheme became effective on 7 November 2002. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from that date. As at 31 December 2004, there were 1,082,781,000 share options outstanding under the Share Option Scheme. Based on these outstanding share options, the total number of shares available for issue is 1,082,781,000, which represents approximately 6.79% of the existing issued share capital of the Company as at the date of this report. No share option has been granted under the Share Option Scheme during the year.

31 December 2004

30. SHARE OPTION SCHEME *(Cont'd)*

The purpose of the Share Option Scheme is to provide incentives and rewards to the eligible participants who contribute to the success of the operations of the Group. Eligible participants of the Share Option Scheme include any employee, executive or officer of the Group (including executive and non-executive directors of the Group) and any supplier, consultant, agent, adviser, shareholder, customer, partner or business associate who, at the sole discretion of the board of directors of the Company (the "Board"), will contribute or has contributed to the Group.

Pursuant to the Share Option Scheme, the maximum number of shares in respect of which share options may be granted under the Share Option Scheme is such number of shares, when aggregated with shares subject to any other share option scheme(s) of the Company, must not exceed 10% of the issued share capital of the Company upon the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or 30% of the issued share capital of the Company from time to time.

The maximum number of shares issuable upon exercise of the share options granted under the Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period is limited to 1% of the shares of the Company in issue as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Company (and if required, the holding company) and the shareholders' approval of the Company (and if required, the approval of the shareholders of the holding company) at a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to the approval in advance by the independent non-executive directors of the Company, (and if required, the approval of the independent non-executive directors of the holding company) excluding the independent non-executive director(s) of the Company and the holding company who is/are the grantee(s) of the share options. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue as at the date of grant or with an aggregate value (based on the closing price of the shares of the Company as at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to the issue of a circular by the Company (and if required, the holding company) and the shareholders' approval of the Company (and if required, the approval of the shareholders of the holding company) in advance at a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than 10 years from the date of grant of the share options or the expiry date of the Share Option Scheme, whichever is earlier.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares of the Company.

31 December 2004

30. SHARE OPTION SCHEME *(Cont'd)*

Details of the movements of share options under the Share Option Scheme during the year were as follows:

Name or category of participant	Number of share options: Outstanding as at 1 January 2004	Granted during the year	Exercised during the year	Lapsed/ Cancelled during the year	Outstanding as at 31 December 2004	Date of grant of share options	Exercise period of share options	Exercise price per share (Note) HK$
Executive directors								
Mak Shiu Tong, Clement	100,000,000	—	—	—	100,000,000	30/4/2003	30/4/2003–29/4/2008	0.014
Cheng Yuk Ching, Flora	100,000,000	—	—	—	100,000,000	30/4/2003	30/4/2003–29/4/2008	0.014
Tam Ngai Hung, Terry	100,000,000	—	—	—	100,000,000	30/4/2003	30/4/2003–29/4/2008	0.014
Tong Chi Hoi	50,000,000	—	—	—	50,000,000	30/4/2003	30/4/2003–29/4/2008	0.014
	350,000,000	—	—	—	350,000,000			
Independent non-executive directors								
Chow Siu Ngor	8,000,000	—	—	—	8,000,000	30/4/2003	30/4/2003–29/4/2008	0.014
Lau Ho Kit, Ivan	8,000,000	—	—	—	8,000,000	30/4/2003	30/4/2003–29/4/2008	0.014
	16,000,000	—	—	—	16,000,000			
Other employees								
In aggregate	716,781,000	—	—	—	716,781,000	30/4/2003	30/4/2003–29/4/2008	0.014
	716,781,000	—	—	—	716,781,000			
	1,082,781,000	—	—	—	1,082,781,000*			

Note: The exercise price of the share options is subject to adjustment(s) in the case of rights or bonus share issues, or other similar changes in the share capital of the Company.

* According to the composite offer and response document dated 31 March 2005 jointly issued by the Company and CCT Telecom, Jade Assets Company Limited (the "Offeror"), a wholly-owned subsidiary of CCT Telecom, made the voluntary conditional cash offers to acquire all the issued shares from the independent shareholders of the Company and the 2005 Convertible Note, and to cancel all the outstanding share options of the Company (collectively the "Offers"). All optionholders have accepted the Offers in respect of their entire holding of the share options at the consideration of HK$0.009 per share option. The Offers have become unconditional in all respects as to acceptances on 21 April 2005 and all such outstanding 1,082,781,000 share options under the Share Option Scheme will be cancelled in accordance with the terms of the Offers.

The financial impact of the share options granted is not recorded in the balance sheet of the Company or the Group until such time as the share options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share options which are lapsed or are cancelled prior to their exercise date are deleted from the register of outstanding share options.

31 December 2004

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 45 of the financial statements.

(b) Company

HK$ million	Special reserve	Share premium account	Accumulated losses	Total
At 1 January 2003	(56)	—	(11)	(67)
Profit for the year	—	—	1	1
At 31 December 2003 and beginning of year	(56)	—	(10)	(66)
Conversion of convertible notes	—	4	—	4
Loss for the year	—	—	(34)	(34)
At 31 December 2004	(56)	4	(44)	(96)

The special reserve of the Company represents the difference between the fair values of the shares of the subsidiaries acquired in prior years and the nominal value of the Company's shares issued in exchange therefor.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transactions

(i) In 2003, the Company issued convertible notes with a principal amount of HK$768 million to an indirect wholly-owned subsidiary of CCT Telecom as consideration for the acquisition of the entire interest in ESH.

(ii) During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of lease of HK$1 million (2003: Nil).

(iii) During the year, the convertible notes with an aggregate principal amount of HK$139 million were cancelled for satisfying the consideration receivable from CCT Telecom for the disposal of First Precision Group and CCT Investment.

31 December 2004

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

(b) Acquisition of subsidiaries

HK$ million	Note	2004	2003
Net assets acquired:			
Fixed assets		—	700
Intangible assets		—	31
Deferred tax assets	28	—	10
Cash and bank balances		—	138
Pledged time deposits		—	59
Inventories		—	189
Trade and bills receivables		—	500
Prepayments, deposits and other receivables		—	26
Trade and bills payables		—	(619)
Tax payable		—	(8)
Other payables and accruals		—	(75)
Interest being bank borrowings		—	(200)
Finance lease payables		—	(2)
Deferred tax liabilities	28	—	(3)
		—	746
Goodwill on acquisition		—	25
		—	771
Satisfied by:			
Issue of convertible notes — note 27(d)		—	768
Cash paid for incidental acquisition costs		—	3
		—	771

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

HK$ million	2004	2003
Cash paid	—	(3)
Cash and bank balances acquired	—	138
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	—	135

The subsidiaries acquired in the prior year contributed approximately HK$1,866 million to the Group's consolidated turnover and approximately HK$97 million to the consolidated profits after tax before minority interests for the year ended 31 December 2003.

31 December 2004

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

(c) Disposal of subsidiaries

HK$ million	2004	2003
Net assets disposed of:		
Fixed assets	35	—
Inventories	5	—
Trade receivables	50	—
Cash and bank balances	36	—
Trade payables	(29)	—
Other payables and accruals	(7)	—
Tax payables	(1)	—
	89	—
Reversal of goodwill upon disposal of subsidiaries	30	—
Gain on disposal of subsidiaries	20	—
	139	—
Satisfied by:		
Cancellation of convertible notes — note 27(d)	139	—

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

HK$ million	2004	2003
Cash and bank balances disposed of	(36)	—
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(36)	—

The subsidiaries disposed of during the year contributed approximately HK$7 million (2003: HK$60 million) to the Group's consolidated turnover and approximately HK$10 million (2003: HK$12 million) to the consolidated profits after tax before minority interest for the year ended 31 December 2004.

31 December 2004

33. CONTINGENT LIABILITIES

(a) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
HK$ million	**2004**	2003	**2004**	2003
Corporate guarantees given to banks in connection with facilities granted to subsidiaries	**—**	—	**426**	346

As at 31 December 2004, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$223 million (2003: HK$183 million).

(b) 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$6 million as at 31 December 2004 (2003: HK$5 million), as further explained under the heading "Employee benefits" in note 3 to the financial statements. The contingent liability has arisen because at the balance sheet date 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.

34. PLEDGE OF ASSETS

At 31 December 2004, the Group's bank borrowings were secured by the pledge of the Group's fixed deposits amounting to approximately HK$95 million (2003: HK$100 million).

35. OPERATING LEASE ARRANGEMENTS

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

At 31 December 2004, the Group had total future minimum lease payments under non-cancellable operating leases in respect of office premises falling due as follows:

HK$ million	**2004**	2003
Within one year	**5**	4
In the second to fifth years, inclusive	**2**	2
	7	6

31 December 2004

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group had the following capital commitments at the balance sheet date:

	Group	
HK$ million	**2004**	2003
Contracted, but not provided for		
Construction in progress	**15**	—
Purchase of plant, machinery and equipment	**1**	2
Purchase of a motor vehicle	**4**	—
	20	2

37. RELATED PARTY TRANSACTIONS

(1) On 2 June 2004, the Company and CCT Telecom entered into a conditional agreement pursuant to which the Company agreed (i) to dispose of its entire interest in First Precision and CCT Investment to CCT Telecom; and (ii) to assign the interest-free shareholders' loans owed by First Precision and CCT Investment to CCT Telecom as at the completion date of this transaction, at a total consideration of HK$139 million. The consideration was satisfied by cancellation of the convertible note in the same amount which was issued by the Company to an indirect wholly-owned subsidiary of CCT Telecom on 30 June 2003.

The transaction was approved by the independent shareholders of the Company in a special general meeting held on 8 September 2004 and was completed on 13 September 2004. Further details of the transaction are set out in the circular of the Company dated 20 August 2004.

(2) During the two years ended 31 December 2004, the Company and certain of its indirect wholly-owned subsidiaries had the following material transactions with CCT Telecom and certain of its subsidiaries:

2004	Period	Notes	HK$ million
Purchase of plastic casings and	1 January 2004 to 14 June 2004	(i)	147
components	15 June 2004 to 31 December 2004	(i)	166
Purchase of materials	1 January 2004 to 14 June 2004	(ii)	13
Factory rental income	1 January 2004 to 31 December 2004	(iii)	6
Office rental expenses	1 January 2004 to 31 December 2004	(iv)	3
Management information system service fee	1 January 2004 to 31 December 2004	(v)	3

31 December 2004

37. RELATED PARTY TRANSACTIONS *(Cont'd)*

(2) *(Cont'd)*

2003	Notes	Year ended 31 December 2003 HK$ million
Purchase of plastic casings and components	(i)	132
Purchase of materials	(ii)	24
Factory rental income	(iii)	3
Office rental expenses	(iv)	2
Management information system service fee	(v)	1

Notes:

(i) The plastic casings and components were purchased by CCT Telecom (HK) Limited ("CCT HK"), an indirect wholly-owned subsidiary of the Company, from Neptune, in accordance with the terms and conditions set out in a manufacturing agreement (the "First Manufacturing Agreement") entered into between CCT HK and Neptune on 15 May 2003. During the year, CCT HK and Neptune agreed to early terminate the First Manufacturing Agreement and on 4 May 2004, the Company and CCT Telecom entered into a new manufacturing agreement (the "Second Manufacturing Agreement") pursuant to which CCT Telecom Group agreed to manufacture certain plastic casings and components and toolings for telecom products and accessories and other products for the Group. The Second Manufacturing Agreement became effective on 15 June 2004.

The purchase prices under both agreements were determined based on the direct material costs plus a mark-up of no more than 300%.

(ii) The purchase of materials was made by ESL from Neptune. The purchase prices were determined based on the direct costs of the materials plus a mark-up of up to 50% of such direct costs in accordance with the terms and conditions set out in a manufacturing agreement (the "Third Manufacturing Agreement") entered into between Neptune and ESL on 23 July 2002. During the year, both parties agreed to early terminate the Third Manufacturing Agreement and on 4 May 2004, the Company and CCT Telecom entered into the Second Manufacturing Agreement, details are set out in paragraph (i) above.

(iii) The factory rental income was charged to Shine Best Developments Limited ("Shine Best"), an indirect wholly-owned subsidiary of CCT Telecom, by CCT Enterprise Limited ("CCT Ent"), an indirect wholly-owned subsidiary of the Company, for the provision of factory space in Huiyang, the PRC, at a rate determined in accordance with the terms and conditions set out in a tenancy agreement (the "Huiyang Tenancy Agreement") entered into between Shine Best and CCT Ent on 15 May 2003.

(iv) The office rental expenses were charged to CCT HK and CCT Telecom R&D Limited ("CCT R&D"), indirect wholly-owned subsidiaries of the Company, by Goldbay Investments Limited ("Goldbay"), an indirect wholly-owned subsidiary of CCT Telecom, for the provision of office spaces in Hong Kong, at a rate determined in accordance with the terms and conditions set out in three tenancy agreements (the "Hong Kong Tenancy Agreements") entered into between CCT HK and Goldbay on 15 September 2003 and 17 September 2004, and between CCT R&D and Goldbay on 23 December 2003, respectively.

(v) The management information system service fee was charged to CCT Telecom by CCT HK 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 an agreement (the "MIS Agreement") entered into between CCT Telecom and CCT HK on 15 May 2003.

31 December 2004

37. RELATED PARTY TRANSACTIONS *(Cont'd)*

(3) ESL and CCT Investment had been the indirect wholly-owned subsidiaries of the Company throughout the period up to 12 September 2004, the date on which these two subsidiaries were disposed of to CCT Telecom.

Before the completion of the disposal of ESL and CCT Investment on 13 September 2004, ESL and CCT Investment had the following connected transactions with certain subsidiaries of CCT Telecom up to 12 September 2004:

	Notes	Period from 1 January 2004 to 12 September 2004 HK$ million	Year ended 31 December 2003 HK$ million
Factory rental expenses	(i)	4	1
Rental expenses	(ii)	1	2

Notes:

(i) The factory rental expenses were charged to CCT Investment, by CCT Properties (Dongguan) Limited ("CCT Prop"), an indirect wholly-owned subsidiary of CCT Telecom, for the provision of factory space in Dongguan, the PRC, at a rate determined in accordance with the terms and conditions set out in a tenancy agreement (the "First Tenancy Agreement") entered into between CCT Investment and CCT Prop on 15 May 2003. Both parties agreed to have an early termination of the First Tenancy Agreement in accordance with the provisions of the First Tenancy Agreement and entered into a new tenancy agreement with a greater floor area on 14 January 2004.

(ii) The rental expenses were charged to ESL by CCT Prop for the provision of factory space in Dongguan, the PRC, at a rate determined in accordance with the terms and conditions set out in a rental agreement (the "Second Tenancy Agreement") entered into between ESL and CCT Prop on 15 April 2003. Both parties agreed to have an early termination of the Second Tenancy Agreement in accordance the provisions of the Second Tenancy Agreement and enter into a new tenancy agreement with a smaller floor area on 14 January 2004.

(4) The following ongoing connected transactions were conducted between the Company and CCT Telecom for the period from 13 September 2004 to 31 December 2004:

	Notes	Period from 13 September 2004 to 31 December 2004 HK$ million
Factory rental expenses	(i)	2
Purchases of products	(ii)	47

Notes:

(i) The factory rental expenses were charged to the Company by CCT Telecom for the provision of factory space in Dongguan, the PRC, at a rate determined in accordance with the terms and conditions as set out in a tenancy agreement (the "New Tenancy Agreement") entered into between the Company and CCT Telecom on 13 September 2004.

(ii) The purchase prices were determined based on the direct material costs of the products plus a mark-up of up to 100% of such direct material costs pursuant to a power supply components manufacturing agreement entered into between the Company and CCT Telecom on 2 June 2004.

(5) During the year, the Company paid interest expense amounting to approximately HK$51 million (2003: HK$27 million) to CCT Telecom in respect of the convertible notes issued by the Company to CCT Telecom in 2003.

31 December 2004

38. POST BALANCE SHEET EVENT

On 31 January 2005, the Company and CCT Telecom jointly announced that a voluntary conditional cash offer with a securities exchange alternative will be made by the Offeror to the shareholders of the Company and the holder of the 2005 Convertible Note to acquire all the issued shares of the Company and the 2005 Convertible Note, and to make a voluntary conditional cash offer to the option holders of the Company to cancel all outstanding share options of the Company (collectively the "Offers"). The Offers will be made on the basis of HK$1,840 in cash for every 80,000 shares of the Company or for every 2005 Convertible Note with a face value of HK$800 with securities exchange alternative of zero coupon five-year convertible bond with a face value of HK$1,840 to be issued by CCT Telecom, and HK$0.009 for every outstanding share option of the Company. The Offers have become unconditional on 21 April 2005.

Further details of this transaction are set out in the Company's press announcement dated 31 January 2005, a composite offer and response document dated 31 March 2005 and the press announcement dated 21 April 2005.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 April 2005.

summary financial information

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial periods/years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below. The amounts prior to the fifteen months ended 31 December 2002 have not been adjusted for any effect of adopting the revised SSAP 12 as the relevant information is not available.

RESULTS

HK$ million	**Year ended 31 December 2004**	Year ended 31 December 2003	Fifteen months ended 31 December 2002	Year ended 30 September 2001	Fifteen months ended 30 September 2000
TURNOVER	**3,847**	1,926	106	84	540
PROFIT/(LOSS) BEFORE TAX	**141**	82	100	(45)	(206)
Tax	**(16)**	(9)	(1)	—	—
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	**125**	73	99	(45)	(206)
Minority interests	**—**	—	(1)	—	—
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**125**	73	98	(45)	(206)

ASSETS, LIABILITIES AND MINORITY INTERESTS

HK$ million	**As at 31 December 2004**	As at 31 December 2003	As at 31 December 2002	As at 30 September 2001	As at 30 September 2000
TOTAL ASSETS	**2,178**	2,074	150	110	213
TOTAL LIABILITIES	**(1,879)**	(1,932)	(103)	(160)	(225)
MINORITY INTERESTS	**—**	—	(1)	—	—
	299	142	46	(50)	(12)

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of the shareholders of CCT TECH INTERNATIONAL LIMITED (the "**Company**") will be held at 32/F., China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Thursday, 26 May 2005 at 9:00 a.m. for the following purposes:

As Ordinary Business

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 2004.

2. To re-elect the retiring directors, Ms. Cheng Yuk Ching, Flora and Mr. Tam Ngai Hung, Terry, as executive directors of the Company, and Mr. Chen Li, as an independent non-executive director of the Company, and to authorise the board of directors to fix the remuneration of the directors.

3. To re-appoint auditors and to authorise the board of directors to fix the remuneration of the auditors.

As Special Business

4. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution of the Company:

   "**THAT**:

   (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares in the capital of the Company subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or of any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors on behalf of the Company during the Relevant Period (as hereinafter defined) to procure the Company to repurchase its shares at a price determined by the directors;

   (c) the aggregate nominal amount of the shares of the Company be repurchased by the directors of the Company pursuant to the approval in paragraph (a) above during the Relevant Period (as hereinafter defined) shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution, and the said approval shall be limited accordingly; and

   (d) for the purposes of this resolution:

   "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

   (i) the conclusion of the next annual general meeting of the Company;

   (ii) the expiration of the period within which the next annual general meeting of the Company is required by applicable laws or the Company's bye-laws to be held; and

   (iii) the date upon which the authority set out in this resolution is revoked or varied by way of an ordinary resolution of the shareholders of the Company in general meeting."

5. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution of the Company:

"**THAT**:

(a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional new shares in the share capital of the Company and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors on behalf of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements, options and rights of exchange or conversion which would or might require the exercise of such powers after the end of the Relevant Period (as hereinafter defined);

(c) the aggregate nominal amount of share capital allotted or issued or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval granted in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the share option scheme of the Company approved by The Stock Exchange of Hong Kong Limited; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company from time to time, shall not exceed 20 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

"Relevant Period" shall have the same meaning as that ascribed to it under resolution no. 4 as set out in the notice convening the meeting of which this resolution forms part; and

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to the holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange, in any territory outside Hong Kong)."

6. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution of the Company:

   "**THAT** conditional upon the passing of the resolutions nos. 4 and 5 as set out in the notice convening the meeting of which this resolution forms part, the general mandate granted to the directors of the Company pursuant to the resolution no. 5 as set out in the notice convening the meeting of which this resolution forms part be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to the resolution no. 4 as set out in the notice convening the meeting of which this resolution forms part, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this resolution."

By Order of the Board of
CCT TECH INTERNATIONAL LIMITED
Mak Shiu Tong, Clement
Chairman

Hong Kong, 29 April 2005

Notes:

(1) The register of members of the Company will be closed from Monday, 23 May 2005 to Thursday, 26 May 2005 (both days inclusive) during which period no transfer of share(s) will be effected. In order to determine the entitlement to attend and vote at the annual general meeting of the Company, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tengis Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 20 May 2005.

(2) Any shareholder entitled to attend and vote at the meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more shares may appoint not more than two proxies (who must be an individual or individuals) to attend and vote instead of him/her on the same occasion. A proxy need not be a shareholder of the Company.

(3) In order to be valid, a form of proxy in the prescribed form 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 with the branch share registrar and transfer office of the Company 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 fixed for holding the annual general meeting. Such prescribed form of proxy for use at the annual general meeting is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk).

(4) With respect to the resolution set out in resolution no. 2 of this notice, Ms. Cheng Yuk Ching, Flora, Mr. Tam Ngai Hung, Terry and Mr. Chen Li will retire by rotation and, being eligible, offer themselves for re-election at the annual general meeting. Biographical details of the above directors are set out in the 2004 annual report of the Company.

(5) With respect to the resolution set out in resolution no. 4 of this notice, approval is being sought from the shareholders for a general mandate to be given to the directors to repurchase shares of the Company. An explanatory statement containing further information with respect to such resolution will be sent to the shareholders together with the 2004 annual report of the Company.

(6) With respect to the resolutions set out in resolutions nos. 5 and 6 of this notice, approval is being sought from the shareholders for general mandates to be given to the directors to allot, issue and deal with new shares of the Company in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.