CONTENTS

MISSION

Subsequent to the acquisition of the ESH Group from CCT Telecom in June 2003, the Group has extended its scope of the business and become an integrated telecom products enterprise. As the Group is one of the leading global cordless phone manufacturers with strong research and development capabilities, we will continue to develop diversified hi-tech and innovative telecom products in order to satisfy the ever-changing market needs as well as keep abreast of the up-to-date technology pace in today's world.

Mission -

To be a leading creator of communication technology in the fast-pacing technology world

CHAIRMAN'S LETTER

The year of 2003 has been a year of success and growth for the Group.

CCT Tech International Limited (the "Company") and its subsidiaries (together the "Group") underwent a solid and stable economic recovery as a result of the completion of the Group's restructuring in May 2002 (the "Group Restructuring"). In June 2003, the Group received a further boost from its acquisition of the telecom product design and manufacturing business from its ultimate holding company, CCT Telecom Holdings Limited ("CCT Telecom"), through the acquisition of Empire Success Holdings Limited ("ESH") and its subsidiaries (together the "ESH Group").

As a result of the acquisition of the ESH Group in the second half year, I am very pleased to report that the business of the Group achieved a net profit of approximately HK$72.7 million with turnover of approximately HK$1,926.3 million for the year ended 31 December 2003, representing an increase of 17 times in turnover as compared to that of the last fifteen months ended 31 December 2002. The net profit in 2002 of approximately HK$98.2 million was due to the one-off restructuring gain arising from the Group Restructuring.

Outlook

The acquisition of the ESH Group from CCT Telecom has enabled the Group to significantly expand its scope of business. The Group is now an integrated enterprise engaging in high radio frequency telecom products with particular focus on its ODM and OEM business.

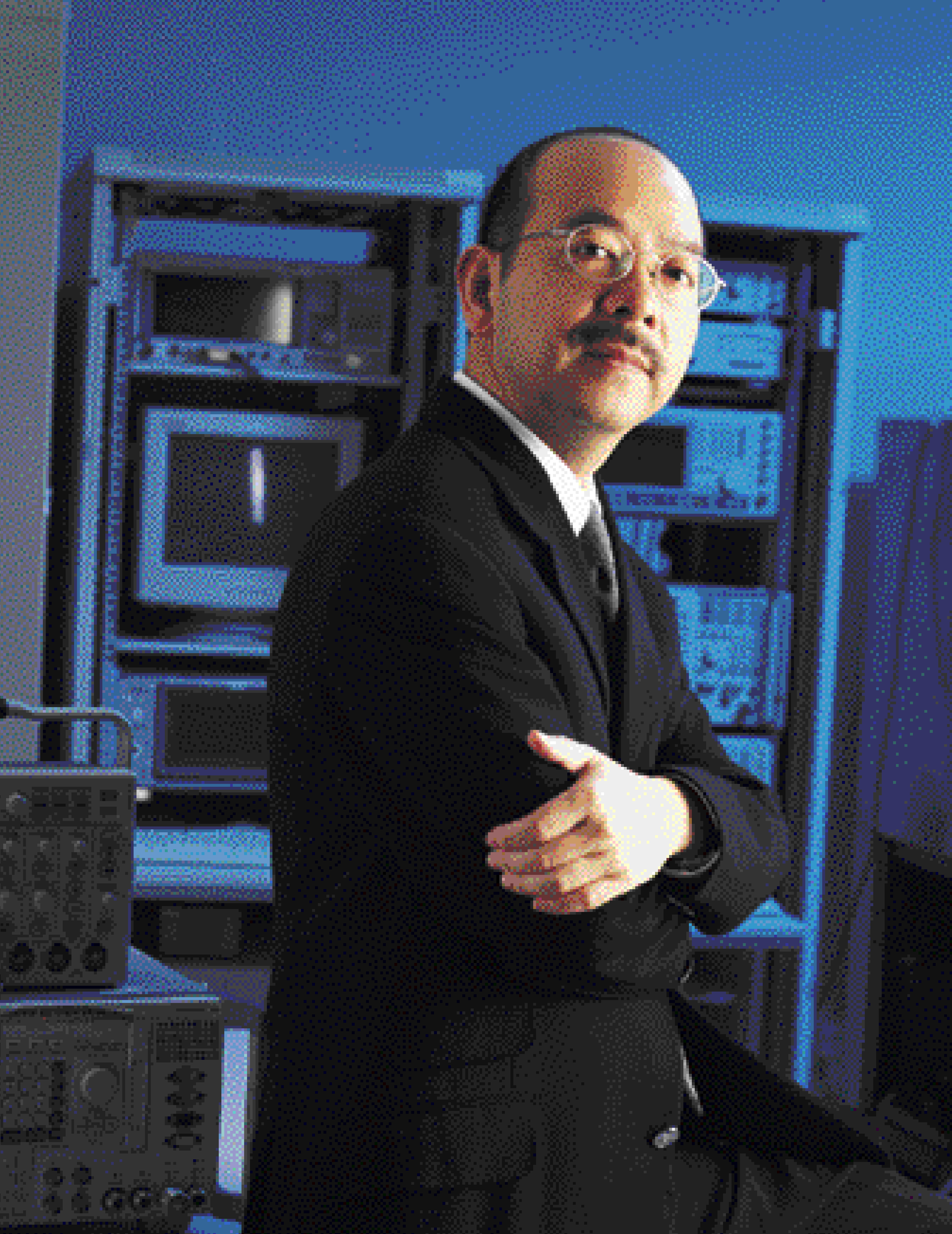
Building on the solid foundation of being the major supplier to a number of world-renowned brand names in Europe and the United States, we will strive to bring in other well-known brands as our customers to extend our reach to Europe and the Asia Pacific region including Japan, South Korea, the PRC and others. With the anticipated recovery of the world economy, in particular, the economy of the United States, we are confident that there will be ample opportunities for the Group's business to continue to grow. To keep pace with this anticipated growth and to keep abreast of our competitors, we will continue to invest prudently in our research and development capabilities so as to develop more innovative and competitive telecom products, such as, the recently launched 5.8 GHz digital multi-handset products. We will also continue to upgrade and expand our existing manufacturing facilities in the PRC in order to meet ever-increasing customer demands and volumes. Furthermore, we will be constantly on the look-out for suitable investment opportunities with an aim to expand the Group through acquisition and co-operation.

Acknowledgements

I, on behalf of the Board, would like to take this opportunity to thank the management team for its sound leadership, our staff for their hard work and excellent team spirit and our shareholders, bankers, business partners and associates for their continuing support.

Mak Shiu Tong, Clement
Chairman

Hong Kong, 23 April 2004



REVIEW OF OPERATIONS

The principal businesses of the Group for the year ended 31 December 2003 were the sale, manufacture, design and development of telecom products (including the manufacture of power supply components) on an ODM (original design manufacturing) and OEM (original equipment manufacturing) basis.

Prior to the acquisition of the ESH Group in June 2003 from CCT Telecom, the principal business of the Group was the manufacturing of electric components. Electronic Sales Limited ("ESL") manufactures and sells a variety of power supply products including AC/DC adaptors, transformers, linear and switching power supplies to the ESH Group and other third party customers.

The ESH Group is principally engaged in the design, development, manufacture and sale (both on an ODM and OEM basis) of cordless telecom products. The ESH Group produces a variety of telecom products including 900 MHz, 2.4 GHz and 5.8 GHz cordless phones and family radio systems. The ESH Group is one of the largest cordless phone manufacturers in the world and is the major supplier of cordless phones to a number of internationally-renowned brands such as GE, Alcatel and others. The ESH Group has also invested heavily in the research and development of cordless phones and maintains a world-class research and development department specialised especially in development of high radio frequency telecom products. Given the current production volume, the ESH Group is able to command various sourcing and procurement advantages within the industry. The said advantages coupled with the ESH Group's advance world-class production facilities located in Guangdong Province of the PRC have enabled and will continue to enable the ESH Group to maintain a sizable and continuing business growth.

Following the acquisition of the ESH Group, the Group's asset and profit base has been significantly enlarged. The second half year results of the ESH Group has been consolidated with the Group's results for 2003, contributing turnover of approximately HK$1,865.6 million. We believe the results of the Group for the current year would be even more encouraging had the ESH Group's full year operation and business results been included.





DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. MAK Shiu Tong, Clement, aged 50, has served as Chairman, Chief Executive Officer and an Executive Director of the Company since August 2002. He has over 27 years of experience in the electronics manufacturing and distribution industry, specialising in telephone and telecom products. He holds a Diploma in Electronics Engineering.

Mr. TAM Ngai Hung, Terry, aged 50, has served as Deputy Chairman and an Executive Director of the Company since August 2002. Mr. Tam has more than 26 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 Society of Accountants and the Institute of Chartered Secretaries and Administrators. Mr. Tam has previously held a number of senior positions in several listed companies.

Ms. CHENG Yuk Ching, Flora, aged 50, has served as an Executive Director of the Company since August 2002. Ms. Cheng has over 24 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.

Mr. TONG Chi Hoi, aged 38, has served as an Executive Director of the Company since November 2002, and has a First Class Honours Degree in Electrical and Electronics Engineering from the University of London. He has over 17 years of experience in the electronics manufacturing industry.

Dr. William Donald PUTT**, aged 67, has served as an Executive Director of the Company since September 2003. Dr. Putt obtained his PhD in Management from the Massachusetts Institute of Technology in the United States. Dr. Putt has over 31 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. Dr. Putt was an executive director of Haier-CCT Holdings Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited, until his resignation on 4 November 2002.

There is no service contract between the Company and Dr. Putt and he is not entitled to any fixed remuneration.

Dr. Putt does not have any relationship with any director, senior management or substantial or controlling shareholder of the Company nor any interests in the shares and share options of the Company.

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

Independent Non-executive Directors

Mr. LAU Ho Kit, Ivan**, aged 45, 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 Society of 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.

There is no service contract between the Company and Mr. Lau. Mr. Lau 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. Lau had interest in 8,000,000 share options of the Company.

Mr. CHOW Siu Ngor**, aged 48, 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 practicing 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 Supreme 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, Kim Eng Holdings (Hong Kong) Limited and eForce Holdings Limited. He was an independent non-executive director of Tem Fat Hing Fung (Holdings) Limited up to 16 December 2002.

There is no service contract between the Company and Mr. Chow. Mr. Chow 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. Chow had interest in 8,000,000 share options of the Company.

** 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. LO Yok Ming, Kitty, aged 49, is responsible for product management, sales and marketing and customer services. Ms. Lo has more than 21 years of experience in the consumer electronics industry and has held senior positions in various multinational companies in the past.

Mr. FUNG Cheuk Chiu, Johnny, aged 50, currently holds the position of Technical Director in a principal subsidiary of the Company. He holds a Higher Certificate in Electronics Engineering. He has more than 26 years of experience in telecom product design and development. Prior to joining the Group, he held a number of senior positions in several electronics companies.

Mr. LAI Lui Bor, aged 53, has more than 26 years of experience in the electronics manufacturing industry. Mr. Lai has a Degree in Mechanical Engineering and currently holds the position of Director of Manufacturing in a principal subsidiary of the Company.

Ms. CHIK Bik Fong, Ella, aged 48, currently holds the position of Material Director in a principal subsidiary of the Company, and has more than 21 years of extensive experience in materials sourcing and control in the manufacturing of telecom products.

Mr. HO Yiu Hong, Victor, aged 36, currently holds the position of Director of Finance in a principal subsidiary of the Company, and 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 and an associate of the Institute of Chartered Secretaries and Administrators.

Ms. LOW Pui Man, Jaime, aged 35, 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

Comparison between Current Year and Last Period

The Group's balance sheet as at 31 December 2002 reflected only the ESL's assets and liabilities but did not include the assets and liabilities of the ESH Group, the acquisition of which was completed on 30 June 2003. Subsequent to the acquisition of the ESH Group, both assets and liabilities of the Group have been enlarged significantly due to the inclusion of the sizable operation and business of the ESH Group.

The profit and loss account for the year ended 31 December 2003 was derived mainly from the full year results of ESL plus the second half year results of the ESH Group. The profit and loss account for the fifteen months ended 31 December 2002, on the other hand, reflected only the results of approximately seven months of ESL after the Group Restructuring. With the contribution from the ESH Group after being acquired on 30 June 2003, the turnover and other profit and loss items of the Group in 2003 have increased significantly, which reflected the substantial increase in operations after acquisition of the ESH Group.

In light of the acquisition of the ESH Group by the Company, both the financial position and results of the Group for the current year have changed tremendously in comparison with that of the last period.

Acquisitions and Disposals of Material Subsidiaries and Associated Companies

Pursuant to an agreement signed on 15 May 2003 with CCT Telecom, the Company acquired from CCT Telecom the entire interest in ESH and its subsidiaries including the assignment of the interest-free shareholder's loan due from the ESH Group to the Company, at a consideration of HK$768.0 million to be satisfied by the issue of the Company's convertible notes. The ESH Group is principally engaged in the design, development, manufacture and sale on an ODM and OEM basis of cordless telecom products including cordless phones and family radio systems. The acquisition was completed on 30 June 2003 and further details were set out in the Company's circular dated 11 June 2003.

Apart from the acquisition above, there were no other material acquisitions and disposals of subsidiaries and associated companies during the year.

The Prospects of the Group's Business

After completion of the acquisition of the ESH Group, the Group has become a major manufacturer of cordless telecom products on an ODM and OEM basis. Through the acquisition of the ESH Group and its extensive business network, solid market position and strong research and development capability, the prospects of the Group's telecom products business will be promising. The Group will continue to develop diversified hi-tech and innovative telecom products. The Company expects that the Group's business will continue to grow.

Summary of Results

HK$'000	Year ended 31 Dec 2003	Period from 1 Oct 2001 to 31 Dec 2002	% Change
Turnover	**1,926,258**	106,385	+1,711%
Profit/(loss) from operating activities	**111,380**	(16,686)	N/A
— net gain attributable to the Group Restructuring	**—**	119,472	-100%
— finance costs	**(29,020)**	(3,093)	+838%
Profit before tax and minority interests	**82,360**	99,693	-17%
— tax and minority interests	**(9,618)**	(1,535)	+527%
Net profit attributable to shareholders	**72,742**	98,158	-26%

Turnover of the Group increased sharply to approximately HK$1,926.3 million for the year under review, representing a growth rate of approximately 1,711% in comparison with that of the last period, which was mainly attributable to the business of telecom products acquired from CCT Telecom during the year. The Group managed to turnaround the operating loss of approximately HK$16.7 million of the prior period (incurred before the Group Restructuring by the previous management and the then receivers) into an operating profit of approximately HK$111.4 million and a net profit attributable to shareholders of approximately HK$72.7 million for the year under review.

Turnover of approximately HK$106.4 million of the prior period was solely derived from the few months operation of ESL after completion of the Group Restructuring in May 2002. Net profit attributable to shareholders of approximately HK$98.2 million recorded in the prior period was mainly due to the one-off restructuring gain arising from the Group Restructuring.

Analysis by Business Segment

	Turnover and other revenue		**Profit/(loss) from operating activities**	
HK$'000	**Year ended 31 Dec 2003**	Period from 1 Oct 2001 to 31 Dec 2002	**Year ended 31 Dec 2003**	Period from 1 Oct 2001 to 31 Dec 2002
Telecom products	**1,937,149**	106,020	**119,073**	6,991
Corporate items	**—**	2,760	**(7,693)**	(23,677)
	1,937,149	108,780	**111,380**	(16,686)

Analysis by Business Segment *(Cont'd)*

Subsequent to the acquisition of the ESH Group, the Group focused on business from the sale, manufacture, design and development of cordless telecom products on an ODM and OEM basis, which formed the major source of revenue to the Group and contributed to almost 100% the Group's turnover for the year (2002: almost 100%). The telecom products business contributed an operating profit of approximately HK$119.1 million for the year ended 31 December 2003 (2002: approximately HK$7.0 million). The loss of corporate segment decreased to approximately HK$7.7 million for the current year (2002: loss of approximately HK$23.7 million) as a result of savings on head office expenses and absence of one-off restructuring expenses that was incurred in the last period.

Analysis of Turnover and Other Revenue by Geographical Segment

HK$'000	**Year ended 31 Dec 2003**	**Relative %**	Period from 1 Oct 2001 to 31 Dec 2002	Relative %
United States	**1,244,344**	**64%**	—	—
PRC (including Hong Kong)	**354,778**	**19%**	108,780	100%
European Union	**64,996**	**3%**	—	—
Others	**273,031**	**14%**	—	—
Total	**1,937,149**	**100%**	108,780	100%

As the ESH Group is one of the world's major suppliers of cordless telecom products, most of the Group's turnover was derived from the export of telecom products to its world-wide customers for the year under review. In contrast, turnover of the last period came mainly from the sale of electric components by ESL to the ESH Group. This explains the significant changes in geographical mix of turnover between the current year and the last period. The United States was the primary market of the Group, accounting for approximately 64% (2002: 0%) of the Group's total turnover for the current year. The PRC (including Hong Kong) ranked the second accounting for approximately 19% (2002: 100%) of the Group's total turnover.

Liquidity and Financial Resources

HK$'000	**At 31 Dec 2003**	At 31 Dec 2002
Current assets	**1,306,369**	101,482
Current liabilities	**1,105,313**	37,488
	118%	271%

The Group's cash balance increased significantly to approximately HK$549.8 million at 31 December 2003 (2002: approximately HK$68.0 million) attributable to the inclusion of cash balance of the ESH Group. 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. Current ratio (a ratio of current assets over current liabilities) as at 31 December 2003 stood at 118% (2002: 271%), remains healthy and reflects the inclusion of the ESH Group.

Capital Structure and Gearing Ratio

	At 31 Dec 2003		At 31 Dec 2002	
HK$'000	**Amount**	**Relative %**	Amount	Relative %
Bank borrowings	**111,181**	**10%**	2,578	2%
Convertible notes	**831,000**	**77%**	65,000	57%
Finance lease payables	**1,274**	**0%**	—	—
Total borrowings	**943,455**	**87%**	67,578	59%
Equity	**142,143**	**13%**	46,401	41%
Total capital employed	**1,085,598**	**100%**	113,979	100%

At the balance sheet date, the total outstanding convertible notes issued by the Company amounted to HK$831.0 million (2002: HK$65.0 million) which comprised:

(i) HK$45.0 million zero coupon convertible notes due 2005 to CCT Telecom, with a conversion price of HK$0.01 per share;

(ii) HK$8.0 million at 5% per annum convertible notes due 2004 to an independent third party, with a conversion price of HK$0.01 per share;

(iii) HK$10.0 million at 2% per annum convertible notes due 2005 to several independent third parties, with a conversion price of HK$0.01 per share; and

(iv) HK$768.0 million at prime or best lending rate plus 2% per annum convertible notes due 2008 to CCT Telecom, with a conversion price of HK$0.014 per share.

Due to the inclusion of borrowings of the acquired ESH Group, the Group's outstanding bank borrowings increased to approximately HK$111.2 million at 31 December 2003 (2002: approximately HK$2.6 million). All of the bank borrowings of the Group were arranged on a short-term basis for ordinary business operations and are repayable within one year. There is no material effect of seasonality on the Group's borrowings requirements.

Certain of the ESH Group's assets were acquired by way of finance leases and the total outstanding finance lease payables for the Group at 31 December 2003 amounted to approximately HK$1.3 million (2002: Nil).

The Group's gearing ratio, calculated on the basis of the Group's total borrowings over total capital employed (equity plus total borrowings), increased to 87% at 31 December 2003 (2002: 59%). The sharp increase in total borrowings was mainly attributable to: (i) the issue of HK$768.0 million convertible notes to CCT Telecom as the consideration for the acquisition of the ESH Group; and (ii) the inclusion of the bank borrowings of approximately HK$111.2 million of the acquired ESH Group. Of the outstanding convertible notes, approximately HK$813.0 million in principal amount is due to the Group's ultimate holding company, CCT Telecom, and are attached with a relatively long maturity period of redemption. In other words, the Group will not have immediate repayment pressure.

Use of Proceeds

The Group raised net proceeds of approximately HK$57.8 million as a result of the placement of convertible notes and shares in 2002 and 2003. All such proceeds have been used by the Group in accordance with the intended purposes as announced on 6 June 2002 and 17 April 2003, respectively.

Capital Commitments

There were outstanding capital commitments related to the purchases of moulds, equipment and machinery and the total amount contracted by the Group but not yet provided for in the accounts was approximately HK$2.3 million as at 31 December 2003 (2002: Nil), all of which would be financed internally.

Treasury Management

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

During the year, the Group's receipts were mainly denominated in United States dollar, with some in Hong Kong dollar and Euro dollar. Payments were mainly made in Hong Kong dollar and United States dollar, with some in Renminbi and Euro dollar. Cash was generally placed in short-term deposits denominated in Hong Kong dollar and United States dollar. At 31 December 2003, all of the Group's outstanding borrowings were denominated in Hong Kong dollar. Other than the convertible notes in principle amount of HK$18.0 million with fixed interest rate and HK$45.0 million with zero interest rate, the Group's borrowings were principally made on a floating rate basis.

The objective of the Group's treasury policies is to minimize 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 Hong Kong dollar remains pegged to United States dollar, the Group does not foresee a substantial exposure in United States dollar receipts and payments. The Group's exposure to foreign exchange risk is not substantial and forward exchange contracts will be entered into to minimize such risk when necessary and appropriate.

Significant Investment

The Group did not hold any significant investment at 31 December 2003 (2002: Nil).

Pledge of Assets

At 31 December 2003, certain of the Group's time deposits of approximately HK$100.2 million, all of which belonging to the ESH Group, (2002: approximately HK$5.0 million) were pledged to secure general banking facilities granted to the Group.

Contingent Liabilities

At 31 December 2003, the Group had contingent liability in respect of possible future long service payments to employees, mainly of the ESH Group, amounted to approximately HK$4.7 million (2002: approximately HK$0.2 million). Save as aforesaid, the Group did not have any other significant contingent liabilities at 31 December 2003.

Employees and Remuneration Policy

The total number of employees in the Group, including those employees of the ESH Group, as at 31 December 2003 was 15,545 (2002: 1,107). Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees and persons of the Group. At 31 December 2003, there were outstanding share options of approximately 1,083 million (2002: Nil).

Auditors' Modified Opinion Regarding the Comparative Amounts

In the opinion of auditors, the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2003 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.

Without qualifying their opinion for the year ended 31 December 2003, the auditors draw attention to the fact that their opinion on the financial statements of the Group and the Company for the fifteen months period from 1 October 2001 to 31 December 2002 included in the auditors' report dated 15 April 2003, was disclaimed due to certain limitations of scope. Accordingly, the comparative amounts shown in these financial statements may not be comparable with the amounts for the current year.

In particular, since S. Meggatel Sdn. Bhd., a 70%-owned subsidiary of the Group in Malaysia, had incomplete books and records for the period from 1 October 2001 to 31 December 2002, the auditors were unable to satisfy themselves as to the nature, completeness, appropriateness, classification and disclosure in respect of the transactions undertaken by S. Meggatel Sdn. Bhd. for the period from 1 October 2001 to 31 December 2002 and the related balances as at 31 December 2002. During the current year, this subsidiary became immaterial to the Group and accordingly the scope limitations in the prior period had no material impact to the Group's current year's financial statements.

CORPORATE INFORMATION

COMPANY NAME

CCT Tech International Limited

BOARD OF DIRECTORS

Executive Directors

MAK Shiu Tong, Clement
(Chairman and Chief Executive Officer)
TAM Ngai Hung, Terry
(Deputy Chairman)
CHENG Yuk Ching, Flora
TONG Chi Hoi
William Donald PUTT

Independent Non-executive Directors

LAU Ho Kit, Ivan
CHOW Siu Ngor

COMPANY SECRETARY

LOW Pui Man, Jaime

PRINCIPAL BANKERS

Standard Chartered Bank
Nanyang Commercial Bank, Ltd

SOLICITORS

Sidley Austin Brown & Wood

AUDITORS

Enrst & 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

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 2003.

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 acquired the entire 100% interest in Empire Success Holdings Limited ("ESH") and its subsidiaries (collectively referred to as the "ESH Group") from CCT Telecom Holdings Limited ("CCT Telecom"), the ultimate holding company of the Company, details of which are set out in notes 33(b) and 38 to the financial statements. The principal activities of ESH Group are the manufacture and sale of telecom products and accessories.

Results and Dividend

The Group's profit for the year ended 31 December 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 35 to 82.

The directors do not recommend payment of any dividend for the year (period ended 31 December 2002: 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 83. 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 15 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 30 and 31 to the financial statements.

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 32 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2003, 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 totalling HK$550,000 (period ended 31 December 2002: Nil).

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	
	Year ended 31 December 2003	Period from 1 October 2001 to 31 December 2002	Year ended 31 December 2003	Period from 1 October 2001 to 31 December 2002
Largest customer	52%	69%		
Five largest customers in aggregate	83%	93%		
Largest supplier			9%	26%
Five largest suppliers in aggregate			31%	68%

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 (appointed on 19 September 2003)

Independent non-executive directors:

Chow Siu Ngor
Lau Ho Kit, Ivan

In accordance with the bye-laws of the Company, Messrs. William Donald Putt, Chow Siu Ngor and Lau Ho Kit, Ivan 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.

Directors' and Senior Management's Biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 to 10 of this 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 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2003, 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 8.06% of the existing issued share capital of the Company as at the date of this report.

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"). 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.

Share Option Scheme *(Continued)*

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 Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

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

	Number of share options								Price of the shares of the Company	
Name or category of participant	Outstanding as at 1 January 2003	Granted during the year	Exercised during the year	Lapsed/ Cancelled during the year	Outstanding as at 31 December 2003	Date of grant of share options	Exercise period of share options	Exercise price per share (Note 1) HK$	At grant date of share options (Note 2) HK$	At exercise date of share options (Note 3) HK$
Executive directors										
Mak Shiu Tong, Clement	—	100,000,000	—	—	100,000,000	30/4/2003	30/4/2003 — 29/4/2008	0.014	0.014	—
Cheng Yuk Ching, Flora	—	100,000,000	—	—	100,000,000	30/4/2003	30/4/2003 — 29/4/2008	0.014	0.014	—
Tam Ngai Hung, Terry	—	100,000,000	—	—	100,000,000	30/4/2003	30/4/2003 — 29/4/2008	0.014	0.014	—
Tong Chi Hoi	—	50,000,000	—	—	50,000,000	30/4/2003	30/4/2003 — 29/4/2008	0.014	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	0.014	—
Lau Ho Kit, Ivan	—	8,000,000	—	—	8,000,000	30/4/2003	30/4/2003 — 29/4/2008	0.014	0.014	—
	—	16,000,000	—	—	16,000,000					
Other employees										
In aggregate	—	716,800,000	(19,000)	—	716,781,000	30/4/2003	30/4/2003 — 29/4/2008	0.014	0.014	0.022
	—	716,800,000	(19,000)	—	716,781,000					
	—	1,082,800,000	(19,000)	—	1,082,781,000					

Share Option Scheme *(Continued)*

Notes:

1. 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.

2. The price of the shares of the Company as at the date of grant of the share options is the closing price of the shares of the Company as listed on the Stock Exchange on the trading day immediately before the date on which the share options were granted.

3. The price of the shares of the Company as at the date of exercise of the share options is the weighted average of the closing prices of the shares of the Company as listed on the Stock Exchange on the trading day immediately before the dates on which the share options were exercised.

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.

The directors of the Company do not consider it appropriate to disclose a theoretical value of the share options granted to the directors and the employees of the Company during the year because a number of factors crucial for the valuation cannot be determined. Accordingly, any valuation of the share options based on various speculative assumptions would not be meaningful, but would be misleading to the shareholders of the Company.

Directors' Interests in Shares

As at 31 December 2003, 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 corporation (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 Companies (the "Model Code") under the Listing Rules:

(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 — 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.

Directors' Interests in Shares *(Continued)*

(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	Number of shares in CCT Telecom beneficially held and nature of interest Personal	Family	Corporate	Total	Approximate percentage of total shareholding (%)
Mak Shiu Tong, Clement (Note)	856,000	1,407,500	83,998,441	86,261,941	20.44
Cheng Yuk Ching, Flora	9,876,713	—	—	9,876,713	2.34
Tong Chi Hoi	282,000	—	—	282,000	0.07
William Donald Putt	171,500	—	—	171,500	0.04

Note: The family interest of Mr. Mak Shiu Tong, Clement in 1,407,500 shares in CCT Telecom was held by his wife, Ms. Yiu Yu Ying, and the corporate interest of Mr. Mak Shiu Tong, Clement in 83,998,441 shares in CCT Telecom was held by Capital Interest Limited, the issued share capital of which his wife, Ms. Yiu Yu Ying, and his two sons had beneficial interests, under the provisions of Part XV of the SFO.

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

	Share options in CCT Telecom					
Name of director	Date of grant of share options	Exercise period of share options	Exercise price per share HK$	Number of share options outstanding	Number of total underlying shares	Approximate percentage of total shareholding (%)
Mak Shiu Tong, Clement	17/3/2003	17/3/2003 — 16/3/2008	0.750	420,000	420,000	0.10
Cheng Yuk Ching, Flora	17/3/2003	17/3/2003 — 16/3/2008	0.750	4,200,000	4,200,000	1.00
Tam Ngai Hung, Terry	17/3/2003	17/3/2003 — 16/3/2008	0.750	4,200,000	4,200,000	1.00
Tong Chi Hoi	17/3/2003	17/3/2003 — 16/3/2008	0.750	1,000,000	1,000,000	0.24
William Donald Putt	17/3/2003	17/3/2003 — 16/3/2008	0.750	420,000	420,000	0.10

Save as disclosed above, as at 31 December 2003, none of the directors and the chief executive of the Company and/or any of their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (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 in Shares — Interests and short positions in the shares, underlying shares and debentures of an associated corporation" 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 debenture of, the Company or any of its associated corporation (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 corporation (within the meaning of Part XV of the SFO) a party to any arrangement to enable the directors of the Company to acquire such rights in any other body corporate.

Substantial Shareholders' Interests

As at 31 December 2003, the following persons (other than the directors or the chief executive of the Company) had an interest or a short position in the shares or underlying shares of the Company as 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 shareholders	Notes	Number of shares held	Approximate percentage of total shareholding (%)
CCT Telecom	(a)	4,500,000,000	34.25
CCT Technology Investment Limited	(b)	4,500,000,000	34.25
Jade Assets Company Limited		1,800,000,000	13.71
CCT Assets Management Limited		1,350,000,000	10.27
Expert Success International Limited		1,350,000,000	10.27
Dongguan Defa Investment Limited		2,000,000,000	15.22
Tan Jinrong	(c)	2,000,000,000	15.22
Kwong Cheong Trading Limited		1,200,000,000	9.13
Yang Shao Wu	(d)	1,200,000,000	9.13

Notes:

(a) The interest disclosed comprises 4,500,000,000 shares beneficially 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 comprises 1,800,000,000 shares held by Jade Assets Company Limited, 1,350,000,000 shares held by CCT Assets Management Limited and 1,350,000,000 shares held by Expert Success International Limited, all of them are wholly-owned subsidiaries of CCT Technology Investment Limited.

(c) The interest disclosed comprises 2,000,000,000 shares held by Dongguan Defa Investment Limited, which is 75% owned by Mr. Tan Jinrong.

(d) The interest disclosed comprises 1,200,000,000 shares held by Kwong Cheong Trading Limited, which is wholly-owned by Mr. Yang Shao Wu.

Substantial Shareholders' Interests *(Continued)*

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

Name of holder of equity derivatives	Notes	Description of equity derivatives held	Number of total underlying shares	Approximate percentage of total shareholding (%)
CCT Telecom	(a)	HK$45 million zero coupon convertible notes due 2005	4,500,000,000	451.78
		HK$768 million prime or best lending rate plus 2% convertible note due 2008	54,857,142,857	
CCT Technology Investment Limited	(b)	HK$45 million zero coupon convertible notes due 2005	4,500,000,000	451.78
		HK$768 million prime or best lending rate plus 2% convertible note due 2008	54,857,142,857	
Emporium International Limited		HK$45 million zero coupon convertible notes due 2005	4,500,000,000	34.25
Noble Team Investments Limited		HK$768 million prime or best lending rate plus 2% convertible note due 2008	54,857,142,857	417.53
Kwong Cheong Trading Limited		HK$8 million out of principal sum of HK$20 million 5% convertible notes due 2004	800,000,000	6.09
Yang Shao Wu	(c)	HK$8 million out of principal sum of HK$20 million 5% convertible notes due 2004	800,000,000	6.09

Substantial Shareholders' Interests *(Continued)*

(ii) Long positions in the underlying shares of equity derivatives of the Company: *(Continued)*

Notes:

(a) The interest disclosed comprises an aggregate of 59,357,142,857 underlying shares beneficially 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 comprises 4,500,000,000 underlying shares held by Emporium International Limited and 54,857,142,857 underlying shares held by Noble Team Investments Limited, both are wholly-owned subsidiaries of CCT Technology Investment Limited.

(c) The interest disclosed comprises 800,000,000 underlying shares held by Kwong Cheong Trading Limited, which is wholly-owned by Mr. Yang Shao Wu.

Save as disclosed above, as at 31 December 2003, no other person (other than the directors or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Connected Transactions

During the year, the Company had transactions with connected persons as defined in the Listing Rules, which constituted connected transactions under Section 14 of the Listing Rules. Details of the transactions are as follows:

(1) On 15 May 2003, the Company and CCT Telecom entered into a conditional agreement pursuant to which CCT Telecom has agreed (i) to dispose of the entire interest in ESH to the Company; and (ii) to assign its interest-free shareholder's loan due from ESH Group to the Company as at the completion date of this transaction, at a total consideration of HK$768 million. The consideration was satisfied by the issue of a convertible note with a principal amount of HK$768 million by the Company to an indirect wholly-owned subsidiary of CCT Telecom.

ESH Group is principally engaged in the design, manufacture and sale on ODM and OEM basis of home-use telecom products including cordless phones and family radio systems.

The transaction was completed on 30 June 2003 and further details of the acquisition are set out in the Company's circular dated 11 June 2003.

Connected Transactions *(Continued)*

(2) For the period from 1 July 2003 to 31 December 2003, certain indirect wholly-owned subsidiaries of the Company had the following material transactions with CCT Telecom and its certain subsidiaries subsequent to the acquisition of ESH Group by the Company on 30 June 2003:

	Notes	Period from 1 July 2003 to 31 December 2003 HK$'000
Purchases of plastic casings and components	(i)	132,353
Factory rental income	(ii)	3,000
Factory rental expense	(iii)	900
Office rental expenses	(iv)	1,492
Management information system service fee	(v)	1,200

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 "Manufacturing Agreement") entered into between CCT HK and Neptune on 15 May 2003.

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

(ii) 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.

(iii) The factory rental expense was charged to CCT Investment Limited ("CCT Inv"), an indirect wholly-owned subsidiary of the Company, 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 "Dongguan Tenancy Agreement") entered into between CCT Inv and CCT Prop 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 rates 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 21 November 2001 and 23 October 2002, and between CCT R&D and Goldbay on 20 January 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.

Connected Transactions *(Continued)*

(2) *(Continued)*

The transaction contemplated under the Manufacturing Agreement is referred to as the "First Transaction" and the transactions contemplated under the Huiyang Tenancy Agreement, Dongguan Tenancy Agreement, the Hong Kong Tenancy Agreements and the MIS Agreement are collectively referred to as the "Second Transactions".

The First Transaction as indicated in note (i) above was disclosed in the circular to the shareholders of the Company dated 11 June 2003 and was approved by the independent shareholders at a special general meeting of the Company held on 27 June 2003.

The Stock Exchange has granted conditional waivers to the Company from strict compliance with the connected transactions requirements as set out in the Listing Rules for the three financial years ending 31 December 2005. The First Transaction and Second Transactions have obtained the approval of the independent non-executive directors of the Company.

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

(a) the aggregate value under the First Transaction for the period from 1 July 2003 to 31 December 2003 did not exceed 11% of the consolidated cost of sales of the Group;

(b) the consideration receivable from/payable to the Group under each of the Second Transactions for the period from 1 July 2003 to 31 December 2003 did not exceed the higher of HK$10,000,000 or 3% of the net tangible asset value of the Company;

(c) the First Transaction was entered into in the usual and ordinary course of businesses of the Group and the CCT Telecom Group;

(d) both the First Transaction and Second Transactions were conducted on normal commercial terms; and

(e) both the First Transaction and Second Transactions were conducted in accordance with the terms of the agreements governing such transactions.

Connected Transactions *(Continued)*

(3) During the year, Electronic Sales Limited ("ESL"), a wholly-owned subsidiary of the Company, had the following material transactions with certain subsidiaries of CCT Telecom:

	Notes	Year ended 31 December 2003 HK$'000	Period from 17 May 2002 to 31 December 2002 HK$'000
Rental expense	(i)	1,800	1,200
Purchase of materials	(ii)	24,427	17,256

Notes:

(i) The rental expense was 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 entered into between ESL and CCT Prop on 15 April 2003.

(ii) The purchase of materials from Neptune included plastic moulds and materials, and the prices of which were determined based on the direct costs of the materials plus a mark-up of up to 50% of such direct costs.

In addition to the above, ESL had the following material transactions with CCT HK up to 30 June 2003, the date on which CCT HK became a wholly-owned subsidiary of the Group:

	Notes	Period from 1 January 2003 to 30 June 2003 HK$'000	Period from 17 May 2002 to 31 December 2002 HK$'000
Management fee expense	(iii)	1,200	1,600
Sale of products	(iv)	45,750	73,750

Notes:

(iii) The management fee expense was charged to ESL by CCT HK for the provision of general administration, management information system consultation and hardware maintenance services and was determined based on actual costs incurred.

(iv) The sale of products to CCT HK included transformers, AC/DC adaptors and custom built-in power supply, and the prices of which were determined based on the direct material costs of the products plus a mark-up of up to 50% of such direct material costs.

Connected Transactions *(Continued)*

(3) *(Continued)*

The transactions as indicated in notes (ii) and (iv) above were disclosed to the shareholders of CCT Technology dated 21 June 2002 and were approved by the independent shareholders at a special general meeting of CCT Technology 11 July 2002.

The Stock Exchange has granted conditional waivers to CCT Technology from strict compliance with the connected transactions requirements as set out in the Listing Rules for the three financial years ending 31 December 2004. The transactions as indicated in notes (i) to (iv) above (the “Connected Transactions”) have obtained the approval of the independent non-executive directors of CCT Technology on 31 May 2002. The Stock Exchange has confirmed that the conditional waivers are validly applicable to the Company after a group reorganisation became effective on 4 November 2002. Details of the group reorganisation are set out in note 1 to the financial statements.

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

(a) the aggregate value of the rental expense as indicated in note (i) above for the year ended 31 December 2003 did not exceed the higher of HK$10,000,000 or 3% of the net tangible asset value of the Company;

(b) the aggregate value of the purchase of materials from Neptune as indicated in note (ii) above for the year ended 31 December 2003 did not exceed the cap amount of HK$83,000,000;

(c) the aggregate value of the management fee expense as indicated in note (iii) above for the period from 1 January 2003 to 30 June 2003 did not exceed the higher of HK$10,000,000 or 3% of the net tangible asset value of the Company;

(d) the aggregate value of the sale of products to CCT HK as indicated in note (iv) above for the period 1 January 2003 to 30 June 2003 did not exceed the cap amount of HK$155,000,000;

(e) the Connected Transactions were entered into in the usual and ordinary course of businesses of ESL;

(f) the Connected Transactions were conducted on normal commercial terms; and

(g) the Connected Transactions were conducted in accordance with the terms of the agreements governing such transactions.

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 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.

Audit Committee

Pursuant to the requirements of the Listing Rules, the Company has established an audit committee comprising two independent non-executive directors of the Company. A set of written terms of reference which describes the authorities and duties of the audit committee, was adopted by the Board.

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 control of the Company. The audit committee had reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2003.

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
23 April 2004

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 35 to 82 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 Society of 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 at 31 December 2003 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.

Emphasis of matter

Without qualifying our opinion, we draw attention to the fact that our opinion on the financial statements of the Group and the Company for the fifteen month period from 1 October 2001 to 31 December 2002 included in our report dated 15 April 2003, was disclaimed due to certain limitations of scope as further explained in the basis of opinion section therein. Accordingly, the comparative amounts shown in these financial statements may not be comparable with the amounts for the current year.

Ernst & Young
Certified Public Accountants

Hong Kong
23 April 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2003

	Notes	Year ended 31 December 2003 HK$'000	Period from 1 October 2001 to 31 December 2002 HK$'000
TURNOVER	5	1,926,258	106,385
Cost of sales		(1,709,749)	(88,164)
Gross profit		216,509	18,221
Other revenue		12,161	2,760
Selling and distribution costs		(26,058)	(723)
Administrative expenses		(63,410)	(24,356)
Other operating expenses		(27,822)	(2,603)
Impairment of fixed assets		—	(9,985)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	6	111,380	(16,686)
Net gain attributable to the Group Restructuring	7	—	119,472
Finance costs	8	(29,020)	(3,093)
PROFIT BEFORE TAX		82,360	99,693
Tax	11	(9,666)	(1,000)
PROFIT BEFORE MINORITY INTERESTS		72,694	98,693
Minority interests		48	(535)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	12	72,742	98,158
DIVIDEND	13	—	—
EARNINGS PER SHARE	14		
Basic		0.60 cents	1.75 cents
Diluted		0.22 cents	1.15 cents

CONSOLIDATED BALANCE SHEET

31 December 2003

	Notes	2003 HK$'000	2002 HK$'000
NON-CURRENT ASSETS			
Fixed assets	15	681,128	16,134
Intangible assets	16	22,925	496
Goodwill	17	55,066	32,297
Other assets	19	350	—
Deferred tax assets	29	8,811	—
		768,280	48,927
CURRENT ASSETS			
Inventories	20	155,128	1,849
Trade and bills receivables	21	593,923	29,867
Prepayments, deposits and other receivables	22	7,502	1,790
Pledged time deposits	23	100,161	5,043
Cash and cash equivalents	23	449,655	62,933
		1,306,369	101,482
CURRENT LIABILITIES			
Trade and bills payables	24	859,256	25,682
Tax payable		13,326	2,214
Other payables and accruals	25	113,051	7,014
Interest-bearing bank and other borrowings	26	111,680	2,578
Convertible notes	28	8,000	—
		1,105,313	37,488
NET CURRENT ASSETS		201,056	63,994
TOTAL ASSETS LESS CURRENT LIABILITIES		969,336	112,921
NON-CURRENT LIABILITIES			
Finance lease payables	27	775	—
Convertible notes	28	823,000	65,000
Deferred tax liabilities	29	2,931	985
		826,706	65,985
MINORITY INTERESTS		487	535
		142,143	46,401
CAPITAL AND RESERVES			
Issued capital	30	131,384	108,384
Reserves	32(a)	10,759	(61,983)
		142,143	46,401

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2003

	Issued share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Conversion option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 October 2001	127,681	733,730	34,600	47,926	20,487	(1,014,788)	(50,364)
Capital reduction against accumulated losses (note a)	(121,297)	—	—	—	—	121,297	—
Issue of new shares of CCT Technology	84,200	—	—	—	—	—	84,200
Placement of new shares of CCT Technology	17,800	—	—	—	—	—	17,800
Reversal of conversion option reserve upon the Group Restructuring (note b)	—	—	—	—	(20,487)	—	(20,487)
Reversal of reserves upon the Group Restructuring (note c)	—	—	(34,600)	(47,926)	—	—	(82,526)
Share issue expenses	—	(380)	—	—	—	—	(380)
Profit for the period	—	—	—	—	—	98,158	98,158
At 31 December 2002 and 1 January 2003	108,384	733,350	—	—	—	(795,333)	46,401
Issue of new shares	23,000	—	—	—	—	—	23,000
Profit for the year	—	—	—	—	—	72,742	72,742
At 31 December 2003	131,384	733,350	—	—	—	(722,591)	142,143

Notes:

(a) The entire credit balance, arising from the capital reduction of CCT Technology in the amount of HK$121,297,000, was applied to write off part of the accumulated losses of CCT Technology.

(b) The entire conversion option reserve was reversed upon settlement of the convertible notes on 17 May 2002.

(c) The contributed surplus and capital reserves were reversed upon the disposal of certain subsidiaries and disposal of properties, respectively.

The events as explained in notes (a) to (c) above have arisen from the Group Restructuring which was completed on 17 May 2002. Details of the Group Restructuring are set out in note 1 to the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2003

	Notes	Year ended 31 December 2003 HK$'000	Period from 1 October 2001 to 31 December 2002 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		82,360	99,693
Adjustments for:			
Interest income	5	(1,270)	(365)
Gain on disposal of fixed assets, net	6	(8)	—
Finance costs	8	29,020	3,093
Net gain attributable to the Group Restructuring	7	—	(119,472)
Depreciation	6	42,749	3,808
Amortisation of goodwill	6	2,290	1,100
Amortisation of deferred development costs	6	20,103	99
Bad and doubtful debt provisions on trade receivables	6	369	380
Provision for slow-moving and obsolete stocks	6	7,684	—
Loss on disposal of fixed assets, net	6	—	116
Write off of fixed assets	6	17,893	1,007
Impairment of fixed assets		—	9,985
Write off of deferred development costs	6	7,270	—
Operating profit/(loss) before working capital changes		208,460	(556)
Decrease in inventories		28,198	1,445
Decrease/(increase) in trade and bills receivables, prepayments, deposits and other receivables		(43,987)	630
Increase in trade and bills payables, other payables and accruals		245,948	5,700
Cash generated from operations		438,619	7,219
Interest received		1,270	365
Interest paid		(28,966)	—
Interest element on finance lease rental payments		(54)	(31)
Hong Kong profits tax paid		(6,424)	(754)
Net cash inflow from operating activities		404,445	6,799

	Notes	Year ended 31 December 2003 HK$'000	Period from 1 October 2001 to 31 December 2002 HK$'000
Net cash inflow from operating activities		404,445	6,799
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets		(31,594)	(2,563)
Proceeds from disposal of fixed assets		5,706	61
Additions to deferred development costs		(18,750)	(172)
Acquisition of subsidiaries	33(b)	134,932	15,026
Disposal of subsidiaries and discharge of secured and unsecured financial obligations upon the Group Restructuring	33(c)	—	(12,870)
Increase in pledged time deposits		(36,482)	(5,043)
Net cash inflow/(outflow) from investing activities		53,812	(5,561)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares		—	40,000
Proceeds from placement of shares		—	17,800
Share issue expenses		—	(380)
Issue of convertible notes		21,000	20,000
Repayment of convertible notes		—	(23,000)
New bank loans		93,000	—
Repayment of bank loans		(115,183)	—
Net repayment of trust receipts		(69,238)	—
Capital element of finance lease rental payments		(1,114)	—
Net cash inflow/(outflow) from financing activities		(71,535)	54,420
INCREASE IN CASH AND CASH EQUIVALENTS		386,722	55,658
Cash and cash equivalents at beginning of year/period		62,933	7,275
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		449,655	62,933
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	316,620	27,718
Non-pledged time deposits with original maturity of less than three months when acquired	23	133,035	35,215
		449,655	62,933

BALANCE SHEET

31 December 2003

	Notes	2003 HK$'000	2002 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	18	886,522	71,092
CURRENT ASSETS			
Prepayments, deposits and other receivables	22	130	740
Cash and cash equivalents	23	11,137	35,722
		11,267	36,462
CURRENT LIABILITIES			
Other payables and accruals	25	1,380	1,012
Convertible notes	28	8,000	—
		9,380	1,012
NET CURRENT ASSETS		1,887	35,450
TOTAL ASSETS LESS CURRENT LIABILITIES		888,409	106,542
NON-CURRENT LIABILITIES			
Convertible notes	28	823,000	65,000
		65,409	41,542
CAPITAL AND RESERVES			
Issued capital	30	131,384	108,384
Reserves	32(b)	(65,975)	(66,842)
		65,409	41,542

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2003

1. Corporate Information

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

In June 2003, the Group acquired the entire 100% interest in Empire Success Holdings Limited ("ESH") and its subsidiaries (collectively referred to as the "ESH Group") from CCT Telecom Holdings Limited ("CCT Telecom"), details of which are set out in notes 33(b) and 38 to the financial statements. The principal activities of ESH Group are the manufacture and sale of telecom products and accessories.

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").

Pursuant to the restructuring agreements entered into between Wireless InterNetworks Limited ("WIN"), WIN's then receivers, Standard Chartered Bank, CCT Telecom and Dongguan Defa Investment Limited, an independent third party, on 10 August 2001 (the "Group Restructuring"), a substantial portion of the defaulted indebtedness owed by WIN and its then subsidiaries as of that date was fully discharged. In addition, all material loss-making WIN group subsidiaries were carved out from WIN. The Group Restructuring was completed on 17 May 2002. The name of WIN was subsequently changed to CCT Technology Holdings Limited ("CCT Technology") on 22 May 2002.

On 5 July 2002, CCT Technology announced its proposal for a group reorganisation (the "Group Reorganisation"), which involved the introduction of the Company. As a result of the Group Reorganisation, CCT Technology became a wholly-owned subsidiary of the Company and the then shareholders of CCT Technology then became the shareholders of the Company with the shares exchanged on a one-to-one basis, each with the same respective interest as they were previously interested in CCT Technology (further details of the share exchange are set out in note 30 to the financial statements).

The listing of the shares of CCT Technology on the Stock Exchange was withdrawn on 6 November 2002. The shares of the Company were listed on the Stock Exchange by way of introduction and the dealing of which commenced on 7 November 2002.

Further details of the Group Restructuring and the Group Reorganisation are set out in WIN's circular and CCT Technology's circular dated 31 March 2002 and 20 September 2002, respectively.

2. Impact of New and Revised Statements of Standard Accounting Practice ("SSAP")

The following revised SSAP is effective for the first time for the current year's financial statements and has had a significant impact thereon:

- SSAP 12 (Revised): "Income taxes"

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

2. Impact of New and Revised Statements of Standard Accounting Practice ("SSAP") (Cont'd)

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future; and

- a deferred tax asset has been recognised for tax losses arising in the current/prior periods to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised.

Disclosures:

- deferred tax assets and liabilities are presented separately on the balance sheet, whereas previously they were presented on a net basis; and

- the related note disclosures are now more extensive than previously required. These disclosures are presented in notes 11 and 29 to the financial statements and include a reconciliation between the accounting profit and the tax expense for the year.

Further details of these changes arising from them are included in the accounting policy for deferred tax in note 3 and in note 29 to the financial statements.

3. Summary of Significant Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, 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 2003. 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.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

3. Summary of Significant Accounting Policies (Cont'd)

Basis of consolidation (Cont'd)

The Group Reorganisation, which was completed on 4 November 2002, involved companies under common control. The consolidated financial statements of the Group for the period ended 31 December 2002 have been prepared using the merger basis of accounting in accordance with SSAP 27 "Accounting for group reconstructions". On this basis, the consolidated financial statements of the Group have been prepared as if the Company had been the holding company of its subsidiaries acquired since their respective dates of incorporation/registration, rather than from the completion date of the Group Reorganisation. Accordingly, the consolidated results and cash flows of the Group for the period ended 31 December 2002 included the results and cash flows of the Company and its subsidiaries with effect from 1 October 2001 or since their respective dates of incorporation/registration, where this is a shorter period. In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results, cashflows and state of affairs of the Group as a whole.

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.

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.

3. Summary of Significant Accounting Policies (Cont'd)

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 or 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, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets 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.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life after taking into account its estimated residual value. 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%

Freehold land is not depreciated.

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.

3. Summary of Significant Accounting Policies (Cont'd)

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 accumulated amortisation and 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.

Club memberships

Club memberships are intended to be held for long term purposes. They are stated at cost less any impairment losses, on an individual membership basis.

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.

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.

3. Summary of Significant Accounting Policies (Cont'd)

Income tax (Cont'd)

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 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.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

3. Summary of Significant Accounting Policies (Cont'd)

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.

3. Summary of Significant Accounting Policies (Cont'd)

Employee benefits (Cont'd)

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for its employees. 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 were 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 to Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated to Hong Kong dollars at the weighted average exchange rates for the year and their balance sheets are translated to Hong Kong dollars at the exchange rates ruling 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 to 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 to 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.

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.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

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 they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

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

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

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.

4. Segment Information (Cont'd)

(a) Business segments

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

Group

	Telecom products		Corporate		Total	
	Year ended 31 December 2003 HK$'000	Period from 1 October 2001 to 31 December 2002 HK$'000	Year ended 31 December 2003 HK$'000	Period from 1 October 2001 to 31 December 2002 HK$'000	Year ended 31 December 2003 HK$'000	Period from 1 October 2001 to 31 December 2002 HK$'000
Segment revenue:						
Sales to external customers	1,924,988	106,020	—	—	1,924,988	106,020
Other revenue	12,161	—	—	2,760	12,161	2,760
Total revenue	1,937,149	106,020	—	2,760	1,937,149	108,780
Segment results	119,073	6,991	(8,963)	(24,042)	110,110	(17,051)
Interest income					1,270	365
Net gain attributable to the Group Restructuring					—	119,472
Finance costs					(29,020)	(3,093)
Profit before tax					82,360	99,693
Tax					(9,666)	(1,000)
Profit before minority interests					72,694	98,693
Minority interests					48	(535)
Net profit from ordinary activities attributable to shareholders					72,742	98,158

No analysis of the assets, liabilities and other segment information regarding the Group's business segments for the year ended 31 December 2003 and the period ended 31 December 2002 has been presented as over 90% of the Group's revenue is derived from the telecom products segment.

4. Segment Information (Cont'd)

(b) Geographical segments

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

Group	United States of America		PRC, including Hong Kong		European Union		Others		Consolidated	
	Year ended 31 December 2003 HK$'000	Period from 1 October 2001 to 31 December 2002 HK$'000	Year ended 31 December 2003 HK$'000	Period from 1 October 2001 to 31 December 2002 HK$'000	Year ended 31 December 2003 HK$'000	Period from 1 October 2001 to 31 December 2002 HK$'000	Year ended 31 December 2003 HK$'000	Period from 1 October 2001 to 31 December 2002 HK$'000	Year ended 31 December 2003 HK$'000	Period from 1 October 2001 to 31 December 2002 HK$'000
Segment revenue:										
Sales to external customers	1,244,344	—	342,617	106,020	64,996	—	273,031	—	1,924,988	106,020
Other revenue	—	—	12,161	2,760	—	—	—	—	12,161	2,760
Total revenue	1,244,344	—	354,778	108,780	64,996	—	273,031	—	1,937,149	108,780

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:

	Year ended 31 December 2003 HK$'000	Period from 1 October 2001 to 31 December 2002 HK$'000
Manufacture and sale of telecom products and accessories	1,924,988	106,020
Interest income	1,270	365
	1,926,258	106,385

6. Profit/(Loss) from Operating Activities

The Group's profit/(loss) from operating activities is arrived at after charging:

	Notes	Year ended 31 December 2003 HK$'000	Period from 1 October 2001 to 31 December 2002 HK$'000
Depreciation	15	42,749	3,808
Less: Amount capitalised in deferred development costs		(1,728)	—
		41,021	3,808
Minimum lease payments under operating leases in respect of land and buildings		6,124	1,465
Research and development costs			
Deferred expenditure amortised*	16	20,103	99
Current year/period expenditure	16	18,750	172
Amortisation of goodwill**	17	2,290	1,100
Staff costs (excluding directors' remuneration — note 9)***		128,976	11,310
Pension scheme contributions		1,866	218
Less: Amount capitalised in deferred development costs		(11,053)	—
		119,789	11,528
Auditors' remuneration		2,500	650
Bad and doubtful debt provisions on trade receivables		369	380
Loss on disposal of fixed assets, net		—	116
Write off of fixed assets		17,893	1,007
Write off of deferred development costs**	16	7,270	—
Provision for slow-moving and obsolete stocks*		7,684	—
and after crediting:			
Net rental income		3,000	—
Gain on disposal of fixed assets, net		8	—

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

** The amortisation of goodwill and write off of deferred development costs for the year/period 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/period, and the amounts of forfeited contributions available to reduce contributions in future years, were not material.

7. Net Gain Attributable to the Group Restructuring

	Group	
	Year ended 31 December 2003 HK$'000	Period from 1 October 2001 to 31 December 2002 HK$'000
Waiver of secured and unsecured financial obligations by banks, noteholders and creditors	—	46,842
Reversal of reserves upon the Group Restructuring	—	82,526
	—	129,368
Less: Expenses incurred in connection with the Group Restructuring	—	(9,896)
	—	119,472

8. Finance Costs

	Group	
	Year ended 31 December 2003 HK$'000	Period from 1 October 2001 to 31 December 2002 HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	1,059	401
Interest on convertible notes	27,907	482
Interest on finance leases	54	31
Amortisation of premium payable upon the final redemption of the convertible notes	—	2,179
	29,020	3,093

9. Directors' Remuneration

Directors' remuneration for the year/period, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Group	
	Year ended 31 December 2003 HK$'000	Period from 1 October 2001 to 31 December 2002 HK$'000
Fees:		
Executive directors	—	—
Independent non-executive directors	300	150
	300	150
Executive directors' other emoluments:		
Salaries, allowances and benefits in kind	5,629	—
Pension scheme contributions	309	—
	5,938	—
	6,238	150

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

	Number of directors	
	Year ended 31 December 2003	Period from 1 October 2001 to 31 December 2002
Nil — HK$1,000,000	4	6
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	—

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

During the year, 366,000,000 share options were granted to the directors in respect of their services to the Group, for the details of which are set out in note 31 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above directors' remuneration disclosures.

10. Five Highest Paid Employees

The five highest paid employees during the year included three (period ended 31 December 2002: Nil) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2002: five) non-director, highest paid employees for the year are as follows:

	Group	
	Year ended 31 December 2003 HK$'000	Period from 1 October 2001 to 31 December 2002 HK$'000
Salaries, allowances and benefits in kind	1,223	1,336
Performance related bonuses	216	—
Pension scheme contributions	79	92
	1,518	1,428

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

	Number of employees	
	Year ended 31 December 2003	Period from 1 October 2001 to 31 December 2002
Nil — HK$1,000,000	2	5

During the year, 78,000,000 share options were granted to a non-director, highest paid employee in respect of his service to the Group, further details of which are included in the disclosures in note 31 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above non-director, highest paid employees' remuneration disclosures.

11. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (period ended 31 December 2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 December 2003. 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.

11. Tax (Cont'd)

Certain PRC subsidiaries of the Group, which are catergorised a 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.

	Year ended 31 December 2003 HK$'000	Period from 1 October 2001 to 31 December 2002 HK$'000
Group:		
Current — Hong Kong		
Charge for the year	8,207	1,000
Overprovision in prior years	(860)	—
Current — Elsewhere	2,130	—
Deferred — note 29	189	—
	9,666	1,000
Total tax charge for the year/period	9,666	1,000

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 — 2003

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	8,526		73,834		82,360	
Tax at the statutory or applicable tax rate	1,492	17.5	17,720	24.0	19,212	23.3
Lower tax rate for specific provinces or local authority	—	—	463	0.6	463	0.6
Effect on opening deferred tax of increase in rates	92	1.1	—	—	92	0.1
Tax exemption	—	—	(2,104)	(2.8)	(2,104)	(2.6)
Income not subject to tax	(154)	(1.8)	(16,845)	(22.8)	(16,999)	(20.6)
Expenses not deductible for tax	6,107	71.6	2,895	3.9	9,002	10.9
Tax charge at the Group's effective rate	7,537	88.4	2,129	2.9	9,666	11.7

11. Tax (Cont'd)

Group — 2002

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	91,973		7,720		99,693	
Tax at the statutory or applicable tax rate	14,716	16.0	1,853	24.0	16,569	16.6
Income not subject to tax	(19,557)	(21.3)	(1,853)	(24.0)	(21,410)	(21.5)
Expenses not deductible for tax	5,841	6.4	—	—	5,841	5.9
Tax charge at the Group's effective rate	1,000	1.1	—	—	1,000	1.0

12. Net Profit from Ordinary Activities Attributable to Shareholders

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2003 dealt with in the financial statements of the Company, was approximately HK$867,000 (period ended 31 December 2002: net loss of HK$11,093,000) (note 32(b)).

13. Dividend

No dividends have been paid or declared by the Company for the year ended 31 December 2003 (period ended 31 December 2002: Nil).

14. Earnings Per Share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year ended 31 December 2003 of HK$72,742,000 (period ended 31 December 2002: HK$98,158,000), and the weighted average number of 12,066,769,981 ordinary shares (period ended 31 December 2002: 5,617,923,213) 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$100,676,000 (period ended 31 December 2002: HK$98,564,000), 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 46,453,485,820 (period ended 31 December 2002: 8,592,814,043) which includes the weighted average number of 12,066,769,981 (period ended 31 December 2002: 5,617,923,213) shares in issue during the year, as used in the basic earnings per share calculation; the weighted average of 34,263,463,796 (period ended 31 December 2002: 2,974,890,830) ordinary shares assumed to have been issued on the deemed exercise of all convertible notes during the year; and the weighted average of 123,252,043 (period ended 31 December 2002: Nil) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

15. Fixed Assets

Group	Freehold land and buildings outside Hong Kong HK$'000	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Tools, moulds and equipment HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:							
At 1 January 2003	14,754	—	16,356	4,861	5,339	2,750	44,060
Additions	—	2,153	9,683	14,572	3,229	1,957	31,594
Acquisition of subsidiaries	—	547,768	187,013	84,056	62,912	12,049	893,798
Disposals	(14,754)	—	—	(71)	(110)	(1,696)	(16,631)
Write off	—	(18,835)	—	—	—	—	(18,835)
At 31 December 2003	—	531,086	213,052	103,418	71,370	15,060	933,986
Accumulated depreciation and impairment:							
At 1 January 2003	9,985	—	11,128	2,773	2,404	1,636	27,926
Depreciation provided during the year	—	14,440	14,034	8,243	4,681	1,351	42,749
Acquisition of subsidiaries	—	36,660	77,973	39,527	32,703	7,195	194,058
Disposals	(9,985)	—	—	(66)	(69)	(813)	(10,933)
Write off	—	(942)	—	—	—	—	(942)
At 31 December 2003	—	50,158	103,135	50,477	39,719	9,369	252,858
Net book value:							
At 31 December 2003	—	480,928	109,917	52,941	31,651	5,691	681,128
At 31 December 2002	4,769	—	5,228	2,088	2,935	1,114	16,134

The net book value of the fixed assets of the Group held under finance leases included in the total amounts of furniture and office equipment and motor vehicles as at 31 December 2003, amounted to HK$132,000 (2002: Nil) and HK$1,503,000 (2002: Nil), respectively.

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

16. Intangible Assets

Group

	Deferred development costs HK$'000
Cost:	
At 1 January 2003	762
Acquisition of subsidiaries	90,330
Additions	18,750
Write off	(25,157)
At 31 December 2003	84,685
Accumulated amortisation:	
At 1 January 2003	266
Acquisition of subsidiaries	59,278
Amortisation provided during the year	20,103
Write back	(17,887)
At 31 December 2003	61,760
Net book value:	
At 31 December 2003	22,925
At 31 December 2002	496

17. 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$'000
Cost:	
At 1 January 2003	33,397
Acquisition of subsidiaries (note 33(b))	25,059
At 31 December 2003	58,456
Accumulated amortisation:	
At 1 January 2003	1,100
Amortisation provided during the year	2,290
At 31 December 2003	3,390
Net book value:	
At 31 December 2003	55,066
At 31 December 2002	32,297

18. Interests in Subsidiaries

	Company	
	2003 HK$'000	2002 HK$'000
Unlisted shares, at cost	308,294	52,635
Due from subsidiaries	594,721	28,900
Due to subsidiaries	(6,493)	(443)
	896,522	81,092
Provision for impairment	(10,000)	(10,000)
	886,522	71,092

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

18. 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 share/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Empire Success Holdings Limited	British Virgin Islands	US$1 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
Electronic Sales Limited	Hong Kong	HK$5,948,000 Ordinary	—	100	Sale of telecom products
東莞易訊電子製品有限公司	People's Republic of China	HK$60,000,000 Registered *	—	100	Manufacture of telecom products
Huiyang CCT Telecommunications Products Co., Ltd.	People's Republic of China	HK$80,000,000 Registered *	—	100	Manufacture of telecom products

* Registered as a wholly foreign-owned enterprises under the PRC laws.

During the year, the Group acquired ESH Group, including Huiyang CCT Telecommunications Products Co., Ltd., CCT Marketing Limited and CCT Telecom (HK) Limited. Further details of the acquisition are included in note 33(b) 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.

S. Meggatel Sdn. Bhd., a 70%-owned subsidiary of the Group in Malaysia, had incomplete books and records. However, the net assets and results of S. Meggatel Sdn. Bhd. as at 31 December 2003 and for the year then ended are not material to the current year's financial statements of the Group.

19. Other Assets

	Group 2003 HK$'000	Group 2002 HK$'000
Club memberships, at cost	350	—

20. Inventories

	Group 2003 HK$'000	Group 2002 HK$'000
Raw materials	33,121	193
Work in progress	43,846	98
Finished goods	78,161	1,558
	155,128	1,849

The carrying amount of inventories carried at net realisable value included in the above balance was nil (2002: Nil) as at the balance sheet date.

21. 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			
	2003		2002	
	HK$'000	Percentage	HK$'000	Percentage
Current to 30 days	251,586	42	28,259	95
31 to 60 days	184,463	31	1,464	5
61 to 90 days	154,085	26	99	—
Over 90 days	3,789	1	45	—
	593,923	100	29,867	100

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

22. Prepayments, Deposits and Other Receivables

	Group		Company	
	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000
Prepayments	498	804	130	740
Deposits and other receivables	7,004	986	—	—
	7,502	1,790	130	740

23. Cash and Cash Equivalents and Pledged Time Deposits

	Group		Company	
	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000
Cash and bank balances	316,620	27,718	1,498	507
Time deposits	233,196	40,258	9,639	35,215
	549,816	67,976	11,137	35,722
Less: Time deposits pledged for bank borrowings	(100,161)	(5,043)	—	—
	449,655	62,933	11,137	35,722

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$11,561,000 (2002: HK$159,000). 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.

24. Trade and Bills Payables

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

Group	2003		2002	
	HK$'000	Percentage	HK$'000	Percentage
Current to 30 days	209,485	24	18,995	74
31 to 60 days	230,149	27	4,118	16
61 to 90 days	174,772	20	2,386	9
Over 90 days	244,850	29	183	1
	859,256	100	25,682	100

Included in the above balance is a trade payable of approximately HK$95,487,000 (2002: HK$5,794,000) to Neptune Holding Limited ("Neptune"), a wholly-owned subsidiary of CCT Telecom, which is repayable within 120 days.

25. Other Payables and Accruals

	Group		Company	
	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000
Other payables	30,218	326	—	—
Accruals	82,833	6,688	1,380	1,012
	113,051	7,014	1,380	1,012

26. Interest-bearing Bank and Other Borrowings

		Group	
	Note	2003 HK$'000	2002 HK$'000
Current portion of bank loans, secured		111,181	2,578
Current portion of finance lease payables	27	499	—
		111,680	2,578

27. Finance Lease Payables

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

At the balance sheet date, the total future minimum lease payments under financial leases and their present value were as follows:

Group

	Minimum lease payments 2003 HK$'000	Minimum lease payments 2002 HK$'000	Present value of minimum lease payments 2003 HK$'000	Present value of minimum lease payments 2002 HK$'000
Amounts payable:				
Within one year	548	—	499	—
In the second year	378	—	336	—
In the third to fifth years, inclusive	495	—	439	—
Total minimum finance lease payments	1,421	—	1,274	—
Future finance charges	(147)	—		
Total net finance lease payables	1,274	—		
Portion classified as current liabilities — note 26	(499)	—		
Non-current portion	775	—		

28. Convertible Notes

	Group		Company	
	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000
2004 Convertible notes — note (a)	8,000	20,000	8,000	20,000
2005 Convertible notes — note (b)	45,000	45,000	45,000	45,000
2005 Convertible notes — note (c)	10,000	—	10,000	—
2008 Convertible notes — note (d)	768,000	—	768,000	—
	831,000	65,000	831,000	65,000
Portion classified as current liabilities	(8,000)	—	(8,000)	—
Non-current portion	823,000	65,000	823,000	65,000

Notes:

(a) On 19 July 2002, CCT Technology issued convertible notes with aggregate principal amounts 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 pursuant to the Group Reorganisation. The convertible notes provide the holder option right to convert the principal amount into ordinary shares of HK$0.01 each of the Company on any business day being five business days prior to the maturity of the convertible notes at a conversion price of HK$0.01 per share.

The principal amounts of the convertible notes bear interest at 5% per annum and the convertible notes will mature on the second anniversary of the date of their issue.

On 24 June 2003, the principal amounts of HK$12 million were converted into 1,200,000,000 shares of the Company of HK$0.01 each at conversion price of HK$0.01 per share.

(b) On 17 May 2002, CCT Technology issued convertible notes with aggregate principal amounts of HK$45 million to CCT Emporium International Limited, an indirect wholly-owned subsidiary of CCT Telecom which were subsequently replaced by the convertible notes issued by the Company on 4 November 2002 pursuant to the Group Reorganisation. The convertible notes were issued as part of the consideration for the acquisition of a 100% interest in ESL from an indirect wholly-owned subsidiary of CCT Telecom, details of which are set out in note 33(b) to the financial statements. The convertible notes provide the holder option right to convert the principal amount into ordinary shares of HK$0.01 each of the Company on any business day being five business days prior to the maturity of the convertible notes at a conversion price of HK$0.01 per share.

The principal amounts of the convertible notes are interest-free and will mature on the third anniversary of the date of their issue.

28. Convertible Notes (Cont'd)

Notes: (Cont'd)

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

The principal amounts of the convertible notes bear interest at 2% per annum and the convertible notes will mature on the second anniversary of the date of their issue.

In June 2003, the principal amounts of HK$11 million have been 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.

(d) On 30 June 2003, the Company issued convertible notes with aggregate principal amounts of HK$768 million to an indirect wholly-owned subsidiary of CCT Telecom as the consideration for the acquisition of the entire interest in ESH from an indirect wholly-owned subsidiary of CCT Telecom, details of which are set out in note 33(b) to the financial statements. The convertible notes provide the holder option right to convert the principal amount into the Company's ordinary shares of HK$0.01 each on any business day being five business days prior to the maturity of the convertible notes at a conversion price of HK$0.014 per share. The convertible notes bear interest at 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 their issue.

29. Deferred Tax

The movement in deferred tax liabilities and assets during the year is as follows:

Deferred tax liabilities

Group	2003 Accelerated tax depreciation HK$'000
At 1 January 2003	
As previously reported	985
Prior year adjustment:	
SSAP 12 — restatement of deferred tax	—
As restated	985
Deferred tax credited to the profit and loss account during the year	(1,161)
Acquisition of subsidiaries — note 33(b)	3,107
Gross deferred tax liabilities at 31 December 2003	2,931

29. Deferred Tax (Cont'd)

Deferred tax assets

Group	2003 Losses available for offset against future taxable profit HK$'000
At 1 January 2003	
As previously reported	—
Prior year adjustment:	
SSAP 12 — restatement of deferred tax	—
As restated	—
Deferred tax charged to the profit and loss account during the year	(1,350)
Acquisition of subsidiaries — note 33(b)	10,161
Gross deferred tax assets at 31 December 2003	8,811
Net deferred tax assets at 31 December 2003	5,880

Deferred tax liabilities

Group	2002 Accelerated tax depreciation HK$'000
At 1 October 2001	
As previously reported	—
Prior year adjustment:	
SSAP 12 — restatement of deferred tax	—
As restated	—
Deferred tax charged to the profit and loss account	—
Acquisition of subsidiaries — note 33(b)	985
Gross deferred tax liabilities at 31 December 2002	985

29. Deferred Tax (Cont'd)

Deferred tax assets (Cont'd)

Group	2002 Losses available for offset against future taxable profit HK$'000
At 1 October 2001	
As previously reported	—
Prior year adjustment:	
SSAP 12 - restatement of deferred tax	—
As restated	—
Deferred tax credited to the profit and loss account	—
Gross deferred tax assets at 31 December 2002	—
Net deferred tax liabilities at 31 December 2002	985

The Group has tax losses arising in Hong Kong of HK$23,966,000 (2002: Nil) 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 2003, there is no significant unrecognised deferred tax liability (2002: 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.

SSAP 12 (revised) was adopted during the year, as further explained in note 2 to the financial statements. This change in accounting policy has resulted in a decrease in the Group's deferred tax liabilities as at 31 December 2003 and 2002 by HK$1,161,000 and Nil, respectively, and a decrease in the Group's deferred tax assets as at 31 December 2003 and 2002 by HK$1,350,000 and Nil, respectively. As a consequence, the consolidated net profit attributable to shareholders for the year ended 31 December 2003 and period ended 31 December 2002 have been decreased by HK$189,000 and Nil, respectively.

30. Share Capital

Shares	2003 HK$'000	2002 HK$'000
Authorised:		
120,000,000,000 (2002: 30,000,000,000) ordinary shares of HK$0.01 each	1,200,000	300,000
Issued and fully paid:		
13,138,422,562 (2002: 10,838,403,562) ordinary shares of HK$0.01 each	131,384	108,384

Pursuant to an ordinary resolution passed on 27 June 2003, the authorised shared capital of the Company was increased from HK$300,000,000 to HK$1,200,000,000 by the creation of 90,000,000,000 additional shares of HK$0.01 each, ranking pari passu in all respects with the existing issued shares of the Company.

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$0.02 each	Number of ordinary shares of HK$0.01 each	Issued capital HK$'000
At 1 October 2001		6,384,035,621	—	127,681
Capital reduction and share consolidation	(a)(i) & (ii)	(6,384,035,621)	638,403,562	(121,297)
Issue of shares to settle unsecured indebtedness	(a)(iii)	—	100,000,000	1,000
Issue of shares	(a)(iv)	—	4,000,000,000	40,000
Issue of shares in respect of acquisition of ESL	(a)(v)	—	2,500,000,000	25,000
Issue of shares to noteholders	(a)(vi)	—	1,820,000,000	18,200
Placement of shares	(b)	—	1,780,000,000	17,800
Cancellation of shares	(c)	—	(10,838,403,562)	(108,384)
Issue of shares in exchange for shares in CCT Technology	(c)	—	10,838,403,562	108,384
At 31 December 2002 and 1 January 2003		—	10,838,403,562	108,384
Exercise of share options	(d)	—	19,000	—
Conversion on convertible notes	(e)	—	2,300,000,000	23,000
At 31 December 2003		—	13,138,422,562	131,384

30. Share Capital (Cont'd)

Notes:

(a) The Group Restructuring, which was completed on 17 May 2002, involved the following steps and had effects on CCT Technology's and the Company's share capital account:

(i) the nominal value of each of the then issued share of CCT Technology were reduced from HK$0.02 to HK$0.001 and the credit balance of HK$121,297,000 arising from the capital reduction was applied to write off part of the brought forward accumulated losses of CCT Technology. Each of the then unissued shares of the CCT Technology share capital was sub-divided into 20 shares of HK$0.001 each;

(ii) every 10 shares of HK$0.001 each, following the capital reduction mentioned in (i), were consolidated into one share of HK$0.01 each;

(iii) pursuant to an asset transfer agreement dated 21 September 2001 entered into between CCT Technology and S. Megga Telecom, 100,000,000 new shares were issued to S. Megga Telecom as part of the consideration for the hive-down of certain assets of S. Megga Telecom to another subsidiary of CCT Technology;

(iv) pursuant to the terms of the Restructuring Agreements, CCT Telecom and Dongguan Defa each subscribed for 2,000,000,000 new shares of HK$0.01 each for an aggregate consideration of HK$40 million in cash;

(v) CCT Technology issued 2,500,000,000 new shares to CCT telecom at HK$0.01 each as part of the consideration for the transfer of the entire share capital of ESL and its subsidiaries from an indirect wholly-owned subsidiary of CCT Telecom to the Group; and

(vi) CCT Technology issued 1,820,000,000 new shares at HK$0.01 each to the noteholders of the convertible notes due 2003 and due 2007 issued in prior years pursuant to the terms of the Restructuring Agreements.

(b) In June 2002, CCT Technology allotted and issued 1,780,000,000 new shares at HK$0.01 each to an indirect wholly-owned subsidiary of CCT Telecom pursuant to the subscription agreement dated 5 June 2002.

(c) On 4 November 2002, pursuant to the Group Reorganisation, the entire 10,838,403,562 shares of CCT Technology were cancelled and the Company (i) repurchased 10,000,000 shares and (ii) allotted and issued 10,838,403,562 new shares of HK$0.01 each credited as fully paid to the then existing qualifying shareholders of CCT Technology in the proportion of one share for every one existing share then held. All shares issued pari passu with the existing issued shares of the Company in all respects.

(d) The subscription rights attaching to 19,000 share options were exercised at the subscription price of HK$0.014 per share (note 31), resulting in the issue of 19,000 shares of HK$0.01 each for a total cash consideration, before expenses, of HK$266.

(e) During the year, 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 28 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 31 to the financial statements.

31. 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2003, 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 8.06% of the existing issued share capital of the Company as at the date of this report.

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"). 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.

31. Share Option Scheme (Cont'd)

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 Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

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

	Number of share options								Price of the shares of the Company	
Name or category of participant	Outstanding as at 1 January 2003	Granted during the year	Exercised during the year	Lapsed/ Cancelled during the year	Outstanding as at 31 December 2003	Date of grant of share options	Exercise period of share options	Exercise price per share (Note 1) HK$	At grant date of share options (Note 2) HK$	At exercise date of share options (Note 3) HK$
Executive directors										
Mak Shiu Tong, Clement	—	100,000,000	—	—	100,000,000	30/4/2003	30/4/2003 — 29/4/2008	0.014	0.014	—
Cheng Yuk Ching, Flora	—	100,000,000	—	—	100,000,000	30/4/2003	30/4/2003 — 29/4/2008	0.014	0.014	—
Tam Ngai Hung, Terry	—	100,000,000	—	—	100,000,000	30/4/2003	30/4/2003 — 29/4/2008	0.014	0.014	—
Tong Chi Hoi	—	50,000,000	—	—	50,000,000	30/4/2003	30/4/2003 — 29/4/2008	0.014	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	0.014	—
Lau Ho Kit, Ivan	—	8,000,000	—	—	8,000,000	30/4/2003	30/4/2003 — 29/4/2008	0.014	0.014	—
	—	16,000,000	—	—	16,000,000					
Other employees										
In aggregate	—	716,800,000	(19,000)	—	716,781,000	30/4/2003	30/4/2003 — 29/4/2008	0.014	0.014	0.022
	—	716,800,000	(19,000)	—	716,781,000					
	—	1,082,800,000	(19,000)	—	1,082,781,000					

31. Share Option Scheme (Cont'd)

Notes:

1. 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.

2. The price of the shares of the Company as at the date of grant of the share options is the closing price of the shares of the Company as listed on the Stock Exchange on the trading day immediately before the date on which the share options were granted.

3. The price of the shares of the Company as at the date of exercise of the share options is the weighted average of the closing prices of the shares of the Company as listed on the Stock Exchange on the trading day immediately before the dates on which the share options were exercised.

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.

The directors of the Company do not consider it appropriate to disclose a theoretical value of the share options granted to the directors and the employees of the Company during the year because a number of factors crucial for the valuation cannot be determined. Accordingly, any valuation of the share options based on various speculative assumptions would not be meaningful, but would be misleading to the shareholders of the Company.

32. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current year and prior period are presented in the consolidated statement of changes in equity on page 37 of the financial statements.

(b) Company

	Special reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
On date of incorporation	—	—	—
Special reserve arising from the Group Reorganisation	(55,749)	—	(55,749)
Loss for the period	—	(11,093)	(11,093)
At 31 December 2002 and beginning of year	(55,749)	(11,093)	(66,842)
Profit for the year	—	867	867
At 31 December 2003	(55,749)	(10,226)	(65,975)

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

33. Notes to the Consolidated Cash Flow Statement

(a) Major non-cash transactions

During the year, the Company issued a convertible note 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.

(b) Acquisition of subsidiaries

	2003 HK$'000	2002 HK$'000
Net assets acquired:		
Fixed assets	699,740	11,819
Intangible assets	31,052	423
Other assets	350	—
Deferred tax assets	10,161	—
Cash and bank balances	137,480	15,058
Pledged time deposits	58,636	—
Inventories	189,161	3,295
Trade and bills receivables	499,707	32,024
Prepayments, deposits and other receivables	26,443	643
Trade and bills payables	(618,523)	(23,003)
Tax payable	(8,059)	(1,968)
Other payables and accruals	(75,140)	(671)
Interest bearing bank borrowings	(200,024)	—
Bank overdrafts	—	(32)
Finance lease payables	(2,388)	—
Deferred tax liabilities	(3,107)	(985)
	745,489	36,603
Goodwill on acquisition — note 17	25,059	33,397
	770,548	70,000
Satisfied by:		
Issue of consideration shares	—	25,000
Issue of convertible notes - note 28	768,000	45,000
Cash paid for incidental acquisition costs	2,548	—
	770,548	70,000

33. Notes to the Consolidated Cash Flow Statement (Cont'd)

(b) Acquisition of subsidiaries (Cont'd)

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

	2003 HK$'000	2002 HK$'000
Cash paid	(2,548)	—
Cash and bank balances acquired	137,480	15,058
Less: Bank overdrafts	—	(32)
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	134,932	15,026

The subsidiaries acquired during the year contributed approximately HK$1,865,553,000 to the Group's consolidated turnover and HK$96,768,000 to the consolidated profit after tax and before minority interests for the year ended 31 December 2003.

The subsidiary acquired in the prior year contributed approximately HK$106,020,000 to the Group's consolidated turnover and approximately HK$6,053,000 to the consolidated profits after tax before minority interests for the period ended 31 December 2002.

33. Notes to the Consolidated Cash Flow Statement (Cont'd)

(c) Disposal of subsidiaries and discharge of secured and unsecured financial obligations upon the Group Restructuring

	2003 HK$'000	2002 HK$'000
Net assets disposed of:		
Fixed assets	—	62,027
Other investments	—	368
Inventories	—	23,439
Cash and bank balances	—	2,974
Trade payables	—	(63,880)
Other payables and accruals	—	(28,622)
Finance lease payables	—	(314)
Bank loans and other borrowings	—	(12,480)
Convertible notes	—	(9,867)
Conversion option	—	(20,487)
	—	(46,842)
Reversal of reserves upon the Group Restructuring:		
Contributed surplus	—	(34,600)
Capital reserve	—	(47,926)
	—	(82,526)
	—	(129,368)
Expenses incurred in connection with the Group Restructuring	—	9,896
	—	(119,472)
Net gain attributable to the Group Restructuring	—	119,472
	—	—

33. Notes to the Consolidated Cash Flow Statement (Cont'd)

(c) Disposal of subsidiaries and discharge of secured and unsecured financial obligations upon the Group Restructuring (Cont'd)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries and discharge of secured and unsecured financial obligations is as follows:

	2003 HK$'000	2002 HK$'000
Cash consideration	—	—
Cash and bank balances disposed of	—	2,974
Expenses incurred in connection with the Group Restructuring	—	9,896
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries and discharge of secured and unsecured financial obligations	—	12,870

34. Contingent Liabilities

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

	Group		Company	
	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000
Corporate guarantees given to banks in connection with facilities granted to subsidiaries	—	—	346,000	—

As at 31 December 2003, the bank facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$183 million (2002: Nil).

(b) The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK$4,708,000 as at 31 December 2003 (2002: HK$215,000), as further explained in note 3 to the financial statements. The contingent liability has arisen 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 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.

35. Pledge of Assets

At the balance sheet date, the Group's bank borrowings were secured by pledge of the Group's fixed deposits amounting to approximately HK$100 million (2002: HK$5 million).

The bank loans as at 31 December 2002 were secured by the fixed charges over the Group's freehold land and buildings with a net book value amounting to approximately HK$4,769,000. The bank loans were fully repaid during the year and the related fixed charges over the Group's freehold land and buildings were released.

36. Operating Lease Arrangements

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

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

	Group	
	2003 HK$'000	2002 HK$'000
Within one year	4,443	600
In the second to fifth years, inclusive	1,440	—
	5,883	600

37. Commitments

In addition to the operating lease commitments detailed in note 36 above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2003 HK$'000	2002 HK$'000
Contracted, but not provided for		
Purchases of plant, machinery and equipment	2,255	—
Leasehold improvements	94	—
	2,349	—

38. Related Party Transactions

(1) On 15 May 2003, the Company and CCT Telecom entered into a conditional agreement pursuant to which CCT Telecom has agreed (i) to dispose of the entire interest in ESH to the Company; and (ii) to assign its interest-free shareholder's loan due from ESH Group to the Company as at the completion date of this transaction, at a total consideration of HK$768 million. The consideration was satisfied by the issue of a convertible note with a principal amount of HK$768 million by the Company to an indirect wholly-owned subsidiary of CCT Telecom.

ESH Group is principally engaged in the design, manufacture and sale on ODM and OEM basis of home-use telecom products including cordless phones and family radio systems.

The transaction was completed on 30 June 2003 and further details of the acquisition are set out in the Company's circular dated 11 June 2003.

(2) For the period from 1 July 2003 to 31 December 2003, certain indirect wholly-owned subsidiaries of the Company had the following material transactions with CCT Telecom and its certain subsidiaries subsequent to the acquisition of ESH Group by the Company on 30 June 2003:

	Notes	2003 HK$'000
Purchases of plastic casings and components	(a)	132,353
Factory rental income	(b)	3,000
Factory rental expense	(c)	900
Office rental expenses	(d)	1,492
Management information system service fee	(e)	1,200

Notes:

(a) 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 entered into between CCT HK and Neptune on 15 May 2003.

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

(b) 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 entered into between Shine Best and CCT Ent on 15 May 2003.

(c) The factory rental expense was charged to CCT Investment Limited ("CCT Inv"), an indirect wholly-owned subsidiary of the Company, 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 entered into between CCT Inv and CCT Prop on 15 May 2003.

38. Related Party Transactions

(2) (Cont'd)

Notes: (Cont'd)

(d) 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 rates determined in accordance with the terms and conditions set out in three tenancy agreements entered into between CCT HK and Goldbay on 21 November 2001 and 23 October 2002, and between CCT R&D and Goldbay on 20 January 2003, respectively.

(e) 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 entered into between CCT Telecom and CCT HK on 15 May 2003.

(3) During the year, Electronic Sales Limited ("ESL"), a wholly-owned subsidiary of the Company, had the following material transactions with certain subsidiaries of CCT Telecom:

	Notes	Year ended 31 December 2003 HK$'000	Period from 17 May 2002 to 31 December 2002 HK$'000
Rental expense	(a)	1,800	1,200
Purchase of materials	(b)	24,427	17,256

Notes:

(a) The rental expense was 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 entered into between ESL and CCT Prop on 15 April 2003.

(b) The purchase of materials from Neptune, included plastic moulds and materials, and the prices of which were determined based on the direct costs of the materials plus a mark-up of up to 50% of such direct costs.

38. Related Party Transactions (Cont'd)

(3) (Cont'd)

In addition to the above, ESL had the following material transactions with CCT HK up to 30 June 2003, the date on which CCT HK became a wholly-owned subsidiary of the Group:

	Notes	Period from 1 January 2003 to 30 June 2003 HK$'000	Period from 17 May 2002 to 31 December 2002 HK$'000
Management fee expense	(c)	1,200	1,600
Sale of products	(d)	45,750	73,750

(c) The management fee expense was charged to ESL by CCT HK for the provision of general administration, management information system consultation and hardware maintenance services and was determined based on actual costs incurred.

(d) The sale of products to CCT HK included transformers, AC/DC adaptors and custom built-in power supply, and the prices of which were determined based on the direct material costs of the products plus a mark-up of up to 50% of such direct material costs.

39. Comparative Amounts

As further explained in note 2 to the financial statements, due to the adoption of certain revised SSAPs during the current year, the accounting treatment and presentation of certain items in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current period's presentation.

40. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 23 April 2004.

SUMMARY FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the last five financial periods/years, as extracted from the 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 detailed in note 2 to the financial statements, as the relevant information is not available.

Results

	Year ended 31 December 2003 HK$'000	Fifteen months ended 31 December 2002 HK$'000	Year ended 30 September 2001 HK$'000	Fifteen months ended 30 September 2000 HK$'000	Year ended 30 June 1999 HK$'000
TURNOVER	1,926,258	106,385	84,183	539,577	364,880
OPERATING PROFIT/(LOSS)	82,360	99,693	(44,953)	(206,132)	(158,765)
Share of profits and losses of associates	—	—	—	—	(50)
PROFIT/(LOSS) BEFORE TAX	82,360	99,693	(44,953)	(206,132)	(158,815)
Tax	(9,666)	(1,000)	—	—	—
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	72,694	98,693	(44,953)	(206,132)	(158,815)
Minority interests	48	(535)	—	—	—
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	72,742	98,158	(44,953)	(206,132)	(158,815)

Assets, Liabilities and Minority Interests

	As at 31 December 2003 HK$'000	As at 31 December 2002 HK$'000	As at 30 September 2001 HK$'000	As at 30 September 2000 HK$'000	As at 30 June 1999 HK$'000
TOTAL ASSETS	2,074,649	150,409	109,837	212,681	331,708
TOTAL LIABILITIES	(1,932,019)	(103,473)	(160,201)	(224,553)	(593,776)
MINORITY INTERESTS	(487)	(535)	—	—	—
	142,143	46,401	(50,364)	(11,872)	(262,068)

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, 27 May 2004 at 10:30 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 2003.

2. To re-elect retiring directors 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** subject to and conditional upon the approval from the shareholders of CCT Telecom Holdings Limited (being the holding company of the Company) and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the shares of HK$0.01 each in the share capital of the Company (**"Shares"**) to be issued pursuant to the exercise of share options which may be granted under the New Scheme Limit (as defined below), the refreshment of the scheme limit of the Company's share option scheme conditionally adopted on 17 September 2002 which became effective on 7 November 2002 and all other share option scheme(s) of the Company, up to 10 per cent. of the number of Shares in issue as at the date of passing of this resolution (the **"New Scheme Limit"**) be and is hereby approved and any director of the Company, or any two directors of the Company if affixation of the common seal of the Company is necessary, be and is/are hereby authorised to do all such acts and execute all such documents to effect the New Scheme Limit."

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 repurchase issued shares of HK$0.01 each 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 and the manner of any such repurchase 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 which are authorised to be repurchased by the directors of the Company pursuant to the approval in paragraph (a) above 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 laws or the Company's bye-laws to be held; or

(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."

6. 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 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 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. 5 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)."

7. 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. 5 and 6 as set out in the notice convening the meeting of which these resolutions form part, the general mandate granted to the directors of the Company pursuant to the resolution no. 6 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 share capital of the Company repurchased by the Company under the authority granted pursuant to the resolution no. 5 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."

8. To consider and, if thought fit, pass the following resolution as a special resolution of the Company:

"**THAT** the bye-laws of the Company (the "**Bye-Laws**") be and are hereby amended by:

(a) deleting the existing definition of "associates" in Bye-Law 1.(A) and substituting therefor the following as a new definition of "associate(s)":

""<u>associate(s)</u>" in relation to any Director, shall have the same meaning ascribed to it under the Listing Rules;";

(b) adding the following definition in Bye-Law 1.(A) as a new definition of "Listing Rules":

""<u>Listing Rules</u>" shall mean the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time);";

(c) deleting the existing definition of "Clearing House" in Bye-Law 1.(A) and substituting therefor the following as a new definition of "Clearing House":

""Clearing House" shall mean a recognised clearing house as referred to in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any amendments thereto for the time being in force or a clearing house or authorised shares depository recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction;";

(d) deleting the existing Bye-Law 76 in its entirety and substituting therefor the following as a new Bye-Law 76.(A):

"76.(A) Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every shareholder who is present in person or by a duly authorised corporate representative or by proxy shall have one vote, and on a poll every shareholder present in person or by a duly authorised corporate representative or by proxy, shall have one vote for every share of which he is the holder which is fully paid up or credited as fully paid up (but so that no amount paid up or credited as paid up on a share in advance of calls or instalments shall be treated for the purposes of this Bye-Law as paid up on the share). Notwithstanding anything contained in these Bye-Laws, where more than one proxy is appointed by a shareholder of the Company which is a Clearing House (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll a shareholder entitled to more than one vote need not use all his votes or cast his votes in the same way.";

(e) adding the following as a new Bye-Law 76.(B) immediately after Bye-Law 76.(A) and adding the words "Votes cast in contravention of the Listing Rules" as a marginal note to Bye-Law 76.(B):

"(B) Where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.";

(f) deleting the existing Bye-Law 81 in its entirety and substituting therefor the following as a new Bye-Law 81:

"81. Any shareholder of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. Votes may be given either personally or by a duly authorised corporate representative or by proxy. A shareholder who is the holder of two or more shares may appoint not more than two proxies to attend on the same occasion. A proxy need not be a shareholder. In addition, a proxy or proxies representing either an individual shareholder or a shareholder which is a corporation, shall be entitled to exercise the same powers on behalf of the shareholder which he or they represent as such shareholder could exercise, including the right to vote on a show of hands in accordance with Bye-Law 76.(A).";

(g) deleting the words “one or more” in the fourth and second last lines of Bye-Law 87.(A) and substituting therefor the words “not more than two”;

(h) deleting the following words in the fourteenth line of Bye-Law 87.(B) “notwithstanding the provisions of Bye-Laws 76 and 81”;

(i) deleting the existing Bye-Law 98.(H) in its entirety and substituting therefor the following as a new Bye-Law 98.(H):

“(H) A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associate(s) is to the knowledge of such Director materially interested, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for that resolution), but this prohibition shall not apply to any of the following matters namely:—

(i) any contract or arrangement for the giving by the Company of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any contract or arrangement concerning an offer of the shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or an executive or a shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company in which the Director and any of his associate(s) are not in aggregate beneficially interested in five (5) per cent. or more of the issued shares of any class of the equity share capital of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;

(vi) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to Directors or their associate(s) and employees of the Company or of any of its subsidiaries and does not give the Director or his associate(s) as such any privilege or advantage not generally accorded to the class of persons to whom such scheme or fund relates; and

(vii) any proposal or arrangement concerning the adoption, modification or operation of any employees' share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his associate(s) may benefit.

For the purpose of Bye-Law 98.(H), "subsidiary" or "subsidiaries" shall have the same meaning ascribed to it under the Listing Rules.";

(j) deleting the existing Bye-Law 98.(I) in its entirety and substituting therefor the following as a new Bye-Law 98.(I):

"(I) A company shall be deemed to be a company in which a Director and/or any of his associate(s) owns five (5) per cent. or more of the issued shares of any class of the equity share capital of such company or of the voting rights of any class of shares of such company if and so long as (but only if and so long as) he and/or his associate(s) is/are (either directly or indirectly) the holder(s) of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company (or of any third company through which his/their interest is/are derived) or of the voting rights of any class of shares available to the shareholders of the company. For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has/have no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder.";

(k) deleting the existing Bye-Law 98.(J) in its entirety and substituting therefor the following as a new Bye-Law 98.(J):

"(J) Where a company in which a Director and/or any of his associate(s) holds five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights of any class of shares available to the shareholders of the company is materially interested in a transaction, then that Director shall also be deemed materially interested in such transaction.";

(l) deleting the existing Bye-Law 98.(K) in its entirety and substituting therefor the following as a new Bye-Law 98.(K):

"(K) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the Chairman) or his associate(s) or as to the entitlement of any Director (other than such Chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the Chairman and his ruling in relation to such other Director or his associate(s) shall be final and conclusive except in a case where the nature or extent of the interest of the Director or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the Chairman or his associate(s) such question shall be decided by a resolution of the Board (for which purpose such Chairman shall not be counted in the quorum and shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such Chairman or his associate(s) as known to such Chairman has not been fairly disclosed to the Board. For the purposes of this paragraph and in relation to an alternate Director, an interest of his appointor or his associate(s) shall be treated as an interest of the alternate Director without prejudice to any interest which the alternate Director has otherwise.";

(m) deleting the existing Bye-Law 103 in its entirety and substituting therefor the following as a new Bye-Law 103:

"103. No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office. The period for lodgment of the notice required under this Bye-Law shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than (7) seven days prior to the date of such general meeting, provided that such period shall be at least (7) seven days.";

(n) deleting the existing Bye-Law 162.(B) in its entirety and substituting therefor the following as a new Bye-Law 162.(B):

"(B) Every balance sheet of the Company shall be signed on behalf of the Board by two of the Directors and a copy of every balance sheet (including every document required by laws to be comprised therein or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the Auditors' report, shall not less than twenty-one days before the date of the general meeting, be delivered or sent by post to the registered address of every shareholder of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the provisions of the Companies Act or these Bye-Laws, provided that this Bye-Law shall not require a copy of those documents to be delivered or sent to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures, but any shareholder or holder of debentures to whom a copy of those documents has not been delivered or sent shall be entitled to receive a copy free of charge on application at the Head Office or the Registration Office. If all or any of the shares or debentures of the Company shall for the time being be (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to the appropriate officer of such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.";

and **THAT** any director of the Company be and is hereby authorised to take such further action as he/she may, at his/her sole and absolute discretion, think fit for and on behalf of the Company to implement the aforesaid amendments to the existing Bye-Laws."

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

Hong Kong, 30 April 2004

Notes:

(1) The register of members of the Company will be closed from Monday, 24 May 2004 to Thursday, 27 May 2004 (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 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, 21 May 2004.

(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, on a poll, on his/her behalf. A proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion.

(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.

(4) With respect to the resolution set out in resolution no. 2 of this notice, Messrs. William Donald Putt, Lau Ho Kit, Ivan and Chow Siu Ngor will retire by rotation and, being eligible, offer themselves for re-election at the annual general meeting. Details of the above directors will be set out in the 2003 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 an approval to refresh the 10% general limit on grant of options under the share option scheme conditionally adopted on 17 September 2002 which became effective on 7 November 2002 and all other share option scheme(s) of the Company.

(6) With respect to the resolution set out in resolution no. 5 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.

(7) An explanatory statement containing further information with respect to the resolution set out in resolution no. 5 of this notice will be sent to the shareholders together with the 2003 Annual Report of the Company.

(8) With respect to the resolutions set out in resolutions nos. 6 and 7 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 shares of the Company in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(9) With respect to the resolution set out in resolution no. 8 of this notice, approval is being sought from the shareholders for an approval to amend the bye-laws of the Company.