THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

CCT TELECOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 138)

MAJOR TRANSACTION

PROPOSED PRIVATISATION OF CCT TECH INTERNATIONAL LIMITED BY WAY OF A SCHEME OF ARRANGEMENT (UNDER SECTION 99 OF THE COMPANIES ACT 1981 OF BERMUDA) AT THE SCHEME PRICE OF HK$0.023 PER SCHEME SHARE

Financial adviser to CCT Telecom Holdings Limited

VC CAPITAL LIMITED
滙盈融資有限公司
(A Member of Melco Group)

VC Capital Limited

A notice convening the SGM to be held at 9:30 a.m. on Monday, 13 February 2006 is set out on pages 101 to 102 of this circular. A form of proxy for use by the CCT Telecom Shareholders at the SGM is enclosed herein. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of CCT Telecom Holdings Limited in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, as soon as practicable but and in any event, not later than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be). Such form of proxy for use at the SGM is also published on the website of the Stock Exchange (www.hkex.com.hk). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting (as the case may be) should you so wish.

18 January 2006

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Notice of the SGM 101

In this circular (other than the notice of the SGM), the following expressions shall have the following meanings, unless the context requires otherwise:

"2007 CN"	the convertible notes issued by CCT Tech to an indirect wholly-owned subsidiary of CCT Telecom, Jade Assets, a party acting in concert with CCT Telecom, with an outstanding principal amount of HK$45,000,000 as at the Latest Practicable Date, interest free and with a conversion price of HK$0.01 per CCT Tech Share (subject to adjustments according to the terms of the 2007 CN), which replaced the CCT Tech 2005 CN previously transferred by New Capital Industrial Limited to Jade Assets under the Previous Offers as a result of the extension of the due date of the CCT Tech 2005 CN from 17 May 2005 to 31 December 2007 after closing of the Previous Offers
"2008 CN"	the convertible notes issued by CCT Tech to an indirect wholly-owned subsidiary of CCT Telecom, Noble Team Investments Limited, a party acting in concert with CCT Telecom, with an outstanding principal amount of HK$615,000,000 as at the Latest Practicable Date, with interest payable at prime or best lending rate plus 2% per annum and with a conversion price of HK$0.014 per CCT Tech Share (subject to adjustments according to the terms of the 2008 CN) and due on 30 June 2008
"acting in concert"	has the meanings ascribed to it in the Takeovers Code
"Announcement"	the joint announcement issued by CCT Telecom and CCT Tech dated 9 November 2005 in relation to the Proposal
"Applicable Percentage Ratios"	the percentage ratios other than profit ratio (all as defined in Rule 14.04(9) of the Listing Rules) applicable to the transaction contemplated under the Proposal in accordance with Chapter 14 of the Listing Rules
"Authorisations"	all necessary authorisations, registrations, filings, rulings, consents, permissions and approvals in connection with the Proposal
"Business Day"	a day (excluding a Saturday) on which banks are generally open in Hong Kong for general banking transactions for more than four hours
"CCT Tech"	CCT Tech International Limited, an exempted company incorporated in Bermuda and the shares of which are listed on the main board of the Stock Exchange
"CCT Tech 2005 CN"	the convertible notes originally issued by CCT Tech to New Capital Industrial Limited with an outstanding principal amount of HK$45,000,000, interest free and with a conversion price of HK$0.01 per CCT Tech Share and due on 17 May 2005, which were transferred to Jade Assets under the Previous Offers and were replaced by the 2007 CN as a result of the extension of the due date of the CCT Tech 2005 CN from 17 May 2005 to 31 December 2007 after closing of the Previous Offers

"CCT Tech Board"	the board of the CCT Tech Directors
"CCT Tech Director(s)"	the director(s) of CCT Tech
"CCT Tech Group"	CCT Tech and its subsidiaries
"CCT Tech Options"	the share options granted by CCT Tech to eligible participants conferring on the grantee thereof the right to subscribe for the CCT Tech Shares at an exercise price of HK$0.014 per CCT Tech Share pursuant to the share option scheme of CCT Tech adopted on 17 September 2002 and were subsequently cancelled as a result of the Previous Offers
"CCT Tech SGM"	the special general meeting of CCT Tech to be held at 10:30 a.m., on Monday, 13 February 2006 at 2208, 22nd Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong to approve the implementation of the Scheme and to give effect to the reduction of the ordinary issued share capital of CCT Tech as a result of the Scheme, notice of which is set out on pages 134 to 135 of the Scheme Document, or any adjournment thereof (as the case may be)
"CCT Tech Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of CCT Tech
"CCT Tech Shareholder(s)"	the holder(s) of the CCT Tech Share(s)
"CCT Telecom"	CCT Telecom Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda as an exempted company with limited liability and the shares of which are listed on the main board of the Stock Exchange
"CCT Telecom Board"	the board of the CCT Telecom Directors
"CCT Telecom Director(s)"	the director(s) of CCT Telecom
"CCT Telecom Group"	CCT Telecom and its subsidiaries
"CCT Telecom Remaining Group"	CCT Telecom Group excluding the CCT Tech Group
"CCT Telecom Share(s)"	the ordinary share(s) of HK$0.10 each in the share capital of CCT Telecom
"CCT Telecom Shareholder(s)"	the holder(s) of the CCT Telecom Share(s)
"Companies Act"	the Companies Act 1981 of Bermuda (as amended)

"Condition(s)"	the conditions or any of them to which the Proposal is subject, which are set out in the section headed "Conditions of the Proposal" in the letter from the CCT Telecom Board on pages 8 to 9 of this circular
"Court"	the Supreme Court of Bermuda
"Court Meeting"	a meeting of the Scheme Shareholders to be convened at the direction of the Court at which the Scheme will be voted upon, which will be held at 2208, 22nd Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong, 10:00 a.m., on Monday, 13 February 2006, notice of which is set out on pages 132 to 133 of the Scheme Document, or any adjournment thereof (as the case may be)
"Effective Date"	the date on which the Scheme, if approved, becomes effective, which is expected to be Monday, 6 March 2006
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Grant Sherman"	Grant Sherman Appraisal Limited, an independent valuer for properties
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Jade Assets"	Jade Assets Company Limited, an indirect wholly-owned subsidiary of CCT Telecom
"Latest Practicable Date"	13 January 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained therein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Meeting(s)"	the Court Meeting and the CCT Tech SGM or any of them, as the case may be
"PRC"	the People's Republic of China
"PRC Legal Adviser"	廣東鑄銘律師事務所 (Zhu Ming Lawyer Office of Guangdong), a registered law firm in the PRC
"Previous Offers"	the previous voluntary conditional cash offer (with securities exchange alternative) of HK$1,840 in cash or the convertible bonds issued by CCT Telecom with a face value of HK$1,840, for every 80,000 CCT Tech Shares or every CCT Tech 2005 CN with a face value of HK$800 and the previous voluntary conditional cash offer to cancel the CCT Tech Options at the offer price of HK$0.009 per CCT Tech Option made by Jade Assets which commenced on 31 March 2005 and were closed on 6 May 2005

"Previous Offers Announcement"	the joint announcement dated 31 January 2005 jointly made by CCT Telecom and CCT Tech containing, amongst other things, details of the Previous Offers (i) to acquire all the then issued CCT Tech Shares and CCT Tech 2005 CN not already owned at that time by Jade Assets and parties acting in concert with it (other than New Capital Industrial Limited); and (ii) to cancel all the then outstanding CCT Tech Options
"Proposal"	the proposal for the privatisation of CCT Tech by CCT Telecom by way of the Scheme
"Record Time"	9:00 a.m. Hong Kong time, on Friday, 3 March 2006 for determining entitlements under the Scheme
"Register"	the register of members of CCT Tech
"Relevant Authorities"	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions
"Scheme"	a scheme of arrangement under Section 99 of the Companies Act involving the cancellation of the Scheme Shares
"Scheme Document"	the document issued to the CCT Tech Shareholders in accordance with the Takeovers Code containing, inter alia, details of the Proposal and the Scheme and the terms and conditions of the Proposal and the Scheme
"Scheme Price"	the price of HK$0.023 per Scheme Share payable in cash by CCT Telecom to the Scheme Shareholders for the cancellation of the Scheme Shares
"Scheme Shareholders"	the CCT Tech Shareholders other than CCT Telecom and parties acting in concert with it (the parties acting in concert with CCT Telecom as defined under the Takeovers Code include CCT Assets Management Limited, Jade Assets, Expert Success International Limited and Noble Team Investments Limited which are indirect wholly-owned subsidiaries of CCT Telecom and were interested in the CCT Tech Shares as at the Latest Practicable Date)
"Scheme Share(s)"	the CCT Tech Share(s) held by the Scheme Shareholders
"SFC"	the Securities and Futures Commission of Hong Kong
"SGM"	the special general meeting of CCT Telecom to be held at 9:30 a.m., on Monday, 13 February 2006 at 2208, 22nd Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong, to approve, inter alia, the Proposal, notice of which is set out on pages 101 to 102 of this circular, or any adjournment thereof (as the case may be)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"SPA"	the sale and purchase agreement dated 22 July 2005 entered into between CCT Telecom, Jade Assets and Value Partners Limited in relation to the sale of 1,500 million CCT Tech Shares by Jade Assets to the funds under the management of Value Partners Limited at a price of HK$0.02 per CCT Tech Share (with a put option), the transaction of which was completed on 22 July 2005
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplemental agreement dated 21 December 2005 to the SPA entered into between CCT Telecom, Jade Assets and Value Partners Limited in relation to the buy back of the 1,500 million CCT Tech Shares by Jade Assets from the funds under the management of Value Partners Limited at a price of HK$0.023 per CCT Tech Share, the transaction of which was completed on 22 December 2005
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"VC Capital"	VC Capital Limited, a licensed corporation under the SFO permitted to engage in types 1 (dealing in securities) and 6 (advising on corporate finance) of the regulated activities as defined in the SFO
"%"	per cent.

In this circular, the exchange rate of HK$1.00 to RMB1.042 is used. Such conversion should not be construed as a representation that the amount in question has been, could have been or could be converted at any particular rate or at all.

CCT TELECOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 138)

Executive CCT Telecom Directors:
Mak Shiu Tong, Clement
Tam Ngai Hung, Terry
Cheng Yuk Ching, Flora
William Donald Putt

Independent non-executive CCT Telecom Directors:
Samuel Olenick
Tam King Ching, Kenny
Lau Ho Man, Edward

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head office and principal place of business in Hong Kong:
2208, 22nd Floor, St. George's Building
2 Ice House Street
Central
Hong Kong

18 January 2006

To the CCT Telecom Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION

PROPOSED PRIVATISATION OF CCT TECH INTERNATIONAL LIMITED BY WAY OF A SCHEME OF ARRANGEMENT (UNDER SECTION 99 OF THE COMPANIES ACT 1981 OF BERMUDA) AT THE SCHEME PRICE OF HK$0.023 PER SCHEME SHARE

INTRODUCTION

It was jointly announced by CCT Telecom and CCT Tech on 9 November 2005 that on 25 October 2005, CCT Telecom requested the CCT Tech Board to put forward the Proposal to the Scheme Shareholders regarding a proposed privatisation of CCT Tech by way of a scheme of arrangement under section 99 of the Companies Act. As at the date of the Announcement, the CCT Telecom Group held approximately 74.71% of the issued share capital of CCT Tech.

On 21 December 2005, Value Partners Limited, whose funds under its management was interested in 1,500,000,000 CCT Tech Shares (approximately 9.41% of the issued share capital of CCT Tech) as at the date of the Announcement, procured the funds under its management to sell all of the 1,500,000,000 CCT Tech Shares to Jade Assets pursuant to the Supplemental Agreement. On 22 December 2005, Jade Assets acquired the 1,500,000,000 CCT Tech Shares from the funds under the management of Value Partners Limited on the market. Immediately upon completion of the sale of the 1,500,000,000 CCT Tech Shares to Jade Assets, Value Partners Limited ceased to be a CCT Tech Shareholder and CCT Telecom and its concert parties held approximately 84.12% of the issued share capital of CCT Tech.

As at the Latest Practicable Date, there were 15,938,422,562 CCT Tech Shares in issue. CCT Telecom and its concert parties are beneficially interested in 13,407,179,696 CCT Tech Shares, representing approximately 84.12% of the issued share capital of CCT Tech. The CCT Tech Shares held by CCT Telecom and its concert parties shall abstain from voting at the Court Meeting.

As at the Latest Practicable Date, there were 2,531,242,866 CCT Tech Shares held by the Scheme Shareholders, all of which are entitled to vote at the Court Meeting.

Upon completion of the Proposal, the listing of the CCT Tech Shares on the main board of the Stock Exchange will be withdrawn and CCT Tech will become an indirect wholly-owned subsidiary of CCT Telecom.

It is the intention of CCT Telecom to maintain the existing business of the CCT Tech Group after the successful privatisation of CCT Tech.

VC Capital has been appointed as the financial adviser to CCT Telecom in respect of the Proposal.

SUMMARY OF THE PROPOSAL

It is proposed that, subject to the Conditions being fulfilled or, if applicable, waived, the Proposal will be implemented by way of the Scheme, which will involve the cancellation and extinguishments of the Scheme Shares and a reduction of the issued share capital of CCT Tech under Section 46 of the Companies Act. Accordingly, CCT Tech will become a wholly-owned subsidiary of CCT Telecom. The Scheme also provides that, in consideration of the cancellation and extinguishments of the Scheme Shares, all the Scheme Shareholders whose names appear on the Register at the Record Time will be entitled to receive the Scheme Price, which is HK$0.023 for each Scheme Share held. CCT Telecom will not increase the Scheme Price.

Payment of the Scheme Price will be effected by cheques and implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous rights to which CCT Tech may otherwise be, or claim to be, entitled against any Scheme Shareholders.

As at the Latest Practicable Date, there were 15,938,422,562 CCT Tech Shares in issue and the Scheme Shareholders were interested in 2,531,242,866 CCT Tech Shares, representing approximately 15.88% of the issued share capital of CCT Tech. Based on the Scheme Price, the entire issued share capital of CCT Tech is valued at approximately HK$366.58 million under the Proposal. Based on the number of Scheme Shares in issue as at the Latest Practicable Date, the maximum amount of cash required for the payment of the Scheme Price was approximately HK$58.2 million under the Proposal. CCT Telecom would finance the payment of the Scheme Price from internal financial resources.

As at the Latest Practicable Date, there are no other options, warrants or convertible securities issued by CCT Tech other than the 2007 CN and the 2008 CN. As all of the 2007 CN and the 2008 CN are beneficially and indirectly owned by CCT Telecom, no comparable offer will be made for the 2007 CN and the 2008 CN.

VC Capital is satisfied that CCT Telecom has sufficient financial resources for the implementation of the Proposal.

CONDITIONS OF THE PROPOSAL

The Scheme will become effective and binding on CCT Tech and all CCT Tech Shareholders subject to the fulfillment or waiver (as applicable) of the following conditions:

(a) the approval of the Scheme by a majority in number of the Scheme Shareholders representing not less than three-fourths in value present and voting either in person or by proxy at the Court Meeting, provided that:

  (i) the Scheme is approved (by way of poll) by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting holding not less than 75% in value of those CCT Tech Shares that are voted either in person or by proxy by the Scheme Shareholders at the Court Meeting; and

  (ii) the Scheme is not disapproved (by way of poll) by the Scheme Shareholders at the Court Meeting holding more than 10% in value of all the CCT Tech Shares held by the Scheme Shareholders;

(b) the passing of a special resolution to approve the implementation of the Scheme and to give effect to the reduction of the issued share capital of CCT Tech as a result of the Scheme by a majority of not less than three-fourths of the votes cast by the CCT Tech Shareholders present and voting in person or by proxy at a special general meeting of CCT Tech;

(c) the passing by the CCT Telecom Shareholders of an ordinary resolution to approve the Proposal for the privatisation of CCT Tech at a special general meeting of CCT Telecom;

(d) the sanction of the Scheme (with or without modifications) by the Court and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Court for registration;

(e) the compliance with the procedural requirements of Section 46 of the Companies Act to effect the reduction of the issued share capital of CCT Tech;

(f) all Authorisations in connection with the Proposal having been obtained or made from, with or by (as the case may be) the Relevant Authorities in Bermuda and/or Hong Kong and/or any other relevant jurisdictions;

(g) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or in addition to the requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective; and

(h) all necessary consents which may be required under any existing contractual obligations of CCT Tech being obtained.

CCT Telecom reserves the right to waive Condition (h) either in whole or in part in respect of any particular matter. Failure to obtain certain Authorisations may not affect the effectiveness and completion of the Scheme. In the event that Conditions (f) or (g) is not fulfilled by reason of an Authorisation not having been obtained, CCT Telecom reserves the right to assess the materiality of such non-fulfillment and to waive the fulfillment of such Condition(s) to such extent where it considers appropriate. Conditions (a) to (e) cannot be waived in any event. All of the above Conditions will have to be fulfilled or waived, as applicable, on or before 31 March 2006 (or such later date as CCT Telecom and CCT Tech may agree or, to the extent applicable, as the Court may direct), failing which the Scheme will lapse. CCT Telecom intends to waive Conditions (f), (g), (h) if the non-fulfillment of these Conditions will not have any material adverse impact on CCT Tech or CCT Telecom. As at the Latest Practicable Date, none of the above Conditions has been fulfilled nor waived by CCT Telecom.

Assuming that the Conditions are fulfilled or, where applicable, waived, the Scheme will become effective on the Effective Date, which is expected to be Monday, 6 March 2006. Further press announcements will be made giving details of the results of the Meetings and, if all resolutions are passed at the Meetings, the results of the hearing of the petition for the sanction of the Scheme by the Court, the last day for dealing in the CCT Tech Shares, the Record Time, the Effective Date and the date of the withdrawal of the listing of the CCT Tech Shares on the Stock Exchange.

The Scheme will lapse if it does not become effective on or before Friday, 31 March 2006 or such later date as CCT Telecom and CCT Tech may agree or as the Court may allow and the Scheme Shareholders will be notified by press announcement.

SCHEME PRICE

The Scheme Price of HK$0.023 per Scheme Share represents:

— the same price as the offer price for each CCT Tech Share under the Previous Offers;

— a premium of approximately 4.5% over the closing price of HK$0.022 per CCT Tech Share as quoted on the Stock Exchange on 25 October 2005 (being the last trading day prior to the suspension of trading in the CCT Tech Shares pending the issue of the Announcement);

— a premium of approximately 11.7% over the average closing price of HK$0.0206 per CCT Tech Share as quoted on the Stock Exchange over the 10 trading days up to and including 25 October 2005;

— a premium of approximately 12.7% over the average closing price of HK$0.0204 per CCT Tech Share as quoted on the Stock Exchange over the 30 trading days up to and including 25 October 2005;

— a premium of approximately 11.7% over the average closing price of HK$0.0206 per CCT Tech Share as quoted on the Stock Exchange over the 60 trading days up to and including 25 October 2005;

— a premium of approximately 7.5% over the average closing price of HK$0.0214 per CCT Tech Share as quoted on the Stock Exchange over the 180 trading days up to and including 25 October 2005;

— a premium of approximately 9.5% over the closing price of HK$0.021 per CCT Tech Share as quoted on the Stock Exchange on the Latest Practicable Date; and

— a discount of approximately 4.2% to the unaudited consolidated net asset value per CCT Tech Share of approximately HK$0.024 as at 30 June 2005.

In determining the Scheme Price, the CCT Telecom Directors and the CCT Tech Directors have taken into account factors such as the trading liquidity and average market prices of the CCT Tech Shares, as well as the factors further discussed in the paragraph headed "Reasons for and benefits of the Proposal" below.

The aggregate amount of cash payable by CCT Telecom for the cancellation of the Scheme Shares is approximately HK$58.2 million. VC Capital is satisfied that CCT Telecom has sufficient financial resources for the implementation of the Proposal.

SHAREHOLDING STRUCTURE OF CCT TELECOM

As at the Latest Practicable Date, there were 655,693,308 CCT Telecom Shares in issue. Mr. Mak Shiu Tong, Clement, having taken into account his personal interest and his corporate interest, collectively holds 126,996,292 CCT Telecom Shares. The following table set out the shareholding structure of CCT Telecom as at the Latest Practicable Date:

The CCT Telecom Shareholders	**Number of CCT Telecom Shares held**	**%**
CCT Telecom Directors and CCT Tech Directors		
Mr. Mak Shiu Tong, Clement *(Note 1)*	126,996,292	19.37
Mr. Tam Ngai Hung, Terry	1,868,000	0.28
Ms. Cheng Yuk Ching, Flora *(Note 2)*	14,196,713	2.17
Dr. William Donald Putt	591,500	0.09
Mr. Samuel Olenick	545,000	0.08
Mr. Tong Chi Hoi (an executive CCT Tech Director)	300,000	0.05
Public	511,195,803	77.96
TOTAL	655,693,308	100.00

Notes:

1. *Amongst the 126,996,292 CCT Telecom Shares in which Mr. Mak Shiu Tong, Clement was interested, as to 126,280,640 CCT Telecom Shares were held by corporations controlled by Mr. Mak Shiu Tong, Clement and as to 715,652 CCT Telecom Shares were held by himself.*

2. *Amongst the 14,196,713 CCT Telecom Shares in which Ms. Cheng Yuk Ching, Flora has an interest, as to 14,076,713 CCT Telecom Shares were held by Ms. Cheng Yuk Ching, Flora and as to 120,000 CCT Telecom Shares were held by the spouse of Ms. Cheng Yuk Ching, Flora.*

Save for the equity interests in CCT Telecom, which in turn holds approximately 84.12% of the issue share capital of CCT Tech, none of the CCT Telecom Directors, chief executive and substantial shareholders of CCT Telecom or any of their associates has any equity interest in CCT Tech. Accordingly, all CCT Telecom Shareholders will be entitled to attend and vote on the ordinary resolution to give effect to the Proposal at the SGM.

SHAREHOLDING STRUCTURE OF CCT TECH

As at the Latest Practicable Date, there were 15,938,422,562 CCT Tech Shares in issue. The CCT Telecom Group is beneficially interested in 13,407,179,696 CCT Tech Shares, representing approximately 84.12% of the issued share capital of CCT Tech. The following table sets out the shareholding structure of CCT Tech as at the date of the Announcement, as at the Latest Practicable Date and immediately after the Scheme becoming effective and the withdrawal of listing of the CCT Tech Shares on the Stock Exchange:

The CCT Tech Shareholders	**As at the date of the Announcement**		**As at the Latest Practicable Date**		**Immediately after the Scheme becoming effective and the withdrawal of listing of the CCT Tech Shares on the Stock Exchange**	
	Number of CCT Tech Shares	*%*	*Number of CCT Tech Shares*	*%*	*Number of CCT Tech Shares*	*%*
The CCT Telecom Group:						
CCT Assets Management Limited *(Note 1)*	1,350,000,000	8.47	1,350,000,000	8.47	1,350,000,000	10.07
Jade Assets *(Notes 1 and 2)*	8,207,179,696	51.50	9,707,179,696	60.91	9,707,179,696	72.40
Expert Success International Limited *(Note 1)*	1,350,000,000	8.47	1,350,000,000	8.47	1,350,000,000	10.07
Noble Team Investments Limited *(Notes 1 and 3)*	1,000,000,000	6.27	1,000,000,000	6.27	1,000,000,000	7.46
Sub-total of the CCT Telecom Group	11,907,179,696	74.71	13,407,179,696	84.12	13,407,179,696	100.00
Public CCT Tech Shareholders						
Value Partners Limited *(Note 4)*	1,500,000,000	9.41	0	0.00	0	0.00
Other public CCT Tech Shareholders who are disinterested CCT Tech Shareholders and are allowed to vote in the Court Meeting under Rule 2.10 of the Takeovers Code	2,531,242,866	15.88	2,531,242,866	15.88	0	0.00
TOTAL	15,938,422,562	100.00	15,938,422,562	100.00	13,407,179,696	100.00

Notes:

(1) All are indirect wholly-owned subsidiaries of CCT Telecom which are parties acting in concert with CCT Telecom.

(2) In addition to the 9,707,179,696 CCT Tech Shares, Jade Assets also held the 2007 CN as at the Latest Practicable Date.

(3) In addition to the 1,000,000,000 CCT Tech Shares, Noble Team Investments Limited also held the 2008 CN as at the Latest Practicable Date.

(4) Value Partners Limited is a company incorporated under the laws of the British Virgin Islands with limited liability whose principal business is fund management, whose interest in the CCT Tech Shares as at the Announcement was recorded in the register required to be kept by CCT Tech under section 336 of the SFO.

Value Partners Limited procured the funds under its management to sell all the 1.5 billion CCT Tech Shares to Jade Assets pursuant to the Supplement Agreement and the acquisition of the 1.5 billion CCT Tech Shares by Jade Assets from the funds under the management of Value Partners Limited was made on the market on 22 December 2005.

On 31 January 2005, CCT Tech and CCT Telecom jointly made the Previous Offers Announcement that Jade Assets, as the offeror, would make the Previous Offers to acquire all the then issued share capital of CCT Tech and the CCT Tech 2005 CN not already owned at that time by Jade Assets and parties acting in concert with it (other than New Capital Industrial Limited) and to cancel the CCT Tech Options. The Previous Offers were closed on 6 May 2005. As announced by CCT Telecom and CCT Tech in the joint announcement dated 6 May 2005, up to the closing of the Previous Offers, valid acceptances have been received in respect of 7,907,179,696 CCT Tech Shares, the CCT Tech 2005 CN in the amount of HK$45,000,000 (representing all the then outstanding issued CCT Tech 2005 CN) and 1,082,781,000 CCT Tech Options (representing all the then outstanding issued CCT Tech Options). The CCT Tech Options were cancelled and the CCT Tech 2005 CN was transferred to Jade Assets. As a result of the Previous Offers, the interest of Jade Assets together with the parties acting in concert with it in the CCT Tech Shares increased from approximately 34.51% of the then issued share capital of CCT Tech immediately before the Previous Offers to approximately 84.12% of the then issued share capital of CCT Tech immediately after the Previous Offers.

In order to maintain the then minimum public float of CCT Tech, on 22 July 2005, CCT Telecom and CCT Tech jointly announced that CCT Telecom, Jade Assets and Value Partners Limited entered into a sale and purchase agreement for (i) the sale of 1,500 million CCT Tech Shares owned by Jade Assets to the funds under the management of Value Partners Limited at HK$0.02 for each CCT Tech Share; and (ii) the granting of a put option (the "**Put Option**") to Value Partners Limited in accordance with the terms of the sale and purchase agreement.

In order to avoid any misconceptions in the market and to facilitate the progress of the Proposal, CCT Telecom, Jade Assets and Value Partners Limited entered into the Supplemental Agreement for (i) the buy back of the 1,500 million CCT Tech Shares from the funds under the management of Value Partners Limited to Jade Assets at HK$0.023 for each CCT Tech Share; and (ii) the cancellation of the Put Option and Value Partners Limited's restriction during the lock-up period as defined under the SPA and release of obligations under the SPA. Immediately upon completion of the buy back, Value Partners Limited ceased to be a CCT Tech Shareholder.

Save as disclosed above, CCT Telecom and the parties acting in concert with it has no dealing in the securities of CCT Tech during the six months' period immediately preceding the last full trading day prior to the date of the Announcement.

As at the Latest Practicable Date, CCT Telecom and parties acting in concert with it held 13,407,179,696 CCT Tech Shares which do not form part of the Scheme Shares and will not be entitled to vote at the Court Meeting.

As at the Latest Practicable Date, there were 2,531,242,866 CCT Tech Shares held by the Scheme Shareholders, all of which are eligible to vote at the Court Meeting. The CCT Telecom Directors confirm that, to the best of their knowledge, information and belief have made all reasonable enquiry, the Scheme Shareholders are third parties independent of and not connected with

the CCT Telecom Group. Assuming that no further CCT Tech Shares will be issued or repurchased between the Latest Practicable Date and the Record Time, all the Scheme Shares then in issue will be cancelled and extinguished.

As at the Latest Practicable Date, there were no other options, warrants or convertible securities issued by CCT Tech other than the 2007 CN and the 2008 CN. As all the 2007 CN and the 2008 CN are beneficially and indirectly owned by CCT Telecom, no comparable offer will be made for the 2007 CN and the 2008 CN.

REASONS FOR AND BENEFITS OF THE PROPOSAL

For the Scheme Shareholders

The trading volume of the CCT Tech Shares has been thin, resulting in the low liquidity of the CCT Tech Shares. The average daily trading volume for the past six months preceding to the date of the Announcement of approximately 24.4 million CCT Tech Shares has been less than 0.16% of the total number of the issued CCT Tech Shares. Since the close of the Previous Offers, the CCT Tech Shares have been traded at the price range between HK$0.019 and HK$0.024 and most of the time, the closing price of the CCT Tech Shares was below the offer price of the Previous Offers and the Scheme Price.

Given that the CCT Telecom Group has already owned 84.12% of CCT Tech as at the Latest Practicable Date, the CCT Telecom Directors believe that it is unlikely that the Scheme Shareholders will receive any other general offer from a third party to acquire the Scheme Shares, as such offer would not succeed without the approval of CCT Telecom. Moreover, the CCT Tech Shareholders should note that no discussion has been taken place with any third parties regarding the disposal of any of the CCT Tech Shares held by CCT Telecom.

As the Scheme Price represents a premium of approximately 4.5%, approximately 11.7%, approximately 12.7%, approximately 11.7% and approximately 7.5% over the 1-day, 10-day, 30-day, 60-day and 180-day average closing price per CCT Tech Share up to and including 25 October 2005 respectively and a discount of approximately 4.2% to the unaudited consolidated net asset value per CCT Tech Share as at 30 June 2005, the CCT Telecom Directors and the CCT Tech Directors believe that the Proposal represents a good opportunity for the Scheme Shareholders to realise their investments at a price above historical trading levels of the CCT Tech Shares.

For CCT Tech

Given that the low liquidity of the CCT Tech Shares, the CCT Tech Directors believe that the ability of CCT Tech to take advantage of its listing status to raise funds from equity markets might be limited and any significant improvement in this regard in the foreseeable future is unlikely. It would not be justifiable to maintain the listing status after taking into consideration the costs and management resources associated with the maintenance of CCT Tech's listing on the main board of the Stock Exchange.

Moreover, there are numerous continuing connected transactions between the CCT Telecom Remaining Group and the CCT Tech Group. Accordingly, there are numerous disclosure and compliance obligations that CCT Tech as a listed company has to comply with. The successful privatisation of CCT Tech would eliminate all such disclosure and compliance obligations and would substantially reduce the compliance costs and administration costs of CCT Tech which in turn would

increase profits of CCT Tech. The CCT Tech Directors accordingly consider that the Proposal is in the interests of CCT Tech and CCT Tech Shareholders as a whole as it would bring about more flexibility to take the businesses of CCT Tech forward in an efficient manner.

For CCT Telecom

The CCT Telecom Directors consider that it would not be in the interest of CCT Telecom for maintaining the listing status of CCT Tech given the low liquidity of the CCT Tech Shares.

The manufacture and sale of telecom and electronic products on the basis of original design manufacturing and contract manufacturing has been the core business of the CCT Tech Group and therefore is also a major core business of the CCT Telecom Group which includes the CCT Tech Group. The CCT Telecom Directors are of the view that the prospects of the CCT Tech Group is promising as evidenced by the continuing trend of growth in terms of both turnover and operating profit of the telecom products business. The Proposal enables CCT Telecom to consolidate the whole equity interests and economic benefits of CCT Tech.

Moreover, there are numerous continuing connected transactions between the CCT Telecom Remaining Group and the CCT Tech Group. The successful privatisation of CCT Tech would substantially help reduce the compliance costs of CCT Telecom as well as those of CCT Tech which in turn would increase profit contribution from CCT Tech. The CCT Telecom Directors accordingly consider that the Proposal is in the interests of CCT Telecom and the CCT Telecom Shareholders as a whole as it would bring about more flexibility for the CCT Telecom Group to combine, relocate and use the resources within the CCT Telecom Group including the CCT Tech Group as private companies. The Proposal, if successfully implemented, would allow CCT Telecom to take the businesses of the CCT Telecom Group forward in a more efficient manner.

FINANCIAL EFFECTS OF THE PROPOSAL

Upon completion of the Proposal, the listing of the CCT Tech Shares on the main board of the Stock Exchange will be withdrawn and CCT Tech will become an indirect wholly-owned subsidiary of CCT Telecom. As CCT Telecom will cancel the Scheme Shares under the Proposal for a total consideration of approximately HK$61.7 million (including estimated expenses of approximately HK$3.5 million to be incurred in connection with the Scheme) which has no material difference compared to the attributable net asset value of the minority interests to be acquired of approximately HK$61 million (with reference to the unaudited consolidated net assets value of the CCT Tech Group as at 30 June 2005), no material goodwill will arise under the Proposal. The cash and minority interests of the CCT Telecom Group will be reduced by approximately HK$61.7 million and HK$61 million, respectively. CCT Telecom will then share the entire results of CCT Tech. The Proposal will not have any adverse impact to the earnings, assets and liabilities of CCT Telecom. The CCT Telecom Directors consider that the earnings as well as the assets value of CCT Telecom would be benefited as a result of the consolidation of the whole equity interests and economic benefits of CCT Tech.

Your attention is drawn to the paragraphs headed "Unaudited pro forma financial information of the combined group" and "Unaudited pro forma statement of assets and liabilities of the combined group" under section headed "Financial information of the CCT Telecom Group" as set out on pages 83 to 86 of this circular.

INFORMATION ON THE CCT TECH GROUP

Business

CCT Tech was incorporated in Bermuda as an exempted company on 22 July 2002 and the shares of which are listed on the main board of the Stock Exchange. CCT Tech, through its subsidiaries, is principally engaged in the businesses of manufacture, sale, design and development of telecom products and electronic products on basis of original design manufacturing and contract manufacturing.

Historical financial information

A summary of the audited consolidated results of CCT Tech for each of the two financial years ended 31 December 2004 (as extracted from the 2004 annual report of CCT Tech) and the unaudited results for the six months ended 30 June 2005 (as extracted from the 2005 interim report of CCT Tech) is set out below:

	For the six months ended	**For the year ended**	
	30/6/2005	**31/12/2004**	**31/12/2003**
	HK$ million	*HK$ million*	*HK$ million*
	(unaudited)	*(audited)*	*(audited)*
Turnover	1,737	3,847	1,926
Profit before tax	77	141	82
Tax	(9)	(16)	(9)
Profit after tax	68	125	73

Based on the 2004 annual report of CCT Tech, the audited consolidated net assets of the CCT Tech Group were approximately HK$299 million as at 31 December 2004 or approximately HK$0.019 per CCT Tech Share as at 31 December 2004 (based on 15,938,422,562 CCT Tech Shares in issue as at that date).

Based on the 2005 interim report of CCT Tech, the unaudited consolidated net assets of the CCT Tech Group were approximately HK$383 million or approximately HK$0.024 per CCT Tech Share as at 30 June 2005 (based on 15,938,422,562 CCT Tech Shares in issue as at that date).

INFORMATION ON THE CCT TELECOM GROUP

Business

CCT Telecom was incorporated in the Cayman Islands on 21 June 1990 and the shares of which are listed on the main board of the Stock Exchange. CCT Telecom has announced on 22 September 2005 to change the domicile of CCT Telecom from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda, subject to the CCT Telecom Shareholders' approval and all compliance with the relevant general procedures and requirements under the Cayman Islands laws, Bermuda laws and the Listing Rules. The change of domicile has been approved by the CCT Telecom Shareholders at an extraordinary general meeting held on 18 November 2005 and the change of domicile has been completed on 9 December 2005. Currently, CCT Telecom is a company incorporated in the Cayman Islands and continued in Bermuda as an exempted company with limited liability.

CCT Telecom, through its subsidiaries, is principally engaged in (i) manufacture, sale, design and development of telecom products and electronic products through the CCT Tech Group; (ii) manufacture of power supply components and plastic products; and (iii) manufacture and sale of plastic components and baby products. As at the Latest Practicable Date, CCT Telecom and its concert parties held approximately 84.12% of the issued share capital of CCT Tech.

Historical financial information

Details of the financial information of the CCT Telecom Group are stipulated in the section headed "Financial information of the CCT Telecom Group" in this circular. Pursuant to Rule 4.01(3), CCT Telecom is not required to include an accountants' report of CCT Tech by virtue of the fact that CCT Tech is a listed company on the main board of the Stock Exchange. A summary of the audited consolidated results of CCT Telecom for each of the two financial years ended 31 December 2004 (as extracted from the 2004 annual report of CCT Telecom) and the unaudited results for the six months ended 30 June 2005 (as extracted from the 2005 interim report of CCT Telecom) is set out below:

	For the six months ended	**For the year ended**	
	30/6/2005	**31/12/2004**	**31/12/2003**
	HK$ million	*HK$ million*	*HK$ million*
	(unaudited)	*(audited)*	*(audited)*
Turnover	1,800	4,057	3,441
Profit/(loss) before tax and minority interests	172	157	(59)
Tax	(10)	(20)	(12)
Profit/(loss) after tax but before minority interests	162	137	(71)

Based on the 2004 annual report of CCT Telecom, the audited consolidated net assets of the CCT Telecom Group were approximately HK$2,299 million as at 31 December 2004.

Based on the 2005 interim report of CCT Telecom, the unaudited consolidated net assets of the CCT Telecom Group were approximately HK$2,614 million as at 30 June 2005.

Your attention is drawn to the section headed "Financial information of the CCT Telecom Group" as set out on pages 21 to 87 of this circular.

INTENTIONS OF CCT TELECOM WITH REGARD TO THE CCT TECH GROUP

CCT Telecom does not intend to dispose of any of its beneficial interests in CCT Tech, nor does it intend to discontinue any of the CCT Tech Group's businesses following the implementation of the Proposal. It is the intention of CCT Telecom to maintain the existing business of the CCT Tech Group after the successful privatisation of CCT Tech.

The CCT Telecom Directors have confirmed that, upon the privatisation of CCT Tech, they do not intend to make any significant changes to the existing businesses in the near future, other than in the ordinary course of business.

Whether or not the Proposal is implemented, the CCT Telecom Directors do not have any intention to make any significant changes to the existing businesses, employment of the staff of the CCT Tech Group or any significant redeployment of its fixed assets.

The CCT Telecom Directors intend that the listing of the CCT Tech Shares on the Stock Exchange will be withdrawn if the Scheme is implemented and be maintained in the event that the Scheme is not approved or withdrawn or lapses.

FINANCIAL AND TRADING PROSPECTS OF CCT TELECOM UPON COMPLETION OF THE PROPOSAL

As stated in the section headed "Reasons for and benefits of the Proposal — For CCT Telecom" on page 14, the implementation of the Proposal and the successful privatisation of CCT Tech would substantially reduce the compliance costs of the CCT Telecom Group arising from the numerous continuing connected transactions between the CCT Telecom Remaining Group and the CCT Tech Group. The privatisation of CCT Tech would also bring flexibility for the CCT Telecom Group (including the CCT Tech Group as private companies) to combine and relocate resources, thus, will further strengthen the financial position, and enhance the financial prospects, of the CCT Telecom Group as a whole.

Furthermore, the implementation of the Proposal would allow CCT Telecom to take the businesses of the CCT Telecom Group (including the CCT Tech Group as private companies) forward in a more efficient manner, which may enhance the trading prospects of CCT Telecom as a whole.

Despite various operating issues including the rising costs of materials and labour, pressure of price reduction from customers, and appreciation of Renminbi, CCT Tech has delivered satisfactory results for the past three years with sustained growth. CCT Telecom is aware that CCT Tech is facing various operating issues mentioned above. However, judging from the past performance of the management of CCT Tech, CCT Telecom is confident in the future trading prospects of CCT Tech and the privatisation will increase CCT Telecom's interest and share of profits in the CCT Tech Group.

INFORMATION RELATING TO THE INTEREST OF CCT TELECOM

As at the Latest Practicable Date, the CCT Telecom Group and its concert parties are beneficially interested in an aggregate of 13,407,179,696 CCT Tech Shares, representing approximately 84.12% of the issued share capital of CCT Tech. Such CCT Tech Shares will not form part of the Scheme Shares and, accordingly, will neither be represented nor vote at the Court Meeting to approve the Scheme. However, as the CCT Telecom Group is entitled to attend and vote at the CCT Tech SGM, it intends to vote at the CCT Tech SGM and has indicated that if the Scheme is approved at the Court Meeting, those CCT Tech Shares held by the CCT Telecom Group will be voted in favour of the special resolution to be proposed at the CCT Tech SGM to approve the implementation of the Scheme and to give effect to the reduction of the ordinary issued share capital of CCT Tech as a result of the Scheme.

SHARE CERTIFICATES, DEALINGS AND LISTING

Upon the Scheme becoming effective, all the Scheme Shares will be cancelled and extinguished, and all the certificates representing the Scheme Shares will, accordingly, cease to have effect as documents or evidence of title in all respects.

CCT Tech will apply to the Stock Exchange for the withdrawal of the listing of the CCT Tech Shares on the Stock Exchange immediately following the Effective Date, which is expected to take place on Monday, 6 March 2006. In such an event, the listing of the CCT Tech Shares on the Stock Exchange is expected to be withdrawn on Tuesday, 7 March 2006.

The Scheme Shareholders will be notified of the exact dates on which the Scheme and the withdrawal of the listing of the CCT Tech Shares on the Stock Exchange become effective by press announcements.

MAJOR TRANSACTION

Pursuant to the Listing Rules, as the largest of the Applicable Percentage Ratios is more than 25% but less than 100%, the transactions contemplated under the Proposal when aggregated with the transactions contemplated under the Previous Offers constitute a major acquisition for CCT Telecom under the Listing Rules and are subject to the approval of the CCT Telecom Shareholders at the SGM. As none of the directors, chief executive and substantial shareholders of CCT Telecom is interested in the CCT Tech Shares, all CCT Telecom Shareholders are eligible to vote in the SGM and no one shall abstain from voting.

SGM

As set out on pages 101 to 102 of this circular, the SGM has been convened to be held at 9:30 a.m. on Monday, 13 February 2006 at 2208, 22nd Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong.

The SGM will be convened for the purpose of considering and, if thought fit, passing an ordinary resolution to approve the Proposal for the privatisation of CCT Tech. The ordinary resolution will be passed provided that it is approved by the simple majority of the CCT Telecom Shareholders present and voting in person or by proxy at the SGM. All CCT Telecom Shareholders will be entitled to attend and vote on such ordinary resolution at the SGM.

Notice of the SGM is set out on pages 101 to 102 of this circular. A form of proxy for use by the CCT Telecom Shareholders at the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the CCT Telecom's branch share registrar and transfer office in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, as soon as practicable but in any event, not later than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be). Such form of proxy for use at the SGM is also published on the website of the Stock Exchange (www.hkex.com.hk). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting (as the case may be) should you so wish.

DEMAND FOR POLL AT THE SGM

Pursuant to bye-law 66 of the bye-laws of CCT Telecom, every resolution submitted to a general meeting shall be determined on a show of hands in the first instance by the CCT Telecom Shareholders present in person or by proxy or by authorised representative, but a poll may be demanded (before or on the declaration of the result of the show of hands or on the withdrawal of any demand for a poll) by the chairman of the general meeting or by:

(a) at least 3 CCT Telecom Shareholders present in person or by proxy or by authorised representative for the time being entitled to attend and vote at the general meeting; or

(b) any CCT Telecom Shareholder or the CCT Telecom Shareholders present in person or by proxy or by authorised representative and representing not less than one-tenth of the total voting rights of all the CCT Telecom Shareholders having the right to attend and vote at the general meeting; or

(c) any CCT Telecom Shareholder or the CCT Telecom Shareholders present in person or by proxy or by authorised representative and holding the CCT Telecom Shares conferring a right to attend and vote at the general meeting being the CCT Telecom Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the CCT Telecom Shares conferring that right.

RECOMMENDATION

Having considered the reasons set out herein, the CCT Telecom Directors are of the opinion that the terms of the Proposal and the Scheme are fair and reasonable and are in the best interests of CCT Telecom and the CCT Telecom Shareholders as a whole. Accordingly, the CCT Telecom Directors therefore recommend the CCT Telecom Shareholders to vote in favour of the ordinary resolution to be put forward at the SGM.

ADDITIONAL INFORMATION

In view of the historical accumulated losses brought forward and the strategy to reserve cash resources for business and expansion, the CCT Tech Directors have no intention to propose any dividend to be distributed to the CCT Tech Shareholders for the financial year ended 31 December 2005 and 31 December 2006.

On 22 December 2005, Jade Assets bought back 1,500 million CCT Tech Shares from the funds under the management of Value Partners Limited pursuant to the Supplemental Agreement. After the completion of the buy back and up to the Latest Practicable Date, CCT Telecom and parties acting in concert with it hold in an aggregate of 13,407,179,696 CCT Tech Shares, representing approximately 84.12% of the issued share capital of CCT Tech and only approximately 15.88% interest in CCT Tech is held by the public. CCT Telecom and CCT Tech have applied, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.08 of the Listing Rules for the period beginning from the date of completion of the Supplemental Agreement (i.e., 22 December 2005) and ending on the date of the withdrawal of the listing of the CCT Tech Shares on the Stock Exchange following the Scheme having become effective. In the event that the proposed privatisation of CCT Tech will not proceed, the waiver will expire on the date which is one month after CCT Tech first becomes aware that the proposed privatisation of CCT Tech will not proceed. The Stock Exchange has stated that it shall closely monitor the trading in the CCT Tech Shares and if the Stock Exchange believes that:

— a false market exists or may exist in the trading of the CCT Tech Shares; or

— there are insufficient CCT Tech Shares held in public hands to maintain an orderly market,

then it will consider exercising its discretion to suspend trading in the CCT Tech Shares until a prescribed level of public float is attained. Each of CCT Telecom and CCT Tech and their respective directors will use their reasonable endeavours to restore public float by placing existing CCT Tech Shares and/or placing new CCT Tech Shares to ensure sufficient public float exists in the CCT Tech Shares if listing of which is to be maintained. However, given the low liquidity of the CCT Tech Shares, the CCT Telecom Directors and the CCT Tech Directors are not confident that they can find any potential placing agents or investors who would be interested in placing or acquiring a substantial volume of the CCT Tech Shares.

If CCT Tech remains listed on the Stock Exchange, the Stock Exchange will closely monitor all future acquisitions or disposals of the assets of CCT Tech. The Stock Exchange has indicated that it has the discretion to require CCT Tech to issue an announcement and a circular to the CCT Tech Shareholders irrespective of the size of any proposed transactions, particularly when such proposed transactions represent a departure from the principal activities of CCT Tech. The Stock Exchange also has the power to aggregate a series of acquisitions or disposals of the CCT Tech Shares and any such transactions may result in CCT Tech being treated as if it were a new listing applicant and subject to the requirements for new applicants as set out in the Listing Rules.

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully
For and on behalf of the CCT Telecom Board of
CCT TELECOM HOLDINGS LIMITED
Mak Shiu Tong, Clement
Chairman

(A) FINANCIAL SUMMARY

The following is a summary of the published audited consolidated profit and loss accounts of CCT Telecom for the three years ended 31 December 2004 and the published unaudited consolidated profit and loss accounts for the six months ended 30 June 2005 and 30 June 2004, as extracted from the respective annual reports and the 2005 interim report of CCT Telecom:

				Six months ended 30 June	
	2002	**2003**	**2004**	**2004**	**2005**
	HK$million	*HK$million*	*HK$million*	*HK$million*	*HK$million*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*	*(Unaudited)*
TURNOVER	3,130	3,441	4,057	1,880	1,800
PROFIT/(LOSS) BEFORE TAX	(256)	(59)	157	125	172
Tax	(9)	(12)	(20)	(13)	(10)
PROFIT/(LOSS) AFTER TAX	(265)	(71)	137	112	162
ATTRIBUTABLE TO:					
Equity holders of CCT Telecom	(259)	(118)	56	74	142
Minority interests	(6)	47	81	38	20
	(265)	(71)	137	112	162
DIVIDENDS	12	12	54	46	319
BASIC EARNINGS/(LOSS) PER SHARE	(HK$0.61)	(HK$0.28)	HK$0.13	HK$0.175	HK$0.335
DIVIDENDS PER SHARE	HK$0.03	HK$0.03	HK$0.13	HK$0.11	HK$0.68

There were neither extraordinary nor exceptional items recorded for the three years ended 31 December 2004.

(B) FINANCIAL INFORMATION OF THE CCT TELECOM GROUP FOR THE YEAR ENDED 31 DECEMBER 2004:

Set out below is the audited consolidated financial statements of the CCT Telecom Group for the year ended 31 December 2004 as extracted from the CCT Telecom Group's 2004 annual report.

Consolidated Profit and Loss Account
Year ended 31 December 2004

	Notes	2004 HK$ million	2003 HK$ million
TURNOVER	5	4,057	3,441
Cost of sales		(3,593)	(2,963)
Gross profit		464	478
Other revenue and gains		53	37
Selling and distribution costs		(53)	(49)
Administrative expenses		(240)	(264)
Other operating expenses		(59)	(53)
PROFIT FROM OPERATING ACTIVITIES	6	165	149
Finance costs	7	(6)	(8)
		159	141
Share of loss of an associate *(note)*		(2)	(200)
PROFIT/(LOSS) BEFORE TAX		157	(59)
Tax	10	(20)	(12)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		137	(71)
Minority interests		(81)	(47)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11	56	(118)
DIVIDENDS	12		
Paid special interim		42	—
Paid interim		4	6
Proposed final		8	6
		12	12
Total		54	12
EARNINGS/(LOSS) PER SHARE	13		
Basic		HK$0.13	(HK$0.28)
Diluted		HK$0.13	N/A

Note: Including a realisation of the relevant portion of the unrealised profits of approximately HK$15 million (2003: HK$175 million) arising from the disposal of subsidiaries to an associate in the prior years (note 18).

Consolidated Balance Sheet
31 December 2004

	Notes	2004 HK$ million	2003 HK$ million
NON-CURRENT ASSETS			
Fixed assets	14	1,621	1,497
Intangible assets	15	28	23
Goodwill	16	28	26
Interest in an associate	18	293	297
Other assets	19	12	12
Long term investments	20	4	4
Deferred tax assets	31	4	9
		1,990	1,868
CURRENT ASSETS			
Short term investments	20	3	3
Inventories	21	215	178
Trade and bills receivables	22	794	655
Prepayments, deposits and other receivables	23	26	63
Pledged time deposits	24	117	100
Cash and cash equivalents	24	832	873
		1,987	1,872
CURRENT LIABILITIES			
Trade and bills payables	25	897	841
Tax payable		23	25
Other payables and accruals	26	178	198
Interest-bearing bank and other borrowings	27	150	130
Convertible notes	30	45	8
		1,293	1,202
NET CURRENT ASSETS		694	670
TOTAL ASSETS LESS CURRENT LIABILITIES		2,684	2,538
NON-CURRENT LIABILITIES			
Interest-bearing bank loans, secured	28	176	124
Finance lease payables	29	8	1
Convertible notes	30	—	10
Deferred tax liabilities	31	5	7
		189	142
MINORITY INTERESTS		196	101
		2,299	2,295
CAPITAL AND RESERVES			
Issued capital	32	42	42
Reserves	34(a)	2,249	2,247
Proposed final dividend	12	8	6
		2,299	2,295

Consolidated Statement of Changes in Equity

Year ended 31 December 2004

	Notes	Issued share capital HK$ million	Share premium account HK$ million	Capital reserve (Note 34(a)) HK$ million	Retained profits/ (accumulated losses) HK$ million	Proposed final dividend HK$ million	Total HK$ million
At 1 January 2003		42	1,250	1,126	1	8	2,427
Net loss for the year		—	—	—	(118)	—	(118)
2002 final dividend		—	—	—	—	(8)	(8)
2003 interim dividend	12	—	—	(6)	—	—	(6)
Proposed 2003 final dividend	12	—	—	(6)	—	6	—
At 31 December 2003 and beginning of year		42	1,250	1,114	(117)	6	2,295
Net profit for the year		—	—	—	56	—	56
2003 final dividend		—	—	—	—	(6)	(6)
2004 special interim dividend	12	—	—	(42)	—	—	(42)
2004 interim dividend	12	—	—	(4)	—	—	(4)
Proposed 2004 final dividend	12	—	—	(8)	—	8	—
At 31 December 2004		42	1,250*	1,060*	(61)*	8	2,299
Retained by:							
Company and subsidiaries		42	1,250	1,060	163	8	2,523
Associate		—	—	—	(224)	—	(224)
At 31 December 2004		42	1,250	1,060	(61)	8	2,299
Company and subsidiaries		42	1,250	1,114	103	6	2,515
Associate		—	—	—	(220)	—	(220)
At 31 December 2003		42	1,250	1,114	(117)	6	2,295

* The reserve accounts comprise the consolidated reserves of HK$2,249 million (2003: HK$2,247 million) in the consolidated balance sheet.

Consolidated Cash Flow Statement
Year ended 31 December 2004

	Notes	2004 HK$ million	2003 HK$ million
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		157	(59)
Adjustments for:			
Finance costs	7	6	8
Share of loss of an associate		2	200
Interest income	5	(5)	(8)
Depreciation	6	127	122
Amortisation of goodwill	6	1	1
Amortisation of intangible assets	6	30	30
Bad and doubtful debt provisions on trade receivables	6	3	—
Provisions for and write off of prepayment and other receivables	6	33	—
Write off of deferred development costs	6	15	15
Write off of fixed assets	6	2	18
Loss/(gain) on disposal of fixed assets, net	6	(1)	1
Net (gain)/loss on disposal/deemed disposal of subsidiaries	6	(10)	12
Net unrealised holding losses on short term investments	6	—	1
Net realised gains on disposal of short term investments	6	—	(5)
Impairment of fixed assets	6	—	2
Deficit on revaluation of investment properties	6	—	3
Provision for slow-moving and obsolete inventories	6	36	8
Operating profit before working capital changes		396	349
Increase in inventories		(77)	(61)
Decrease in short term investments		—	16
Increase in trade and bills receivables		(149)	(122)
Decrease in prepayments, deposits and other receivables		3	55
Increase in trade and bills payables and other payables and accruals		47	272
Cash generated from operations		220	509
Interest received		5	8
Interest paid		(6)	(8)
Hong Kong profits tax paid		(16)	(9)
Net cash inflow from operating activities		203	500

	Notes	2004 *HK$ million*	2003 *HK$ million*
Net cash inflow from operating activities		203	500
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets		(327)	(244)
Proceeds from disposal of fixed assets		86	9
Additions to intangible assets		(50)	(47)
Disposal of subsidiaries	35(b)	7	(1)
Acquisition of subsidiaries	35(c)	—	(3)
Acquisition of minority interests		(1)	—
Increase in pledged time deposits		(17)	(17)
Net cash outflow from investing activities		(302)	(303)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of convertible notes		—	21
Proceeds from disposal of convertible notes		45	—
New bank loans		340	93
Net new/(repayment of) trust receipts		102	(60)
Repayment of bank loans		(374)	(141)
Capital element of finance lease rental payments		(3)	(4)
Dividend paid		(52)	(14)
Net cash inflow/(outflow) from financing activities		58	(105)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(41)	92
Cash and cash equivalents at beginning of year		873	781
CASH AND CASH EQUIVALENTS AT END OF YEAR		832	873
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	398	379
Non-pledged time deposits with original maturity of less than three months when acquired	24	434	494
		832	873

Balance Sheet
31 December 2004

	Notes	2004 HK$ million	2003 HK$ million
NON-CURRENT ASSETS			
Fixed assets	14	1	1
Interests in subsidiaries	17	1,863	1,840
		1,864	1,841
CURRENT ASSETS			
Prepayments, deposits and other receivables	23	3	3
Pledge time deposits	24	16	—
Cash and cash equivalents	24	391	379
		410	382
CURRENT LIABILITIES			
Other payables and accruals	26	6	5
Interest-bearing bank and other borrowing	27	10	—
		16	5
NET CURRENT ASSETS		394	377
		2,258	2,218
CAPITAL AND RESERVES			
Issued capital	32	42	42
Reserves	34(b)	2,208	2,170
Proposed final dividend	12	8	6
		2,258	2,218

Notes to Financial Statements

31 December 2004

1. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

- the manufacture and sale of telecom products, accessories and components; and
- the manufacture and sale of baby and health care products.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

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

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

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.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture company;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Group holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates 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. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than a separately identified asset on the consolidated balance sheet.

Prior to the adoption of SSAP 30 "Business combinations" in 2001, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of the SSAP that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to the adoption of the SSAP is treated according to the SSAP 30 goodwill accounting policy above.

On disposal of subsidiaries and associates, 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. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

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

Impairment of assets

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

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

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	2.5%–6%
Plant and machinery	10%–30%
Tools, moulds and equipment	10%–20%
Furniture and office equipment	10%–20%
Motor vehicles	15%–30%

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

Construction in progress

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

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Intangible assets

Publishing rights

Purchased publishing rights are stated at cost less accumulated amortisation and any impairment losses, and are amortised on the straight-line basis over their estimated useful lives of 20 years.

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.

Long term investments

Long term investments are stated at cost less any impairment losses, on an individual investment basis.

Short term investments

Short term investments are investments in equity securities held for trading purposes. Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. Unlisted securities are stated at their estimated fair values on an individual basis, as determined by the directors having regard to the prices of the most recent reported sales or purchases of the securities, or professional valuations performed at the end of each financial year. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

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, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability 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, associates and interests in joint ventures, 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.

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 two share option schemes 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 share options granted under the share option schemes are 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 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 options.

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 all of its employees. Contributions are made based on a percentage of the employees' basic salaries 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, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

In addition to the MPF Scheme, the Group operates a separate defined contribution retirement benefits scheme for those employees who are eligible to participate in this scheme. This scheme operates in a similar way to the MPF Scheme, except that when an employee leaves this scheme before his/her interest in the Group's employer contributions vesting 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 and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and associates 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.

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;

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

(d) dividend income, when the shareholders' right to receive payment has been established.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits or capital reserve 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 and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

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

(b) the baby and health care products segment engages in the manufacture and sale of baby and health care products; and

(c) the corporate and others segment comprises corporate income and expense items and the publishing of magazines (disposed of in the prior year).

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

(a) Business segments

The following tables present revenue and profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group

	Telecom products		Baby and health care products		Corporate and others		Consolidated	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Segment revenue:								
Sales to external customers	3,906	3,224	146	157	—	52	4,052	3,433
Other revenue	—	—	—	—	39	32	39	32
Total revenue	3,906	3,224	146	157	39	84	4,091	3,465
Segment results	225	215	14	19	(76)	(86)	163	148
Interest income							5	8
Unallocated revenue							—	5
Unallocated expenses							(3)	(12)

	Telecom products		Baby and health care products		Corporate and others		Consolidated	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Profit from operating activities							165	149
Finance costs							(6)	(8)
Share of loss of an associate	—	—	—	—	(2)	(200)	(2)	(200)
Profit/(loss) before tax							157	(59)
Tax							(20)	(12)
Profit/(loss) before minority interests							137	(71)
Minority interests							(81)	(47)
Net profit/(loss) from ordinary activities attributable to shareholders							56	(118)
Segment assets	2,499	2,335	99	98	1,082	1,001	3,680	3,434
Interest in an associate	—	—	—	—	293	297	293	297
Unallocated assets							4	9
Total assets							3,977	3,740
Segment liabilities	982	940	43	37	50	62	1,075	1,039
Unallocated liabilities							407	305
Total liabilities							1,482	1,344
Other segment information:								
Capital expenditure	229	149	20	6	142	137	391	292
Depreciation	102	92	3	3	22	27	127	122
Amortisation	30	30	—	—	1	1	31	31
Impairment losses recognised directly in the profit and loss account	—	—	—	—	—	2	—	2
Other non-cash expenses	87	42	2	—	3	16	92	58

(b) Geographical segments

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

Group

	United States of America		PRC, including HK		European Union		Others		Consolidated	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Segment revenue:										
Sales to external customers	2,516	2,222	701	637	139	119	696	455	4,052	3,433
Other revenue	—	—	39	32	—	—	—	—	39	32
Total revenue	2,516	2,222	740	669	139	119	696	455	4,091	3,465

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

5. TURNOVER

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

Revenue from the following activities has been included in turnover:

	2004	**2003**
	HK$ million	*HK$ million*
Manufacture and sale of telecom products	3,906	3,224
Manufacture and sale of baby and health care products	146	157
Provision of multimedia content and services, and magazine publishing	—	52
Interest income	5	8
	4,057	3,441

6. PROFIT FROM OPERATING ACTIVITIES

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

		Group	
		2004	**2003**
	Notes	*HK$ million*	*HK$ million*
Cost of inventories sold		3,563	2,890
Depreciation	14	127	122
Minimum lease payments under operating leases in respect of land and buildings		3	5
Research and development costs:			
Deferred expenditure amortised*	15	30	30
Current year expenditure	15	50	47
Amortisation of goodwill**	16	1	1
Auditors' remuneration		6	5
Staff costs (excluding directors' remuneration — *note 8*)***			
Wages and salaries		356	297
Pension scheme contributions		3	5
Less: Amount capitalised in deferred development costs		(28)	(22)
		331	280
Bad and doubtful debt provisions on trade receivables**		3	—
Provisions for and write off of prepayment and other receivables**		33	—
Loss/(gain) on disposal of fixed assets, net**		(1)	1
Write off of fixed assets**	14	2	18
Write off of deferred development costs**	15	15	15
Provision for slow-moving and obsolete inventories*		36	8
Impairment of fixed assets**		—	2
Net (gain)/loss on disposal/deemed disposal of subsidiaries**		(10)	12
Net unrealised holding losses on short term investments**		—	1
Deficit on revaluation of investment properties**		—	3
and after crediting:			
Gross rental income from investment properties		—	1
Exchange gains, net		9	—
Net realised gains on disposal of short term investments		—	5

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

** Included in "Other operating expenses" or "Other revenue and gains" on the face of the consolidated profit and loss account.

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

7. FINANCE COSTS

	Group	
	2004	2003
	HK$ million	*HK$ million*
Interest on bank loans and overdrafts wholly repayable within five years	3	3
Interest on bank loans wholly repayable after five years	3	4
Interest on convertible notes	—	1
	6	8

8. DIRECTORS' REMUNERATION

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

	Group	
	2004	2003
	HK$ million	*HK$ million*
Fees:		
Executive directors	—	—
Independent non-executive directors	1	—
	1	—
Executive directors' other emoluments:		
Salaries, allowances and benefits in kind	18	14
Performance related bonuses	13	12
Pension scheme contributions	1	1
	32	27
	33	27

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

	Number of directors	
	2004	2003
Nil–HK$1,000,000	4	4
HK$3,500,001–HK$4,000,000	—	1
HK$6,000,001–HK$6,500,000	1	—
HK$6,500,001–HK$7,000,000	—	1
HK$8,500,001–HK$9,000,000	1	—
HK$17,000,001–HK$17,500,000	1	1
	7	7

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

During the prior year, certain directors were granted share options in respect of their services to the Group under the share option scheme of the Company, and the details of which are set out in note 33 to the financial statements. No value in respect of the share options granted during the prior year has been charged to the profit and loss account, or is otherwise, included in the above directors' remuneration disclosures.

9. FIVE HIGHEST PAID EMPLOYEES

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

	Group	
	2004	**2003**
	HK$ million	*HK$ million*
Salaries, allowances and benefits in kind	5	6
Performance related bonuses	3	2
Pension scheme contributions	—	—
	8	8

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

	Number of employees	
	2004	**2003**
HK$2,500,001–HK$3,000,000	1	—
HK$3,000,001–HK$3,500,000	—	1
HK$4,000,001–HK$4,500,000	—	1
HK$5,500,001–HK$6,000,000	1	—
	2	2

During the prior year, share options were granted to the non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 33 to the financial statements. No value in respect of the share options granted during the prior year has been charged to the profit and loss account, or is otherwise, included in the above non-director, highest paid employees' remuneration disclosures.

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

	Group	
	2004	**2003**
	HK$ million	*HK$ million*
Group:		
Current — Hong Kong:		
Charge for the year	14	14
Overprovision in prior years	(3)	—
Current — Elsewhere	4	5
Deferred — *note 31*	3	(6)
	18	13
Share of tax attributable to an associate	2	(1)
Total tax charge for the year	20	12

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

Group — 2004

	Hong Kong		The PRC, excluding Hong Kong		Total	
	HK$ million	*%*	*HK$ million*	*%*	*HK$ million*	*%*
Profit/(loss) before tax	(33.2)		190.6		157.4	
Tax at the statutory or appropriate tax rate	(5.8)	17.5	45.7	24.0	39.9	25.4
Higher/(lower) tax rate for specific provinces or local authority	—	—	(22.0)	(11.5)	(22.0)	(14.0)
Adjustments in respect of current tax of previous periods	(2.8)	8.4	—	—	(2.8)	(1.8)
Income not subject to tax	(85.5)	258.4	(6.8)	(3.6)	(92.3)	(58.6)
Expenses not deductible for tax	106.6	(321.9)	25.3	13.3	131.9	83.8
Tax losses utilised from previous periods	(2.5)	7.5	1.4	0.7	(1.1)	(0.7)
Tax losses not recognised	1.6	(4.8)	5.6	2.9	7.2	4.6
Tax exemption	—	—	(40.7)	(21.4)	(40.7)	(25.9)
Tax charge at the Group's effective rate	11.6	(34.9)	8.5	4.4	20.1	12.8

Group — 2003

	Hong Kong		The PRC, excluding Hong Kong		Total	
	HK$ million	*%*	*HK$ million*	*%*	*HK$ million*	*%*
Profit/(loss) before tax	(290)		231		(59)	
Tax at the statutory or appropriate tax rate	(51)	17.5	55	24.0	4	(6.8)
Income not subject to tax	(3)	1.0	(48)	(20.8)	(51)	86.5
Expenses not deductible for tax	57	(19.6)	5	2.1	62	(105.1)
Tax losses recognised	(6)	2.1	—	—	(6)	10.2
Tax losses not recognised	11	(3.8)	—	—	11	(18.6)
Tax exemption	—	—	(8)	(3.6)	(8)	13.5
Tax charge at the Group's effective rate	8	(2.8)	4	1.7	12	(20.3)

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2004 dealt with in the financial statements of the Company, was approximately HK$92 million (2003: net loss of HK$195 million). The Group's share of loss for the year retained by the associate amounted to HK$4 million (2003: HK$199 million).

12. DIVIDENDS

	2004	2003
	HK$ million	*HK$ million*
Paid special interim — HK$0.10 (2003: Nil) per ordinary share	42	—
Paid interim — HK$0.010 (2003: HK$0.015) per ordinary share	4	6
Proposed final — HK$0.020 (2003: HK$0.015) per ordinary share	8	6
	12	12
Total	54	12

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit/(loss) attributable to shareholders for the year of approximately HK$56 million (2003: loss of HK$118 million), and the weighted average number of 422,149,984 (2003: 422,105,230) 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 approximately HK$56 million. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is 436,854,031 which includes the weighted average number of 422,149,984 ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 14,704,047 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

The diluted loss per share amount for the year ended 31 December 2003 is not shown as the potential ordinary shares outstanding during that year had an anti-dilutive effect on the basic loss per share for that year.

14. FIXED ASSETS

Group

	Investment properties	Leasehold land and buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Cost or valuation:								
At 1 January 2004	7	1,578	307	126	123	19	—	2,160
Additions	95	33	83	27	10	5	88	341
Disposals	(1)	(105)	(1)	(3)	(1)	(2)	—	(113)
Write off	—	—	—	—	(4)	—	—	(4)
Disposal of subsidiaries	—	—	(2)	—	(3)	—	—	(5)
Reclassification	—	49	—	—	—	—	(49)	—
At 31 December 2004	101	1,555	387	150	125	22	39	2,379
Analysis of cost or valuation:								
At cost	—	1,555	387	150	125	22	39	2,278
At 31 December 2004 valuation	101	—	—	—	—	—	—	101
	101	1,555	387	150	125	22	39	2,379
Accumulated depreciation and impairment:								
At 1 January 2004	—	345	162	72	73	11	—	663
Depreciation provided during the year	—	48	44	20	12	3	—	127
Disposals	—	(22)	(1)	(1)	(3)	(1)	—	(28)
Write off	—	—	—	—	(2)	—	—	(2)
Disposal of subsidiaries	—	—	(1)	—	(1)	—	—	(2)
At 31 December 2004	—	371	204	91	79	13	—	758
Net book value:								
At 31 December 2004	101	1,184	183	59	46	9	39	1,621
At 31 December 2003	7	1,233	145	54	50	8	—	1,497

Company

	Furniture and office equipment
	HK$ million
Cost:	
At 1 January 2004 and at 31 December 2004	1
Accumulated depreciation:	
At 1 January 2004	—
Depreciation provided during the year	—
At 31 December 2004	—
Net book value:	
At 31 December 2004 and 31 December 2003	1

The net book value of the fixed assets of the Group held under finance leases included in the total amounts of plant and machinery, tools, moulds and equipment and motor vehicles as at 31 December 2004, amounted to approximately HK$14,000,000 (2003: Nil), nil (2003: HK$1,600,000) and HK$2,400,000 (2003: HK$1,900,000), respectively.

The Group's land and buildings included above are held under the following lease terms:

	Hong Kong	Elsewhere	Total
	HK$ million	*HK$ million*	*HK$ million*
Long term leases	97	—	97
Medium term leases	56	1,031	1,087
	153	1,031	1,184

The Group's investment properties are situated in Hong Kong and held under long term leases.

The Group's investment properties were revalued on 31 December 2004 by Grant Sherman Appraisal Limited, independent professionally qualified valuers, on an open market, existing use basis.

15. INTANGIBLE ASSETS

Group

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

16. GOODWILL

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

Group

	HK$ million
Cost:	
At 1 January 2004	27
Acquisition of minority interests in subsidiaries	14
Disposal of subsidiaries *(note 35(b))*	(11)
At 31 December 2004	30
Accumulated amortisation:	
At 1 January 2004	1
Amortisation provided during the year	1
At 31 December 2004	2
Net book value:	
At 31 December 2004	28
At 31 December 2003	26

As detailed in note 3 to the financial statements, on the adoption of SSAP 30 in 2001, the Group applied the transitional provision of SSAP 30 that permitted goodwill in respect of acquisitions which occurred prior to the adoption of the SSAP, to remain eliminated against consolidated reserves.

The net amount of goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries and an associate prior to the adoption of SSAP 30 in 2001, was approximately HK$103,000,000 as at 1 January 2004 and 31 December 2004, respectively. The net amount of goodwill is stated at its cost of HK$783,000,000, less cumulative impairment of approximately HK$680,000,000 which arose in the prior years.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2004	**2003**
	HK$ million	*HK$ million*
Unlisted shares, at cost	113	424
Due from subsidiaries	3,993	4,118
Due to subsidiaries	(641)	(600)
	3,465	3,942
Provision for impairment	(1,602)	(2,102)
	1,863	1,840

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

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
CCT Marketing Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	—	34.5#	Trading of telecom products
CCT Telecom (HK) Limited	Hong Kong	HK$2,600,000 Ordinary	—	34.5#	Sourcing of telecom products
CCT Tech International Limited ("CCT Tech")@	Bermuda/ Hong Kong	HK$159,384,226 Ordinary	—	34.5#	Investment holding
Electronic Sales Limited	Hong Kong	HK$5,948,000 Ordinary	—	100	Sale of telecom products
Goldbay Investments Limited	Hong Kong	HK$2 Ordinary	—	100	Property holding
Huge Partner Limited	Hong Kong	HK$10,000 Ordinary	—	100	Property holding
Neptune Holding Limited	Hong Kong	HK$10,000,000 Non-voting* class 'A' shares HK$1,000,000 Voting class 'B' shares	—	100	Trading of plastic casings and parts
Wiltec Industries Limited	Hong Kong	HK$100 Ordinary HK$1,000,000 Deferred**	—	100	Sale of baby care products
Huiyang CCT Telecommunications Products Co., Ltd.	People's Republic of China	HK$80,000,000 Registered^	—	34.5#	Manufacturing of telecom products
Huiyang CCT Plastic Products Co., Ltd.	People's Republic of China	HK$48,600,000 Registered^	—	100	Manufacturing of plastic casings and parts

* The non-voting shares carry no rights to dividends and no rights to vote at general meetings.

** The non-voting deferred shares carry no rights to dividends, to receive notice of or to attend or vote at any general meeting of the company or to participate in any distribution on winding-up.

@ Listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

These companies are accounted for as subsidiaries by virtue of the Company's control over them.

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

18. INTEREST IN AN ASSOCIATE

	Group	
	2004	**2003**
	HK$ million	*HK$ million*
Share of net assets	524	543
Unrealised profits arising from the disposal of subsidiaries *(Note)*	(231)	(246)
	293	297
Market value of listed shares as at 31 December	1,326	1,282

Note: These unrealised profits arose from the Group's disposal of certain subsidiary companies to an associate at a gain in the prior year. The attributable amount of unrealised profits is released to the consolidated profit and loss account to the extent that the corresponding goodwill recorded by the associate is amortised or impaired.

Particulars of the associate, held indirectly through subsidiaries, are as follows:

Name	**Business structure**	**Place of incorporation and operations**	**Nominal value of issued share capital**	**Percentage of ownership interest attributable to the Group**		**Principal activities**
				2004	**2003**	
Haier Electronics Group Co., Ltd. (formerly Haier-CCT Holdings Limited) ("Haier Electronics")*	Corporate	Bermuda/ Hong Kong	HK$996,402,795 Ordinary	43.6	43.6	Investment holding

* Listed on the Stock Exchange.

Included in the Group's share of the net assets of its associate is the share of net assets of Haier Electronics which, in the opinion of the directors, is material in the context of the Group's financial statements. Details of the net assets of Haier Electronics and its subsidiaries (collectively referred to as the "Haier Electronics Group") and their respective results are set out below:

	As at 31 December 2004	**As at 31 December 2003**
	HK$ million	*HK$ million*
Non-current assets	1,136	1,144
Current assets	1,065	1,197
Current liabilities	(912)	(1,019)
Minority interests	(86)	(76)
	1,203	1,246

	Year ended 31 December 2004 *HK$ million*	Year ended 31 December 2003 *HK$ million*
Turnover	3,153	1,665
Loss before tax	(27)	(866)
Tax	(4)	2
Loss before minority interests	(31)	(864)
Minority interests	(11)	8
Net loss from ordinary activities attributable to shareholders	(42)	(856)

The above amounts are extracted from the published audited financial statements of Haier Electronics for the year ended 31 December 2004.

19. OTHER ASSETS

	Group	
	2004 *HK$ million*	**2003** *HK$ million*
Club memberships, at cost	14	14
Provision for impairment	(2)	(2)
	12	12

20. INVESTMENTS

	Group	
	2004 *HK$ million*	**2003** *HK$ million*
Long term investments		
Unlisted equity investments, at cost	317	317
Provision for impairment	(313)	(313)
	4	4
Short term investments		
Listed equity investments, at market value:		
Hong Kong	3	3

As at 31 December 2004, the number of shares of the following companies held by the Group exceeded 20% of their respective total issued shares:

Name	Place of incorporation	Description and value of shares held	Percentage holding
Tradeeasy Holdings Limited*	Cayman Islands	HK$4,201,183 Ordinary	22.2
Sendo Holdings PLC	United Kingdom	GBP31,526,000 Ordinary	32.1
		GBP31,474,000 Preference	

* Listed on the Growth Enterprise Market of the Stock Exchange.

21. INVENTORIES

	Group	
	2004	**2003**
	HK$ million	*HK$ million*
Raw materials	67	45
Work in progress	50	47
Finished goods	98	86
	215	178

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

22. TRADE AND BILLS RECEIVABLES

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

	Group			
	2004		**2003**	
	Balance	**Percentage**	**Balance**	**Percentage**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Current to 30 day	302	38	274	42
31 to 60 days	264	33	199	30
61 to 90 days	216	27	164	25
Over 90 days	12	2	18	3
	794	100	655	100

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

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2004	2003	2004	2003
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Prepayments	4	36	—	—
Deposits and other receivables	22	27	3	3
	26	63	3	3

24. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
	2004	2003	2004	2003
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Cash and bank balances	398	379	33	18
Time deposits	551	594	374	361
	949	973	407	379
Less: Time deposits pledged for bank borrowings	(117)	(100)	(16)	—
	832	873	391	379

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$15 million (2003: HK$13 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

25. TRADE AND BILLS PAYABLES

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

	Group			
	2004		2003	
	Balance	Percentage	Balance	Percentage
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Current to 30 days	249	28	212	25
31 to 60 days	179	20	227	27
61 to 90 days	196	22	164	20
Over 90 days	273	30	238	28
	897	100	841	100

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2004	2003	2004	2003
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Other payables	62	67	—	—
Accruals	116	131	6	5
	178	198	6	5

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Group		Company	
		2004	2003	2004	2003
	Notes	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Current portion of bank loans	28	145	129	10	—
Current portion of finance lease payables	29	5	1	—	—
		150	130	10	—

28. INTEREST-BEARING BANK LOANS, SECURED

	Group		Company	
	2004	2003	2004	2003
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Bank loans repayable:				
Within one year or on demand	145	129	10	—
In the second year	42	18	—	—
In the third to fifth years, inclusive	63	44	—	—
Beyond five years	71	62	—	—
	321	253	10	—
Portion classified as current liabilities — *note 27*	(145)	(129)	(10)	—
Non-current portion	176	124	—	—

29. FINANCE LEASE PAYABLES

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

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

Group

	Minimum lease payments 2004	Minimum lease payments 2003	Present value of minimum lease payments 2004	Present value of minimum lease payments 2003
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Amounts payable:				
Within one year	5	1	5	1
In the second year	5	1	5	1
In the third to fifth years, inclusive	3	—	3	—
Total minimum finance lease payments	13	2	13	2
Future finance charges	—	—		
Total net finance lease payables	13	2		
Portion classified as current liabilities — *note 27*	(5)	(1)		
Non-current portion	8	1		

30. CONVERTIBLE NOTES

	Group	
	2004	**2003**
	HK$ million	*HK$ million*
2004 Convertible notes — *note (a)*	—	8
2005 Convertible notes — *note (b)*	—	10
2005 Convertible notes — *note (c)*	45	—
	45	18
Portion classified as current liabilities	(45)	(8)
Non-current portion	—	10

Notes:

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

The principal 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.

In June 2003, the convertible notes with a principal amount of HK$12 million were converted into 1,200,000,000 shares of CCT Tech of HK$0.01 each at conversion price of HK$0.01 per share.

In July 2004, the remaining convertible notes with a principal amount of HK$8 million were converted into 800,000,000 shares of CCT Tech of HK$0.01 each at conversion price of HK$0.01 per share.

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

The principal 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 convertible notes with a principal amount of HK$11 million were converted into 1,100,000,000 shares of CCT Tech of HK$0.01 each at a conversion price of HK$0.01 per share.

In 2004, the remaining convertible notes with a principal amount of HK$10 million were converted into 1,000,000,000 shares of CCT Tech of HK$0.01 each at conversion price of HK$0.01 per share.

(c) On 2 March 2004, the Company entered into a sale and purchase agreement under which the Company agreed to sell to New Capital Industrial Limited, a company controlled by Mr. Mak Shiu Tong, Clement, the chairman and a director of the Company, and his family members, the zero coupon convertible note in the principal amount of HK$45 million due 2005 (issued to an indirect wholly-owned subsidiary of the Company by CCT Tech) for a cash consideration of HK$45 million. This transaction was approved by the independent shareholders of the Company on 15 April 2004 and was completed on 26 April 2004.

As at 31 December 2004, the outstanding principal amount of the zero coupon convertible note at a conversion price of HK$0.01 per CCT Tech's share was HK$45 million and will mature on 17 May 2005.

31. DEFERRED TAX

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

Deferred tax liabilities

Group

	2004 **Accelerated tax depreciation** *HK$ million*
At 1 January 2004	7
Deferred credited to the profit and loss account during the year — *note 10*	(2)
Gross deferred tax liabilities at 31 December 2004	5

Deferred tax assets

Group

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

Deferred tax liabilities

Group

	2003 **Accelerated tax depreciation** *HK$ million*
At 1 January 2003	7
Deferred tax credited to the profit and loss account during the year — *note 10*	—
Gross deferred tax liabilities at 31 December 2003	7

Deferred tax assets

Group

	2003 Losses available for offset against future taxable profit *HK$ million*
At 1 January 2003	3
Deferred tax credited to the profit and loss account during the year — *note 10*	6
Gross deferred tax assets at 31 December 2003	9
Net deferred tax assets at 31 December 2003	2

The Group has tax losses arising in Hong Kong of HK$242 million (2003: HK$281 million) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 December 2004, there is no significant unrecognised deferred tax liability (2003: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and associate 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.

32. SHARE CAPITAL

Shares

	Company	
	2004 *HK$ million*	2003 *HK$ million*
Authorised:		
2,000,000,000 (2003: 2,000,000,000) ordinary shares of HK$0.10 (2003: HK$0.10) each	200	200
Issued and fully paid:		
422,525,230 (2003: 422,105,230) ordinary shares of HK$0.10 (2003: HK$0.10) each	42	42

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

	Number of ordinary shares of HK$0.10 each	Issued share capital *HK$ million*
At 1 January 2004	422,105,230	42
Exercise of share options	420,000	—
At 31 December 2004	422,525,230	42

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 33 to the financial statements.

33. SHARE OPTION SCHEME

A share option scheme was adopted by the Company on 28 February 2002 (the "Share Option Scheme") to comply with the new amendments to the Listing Rules in respect of the share option schemes of a listed company. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from the date of the adoption. As at 31 December 2004, there were 41,780,000 share options outstanding under the Share Option Scheme. Based on these outstanding share options, the total number of shares available for issue is 41,780,000, which represents approximately 9.89% of the existing issued share capital of the Company as at the date of this report. No share options has been granted under the Share Option Scheme during the year.

The purpose of the Share Option Scheme is to provide incentives and rewards to the eligible participants who contribute to the success of the Group's operation. 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"), 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 as at the date of adoption of the Share Option Scheme or 30% of the issued share capital of the Company from time to time.

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

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

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

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

Name or category of participant	Number of share options					Date of grant of share options	Exercise period of share options	Exercise price per share *(Note 1)* HK$	Price of the shares at exercise date of share options *(Note 2)* HK$
	Outstanding as at 1 January 2004	Granted during the year	Exercised during the year	Lapsed/ Cancelled during the year	Outstanding as at 31 December 2004				
Executive directors									
Mak Shiu Tong, Clement	420,000	—	—	—	420,000	17/3/2003	17/3/2003 – 16/3/2008	0.75	N/A
Cheng Yuk Ching, Flora	4,200,000	—	—	—	4,200,000	17/3/2003	17/3/2003 – 16/3/2008	0.75	N/A
Tam Ngai Hung, Terry	4,200,000	—	—	—	4,200,000	17/3/2003	17/3/2003 – 16/3/2008	0.75	N/A
William Donald Putt	420,000	—	—	—	420,000	17/3/2003	17/3/2003 – 16/3/2008	0.75	N/A
	9,240,000	—	—	—	9,240,000				
Independent non-executive directors									
Samuel Olenick	420,000	—	—	—	420,000	17/3/2003	17/3/2003 – 16/3/2008	0.75	N/A
Tam King Ching, Kenny	420,000	—	—	—	420,000	17/3/2003	17/3/2003 – 16/3/2008	0.75	N/A
Lau Ho Man, Edward	420,000	—	—	—	420,000	17/3/2003	17/3/2003 – 16/3/2008	0.75	N/A
	1,260,000	—	—	—	1,260,000				
Other employees									
In aggregate	31,700,000	—	(420,000)	—	31,280,000	17/3/2003	17/3/2003 – 16/3/2008	0.75	1.40
	31,700,000	—	(420,000)	—	31,280,000				
	42,200,000	—	(420,000)	—	41,780,000				

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 exercise of the share options is the weighted average of 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 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.

At the balance sheet date, the Company had 41,780,000 share options under the Share Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 41,780,000 additional ordinary shares of the Company and additional share capital of HK$4,178,000 and share premium of approximately HK$27,157,000 (before issue expenses).

34. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 43 of the financial statements.

Certain amounts of goodwill arising on the acquisition of subsidiaries and an associate in the prior years remain eliminated against consolidated retained profits, as further detailed in note 16 to the financial statements.

The Group's capital reserve was created from the reduction of the Company's share capital on 8 April 2002.

(b) Company

	Share premium account *HK$ million*	**Capital reserve** *HK$ million*	**Retained profits/ (accumulated losses)** *HK$ million*	**Total** *HK$ million*
Balance at 1 January 2003	1,250	1,126	1	2,377
Loss for the year	—	—	(195)	(195)
2003 interim dividend	—	(6)	—	(6)
Proposed 2003 final dividend	—	(6)	—	(6)
At 31 December 2003 and beginning of year	1,250	1,114	(194)	2,170
Profit for the year	—	—	92	92
2004 special interim dividend	—	(42)	—	(42)
2004 interim dividend	—	(4)	—	(4)
Proposed 2004 final dividend	—	(8)	—	(8)
At 31 December 2004	1,250	1,060	(102)	2,208

Note:

Under the Companies Law (2002 Revision) Chapter 22 of the Cayman Islands, the share premium account of the Company is available for distribution of dividends to shareholders subject to the provisions of the Company's Memorandum and Articles of Association and provided that immediately following the distribution of dividends, the Company is able to pay its debts as and when they fall due in the ordinary course of business.

In accordance with the Company's Articles of Association, dividends can only be distributed out of the profits and reserves available for distribution, including the share premium and capital reserve account of the Company. As at 31 December 2004 the Company had a net credit balance of approximately HK$2,216 million (2003: HK$2,176 million) maintained in the reserve accounts which is available for distribution.

The Company's capital reserve was created from the reduction of share capital on 8 April 2002.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the finance leases of HK$14 million (2003: HK$1 million).

(b) Disposal of subsidiaries

	2004 *HK$ million*	2003 *HK$ million*
Net assets disposed of:		
Fixed assets	3	6
Intangible assets	—	2
Cash and bank balances	5	2
Trade and bills receivables	7	10
Inventories	4	—
Prepayments, deposits and other receivables	8	2
Trade and bills payables	(2)	(11)
Other payables and accruals	(6)	(4)
Tax payable	(1)	—
Minority interests	(7)	(4)
	11	3
Reversal of goodwill upon disposal of subsidiaries — *note 16*	11	23
Net losses on disposal of subsidiaries	—	(12)
	22	14
Satisfied by:		
Cash	12	1
Other receivables	7	13
Other payables	3	—
	22	14

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

	2004 *HK$ million*	2003 *HK$ million*
Cash consideration	12	1
Cash and bank balances disposed of	(5)	(2)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	7	(1)

The results of the subsidiary disposed of during the year and in the prior year had no significant impact on the Group's consolidated turnover or profit/loss after tax but before minority interests for the years ended 31 December 2004 and 2003.

(c) Acquisition of subsidiaries

	2004 *HK$ million*	2003 *HK$ million*
Net assets acquired:		
Fixed assets	—	1
Cash and bank balances	—	9
Trade receivables	—	5
Inventories	—	3
Deposits and other receivables	—	8
Trade payables	—	(2)
Other payables and accruals	—	(5)
Tax payable	—	(1)
Minority interests	—	(7)
	—	11
Goodwill on acquisition — *note 16*	—	11
	—	22
Satisfied by:		
Cash	—	12
Other receivables	—	7
Other payables	—	3
	—	22

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

	2004 *HK$ million*	2003 *HK$ million*
Cash paid	—	(12)
Cash and bank balances acquired	—	9
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	—	(3)

The subsidiaries acquired in the prior year had no significant contribution to the Group's consolidated turnover and loss after tax and before minority interests for the year ended 31 December 2003.

36. CONTINGENT LIABILITIES

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

	Group		Company	
	2004	2003	2004	2003
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Corporate guarantees given to banks in connection with facilities granted to subsidiaries	—	—	186	183
Guarantee given to an independent third party in respect of a rental arrangement	48	45	48	45
	48	45	234	228

As at 31 December 2004, 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$173 million (2003: HK$142 million).

(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 HK$9 million as at 31 December 2004 (2003: HK$8 million), 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 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.

37. PLEDGE OF ASSETS

At the balance sheet date, the Group's bank borrowings were secured by:

(i) Pledges of the Group's fixed deposits amounting to approximately HK$117 million (2003: HK$100 million); and

(ii) Fixed charges over certain of the Group's leasehold land and buildings and investment properties with an aggregate net book value amounting to approximately HK$254 million (2003: HK$255 million).

38. OPERATING LEASE COMMITMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for an average term of two years.

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

	Group	
	2004	2003
	HK$ million	*HK$ million*
Within one year	3	2
In the second to fifth years, inclusive	3	2
	6	4

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases with initial lease terms ranging from 50 to 51 years in respect of land on which certain of the Group's factories are situated falling due as follows:

	Group	
	2004	**2003**
	HK$ million	*HK$ million*
Within one year	2	1
In the second to fifth years, inclusive	9	8
After five years	114	117
	125	126

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38 above, the Group had the following commitments at the balance sheet date:

Capital commitments

	Group	
	2004	**2003**
	HK$ million	*HK$ million*
Contracted, but not provided for:		
Construction in progress	28	60
Purchases of motor vehicles	4	—
Purchases of plant and machinery and equipment	1	2
	33	62

In addition, the Group's share of the associate's own capital commitments, which are not included in the above, were as follows:

	Group	
	2004	**2003**
	HK$ million	*HK$ million*
Contracted, but not provided for	2	8

At the balance sheet date, the Company had no significant commitments.

40. RELATED PARTY TRANSACTIONS

On 2 March 2004, the Company entered into a sale and purchase agreement under which the Company agreed to sell to New Capital Industrial Limited, a company controlled by Mr. Mak Shiu Tong, Clement, the chairman and a director of the Company, and his family members, the zero coupon convertible note in the principal amount of HK$45 million due 2005 (issued to an indirectly wholly-owned subsidiary of the Company by CCT Tech) for a cash consideration of HK$45 million. This transaction was approved by the independent shareholders of the Company on 15 April 2004 and was completed on 26 April 2004.

The above related party transaction also constitutes a connected transaction as defined in Chapter 14A of the Listing Rules.

41. POST BALANCE SHEET EVENTS

(a) On 5 March 2004, Haier Electronics conditionally agreed with Haier Group Corporation and Qingdao Haier Investment and Development Co., Ltd., substantial shareholders of Haier Electronics, for (i) the transfer by Haier Group Corporation and Qingdao Haier Investment and Development Co., Ltd. of the washing machine business to Haier Electronics and; (ii) the exercise of the call option to acquire the remaining 35.5% interest in Pegasus Telecom (Qingdao) Co., Ltd. (collectively referred to as the "Asset Injection"), in exchange of cash, shares and convertible notes in Haier Electronics at an aggregate consideration of approximately HK$1,504 million.

To maintain the minimum public float of Haier Electronics upon completion of the Asset Injection, on 19 January 2005, the Company and a wholly-owned subsidiary of the Company entered into a placing agreement with a placing agent for a private placement of 419,997,667 ordinary shares of HK$0.10 each in Haier Electronics at a price of HK$0.24 per share to independent investors for a total consideration of approximately HK$100.8 million (before expenses) (the "Placement"). The Placement was completed on 24 January 2005. The net proceeds of approximately HK$96 million from the Placement were applied as general working capital of the Group.

On 28 January 2005, Haier Electronics announced that the Asset Injection was completed on 28 January 2005. Following the completion of the Placement and the Asset Injection and effective 28 January 2005, the equity interests of the Group in Haier Electronics was reduced from 43.6% to 24.0% and Mr. Mak Shiu Tong, Clement, the chairman and a director of the Company, and Mr. Tam Ngai Hung, Terry, a director of the Company, have resigned from the board of directors of Haier Electronics.

(b) On 31 January 2005, the Company and CCT Tech jointly announced that a voluntary conditional cash offer with a securities exchange alternative will be made by Jade Assets Company Limited, a wholly-owned subsidiary of the Company, to the shareholders of CCT Tech and the holder of the convertible note due 2005 issued by CCT Tech ("CCT Tech 2005 CN") to acquire all the issued shares of CCT Tech and the CCT Tech 2005 CN, and to make a voluntary conditional cash offer to the optionholders of CCT Tech to cancel all outstanding share options of CCT Tech (collectively the "Offers"). The Offers will be made on the basis of HK$1,840 in cash for every 80,000 CCT Tech's shares or for every CCT Tech 2005 CN with a face value of HK$800 with securities exchange alternative of zero coupon five-year convertible bond with a face value of HK$1,840 to be issued by the Company, and HK$0.009 for every outstanding share option of CCT Tech. The Offers were approved by the Company's independent shareholders at an extraordinary general meeting on 18 April 2005 and have become unconditional on 21 April 2005.

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

42. APPROVAL OF THE FINANCIAL STATEMENTS

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

(C) FINANCIAL INFORMATION OF THE CCT TELECOM GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2005:

Set out below is the unaudited consolidated financial statements of the CCT Telecom Group for the six months ended 30 June 2005 as extracted from the CCT Telecom Group's 2005 interim report.

Condensed Consolidated Profit and Loss Account
For the six months ended 30 June 2005

		Six months ended 30 June	
		2005	**2004**
	Notes	*HK$ million (Unaudited)*	*HK$ million (Unaudited) (Restated)*
TURNOVER	3	1,800	1,880
Cost of sales		(1,570)	(1,626)
Gross profit		230	254
Other revenue	3	16	12
Selling and distribution costs		(25)	(24)
Administrative expenses		(147)	(131)
Other operating expenses		(4)	(9)
PROFIT FROM OPERATING ACTIVITIES BEFORE GAIN ON DISPOSAL AND DEEMED DISPOSAL OF AN ASSOCIATE		70	102
Gain on disposal and deemed disposal of an associate	4	109	—
PROFIT FROM OPERATING ACTIVITIES	3, 5	179	102
Finance costs		(7)	(3)
Share of profit of an associate		—	26
PROFIT BEFORE TAX		172	125
Tax	6	(10)	(13)
PROFIT FOR THE PERIOD		162	112
ATTRIBUTABLE TO:			
Equity holders of the Company		142	74
Minority interests		20	38
		162	112
DIVIDENDS	7		
Special interim dividend		319	42
Proposed interim dividend		—	4
		319	46
EARNINGS PER SHARE	8		
— Basic		HK$0.335	HK$0.175
— Diluted		HK$0.295	HK$0.169

Condensed Consolidated Balance Sheet
At 30 June 2005

	Notes	30 June 2005 HK$ million (Unaudited)	31 December 2004 HK$ million (Audited) (Restated)
NON-CURRENT ASSETS			
Properties, plant and equipment		1,312	1,269
Investment properties		98	101
Land lease payments		231	234
Intangible assets		38	28
Goodwill		116	28
Interest in an associate		—	222
Available-for-sale financial assets		790	—
Held-to-maturity financial assets		17	—
Financial assets at fair value through profit or loss		39	—
Other assets		—	12
Long term investments		—	4
Deferred tax assets		4	4
		2,645	1,902
CURRENT ASSETS			
Short term investments		—	3
Inventories		272	215
Trade and bills receivables	10	793	794
Prepayment, deposits and other receivables		20	26
Financial assets at fair value through profit or loss		27	—
Forward currency contracts		3	—
Pledged time deposits		67	117
Cash and cash equivalents		661	832
		1,843	1,987
CURRENT LIABILITIES			
Trade and bills payables	11	885	897
Tax payable		29	23
Other payables and accruals		157	178
Forward currency contracts		1	—
Dividend payable		319	—
Interest-bearing bank loans and other borrowings		115	150
Convertible notes	12	—	45
		1,506	1,293
NET CURRENT ASSETS		337	694
TOTAL ASSETS LESS CURRENT LIABILITIES		2,982	2,596

	Notes	30 June 2005 HK$ million (Unaudited)	31 December 2004 HK$ million (Audited) (Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		184	176
Finance lease payables		10	8
Convertible notes	12	107	—
Deferred tax liabilities		6	5
		307	189
		2,675	2,407
TOTAL EQUITY			
Issued capital	13	43	42
Reserves		2,571	2,161
Proposed final dividend		—	8
Shareholders' funds		2,614	2,211
Minority interests		61	196
		2,675	2,407

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2005

	Attributable to equity holders of the Company									
	Issued capital	Share premium account	Capital reserve	Revaluation reserve	Equity component of convertible notes	Accumulated losses	Proposed interim/ final dividend	Total	Minority interests	Total equity
	HK$ million (Unaudited)	*HK$ million (Unaudited)*	*HK$ million (Unaudited)*	*HK$ million (Unaudited)*	*HK$ million (Unaudited)*	*HK$ million (Unaudited)*	*HK$ million (Unaudited)*	*HK$ million (Unaudited)*	*HK$ million (Unaudited)*	*HK$ million (Unaudited)*
At 31 December 2004, as previously reported	42	1,250	1,060	—	—	(61)	8	2,299	196	2,495
Effect of changes in accounting policies *(note 2)*	—	—	—	—	—	(94)	—	(94)	10	(84)
At 1 January 2005, as restated	42	1,250	1,060	—	—	(155)	8	2,205	206	2,411
Acquisition of minority interests	—	—	—	—	—	—	—	—	(165)	(165)
Exercise of share option	1	5	—	—	—	—	—	6	—	6
Equity component of convertible notes	—	—	—	—	46	—	—	46	—	46
Issue of new shares upon conversion of convertible notes	—	5	—	—	(2)	—	—	3	—	3
Change in fair values of available-for-sale financial assets	—	—	—	539	—	—	—	539	—	539
Profit for the period	—	—	—	—	—	142	—	142	20	162
2004 final dividend	—	—	—	—	—	—	(8)	(8)	—	(8)
2005 special interim dividend	—	—	(319)	—	—	—	—	(319)	—	(319)
At 30 June 2005	43	1,260	741	539	44	(13)	—	2,614	61	2,675
At 31 December 2003, as previously reported	42	1,250	1,114	—	—	(117)	6	2,295	101	2,396
Effect of changes in accounting policies *(note 2)*	—	—	—	—	—	(138)	—	(138)	2	(136)
At 1 January 2004, as restated	42	1,250	1,114	—	—	(255)	6	2,157	103	2,260
Disposal of subsidiaries	—	—	—	—	—	—	—	—	(1)	(1)
Profit for the period	—	—	—	—	—	74	—	74	38	112
2003 final dividend	—	—	—	—	—	—	(6)	(6)	—	(6)
2004 special interim dividend	—	—	(42)	—	—	—	—	(42)	—	(42)
2004 proposed interim dividend	—	—	(4)	—	—	—	4	—	—	—
At 30 June 2004	42	1,250	1,068	—	—	(181)	4	2,183	140	2,323

Condensed Consolidated Cash Flow Statement
For the six months ended 30 June 2005

	Six months ended 30 June	
	2005	**2004**
	HK$ million	*HK$ million*
	(Unaudited)	*(Unaudited)*
NET CASH INFLOW FROM OPERATING ACTIVITIES	61	90
INVESTING ACTIVITIES	(140)	(61)
FINANCING ACTIVITIES	(31)	5
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(110)	34
Cash and cash equivalents at beginning of period	771	873
CASH AND CASH EQUIVALENTS AT END OF PERIOD	661	907
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	323	482
Time deposits with original maturity of less than three months when acquired	338	425
	661	907

Notes

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" and other relevant HKASs and Interpretations, the Hong Kong Financial Reporting Standard ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The interim results for the six months ended 30 June 2005 were not audited but have been reviewed by the Group's Audit Committee.

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2004.

The accounting policies and method of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual financial statements of the Group for the year ended 31 December 2004, except for the adoption of new HKFRSs and HKASs as disclosed in note 2 below.

2. IMPACT OF NEW/REVISED HKFRS AND HKAS

The HKICPA has issued a number of new HKFRSs, HKASs and Interpretations, which are effective for the accounting periods commencing on or after 1 January 2005. The Group has adopted the following HKFRSs and HKASs issued up to 30 June 2005 which are pertinent to its operations and relevant to these interim financial statements.

HKAS 1	Presentation of Financial Statements
HKAS 17	Leases
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

These HKFRSs and HKASs prescribe new accounting measurement and disclosure practices. All relevant changes in the accounting policies have been made in accordance with the provisions of the respective standards, which require retrospective application to prior year comparatives, other than HKFRS 3, HKAS 39 and HKAS 40 which are adopted prospectively as of 1 January 2005. The major and significant effects of the adoption of these HKFRSs and HKASs on the Group's accounting policies and on amounts disclosed in the interim financial statements are summarised as follows:

(a) The adoption of HKAS 1 has affected the presentation of minority interests and other disclosures.

(b) The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings were previously carried at cost less accumulated depreciation and any impairment losses. In accordance with the provisions of HKAS 17, a lease of land and buildings should be split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. The land lease payments is stated at cost and amortised over the period of the lease whereas the leasehold building is stated at cost less accumulated depreciation.

However, in the opinion of the directors, as the lease payments regarding some of the Group's leasehold land and buildings cannot be allocated reliably between the land and buildings elements, the entire land leases payments in respect of those leasehold land and buildings are all classified as finance leases and included in the cost of the land and buildings in the properties, plant and equipment in accordance with the provisions of HKAS 17.

(c) The adoption of HKFRS 3 and HKAS 36 has resulted in a change in the accounting policy for goodwill. Prior to this, goodwill arising on acquisitions prior to 1 January 2001 was eliminated against consolidated retained profits in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired business. Goodwill arising on acquisition on or after 1 January 2001 was capitalised and amortised on a straight-line basis over its estimated useful life of 20 years and assessed for impairment at each balance sheet date.

In accordance with the provision of HKFRS 3 and HKAS 36, the Group ceased amortisation of goodwill from 1 January 2005 and the accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill. Goodwill previously eliminated against consolidated retained profits remains eliminated against consolidated retained profits and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired. Further, from the year ended 31 December 2004 onwards, goodwill is assessed annually for impairment, as well as when there are indications of impairment.

(d) The adoption of HKAS 40 has resulted in a change in the accounting policy for the Group's investment properties. Changes in valuation of the investment properties were previously dealt with in the investment property revaluation reserve. Following the adoption of HKAS 40, all changes in valuation of the investment properties would be recognised in the profit and loss account.

(e) The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement and disclosure of financial instruments.

In accordance with the provisions of HKAS 39, the investments have been classified into available-for-sale financial assets, held-to-maturity financial assets and financial assets at fair value through profit or loss (which include bank deposits and cash and cash equivalents). The classification depends on the purpose for which the investments were held.

All non-trading investments are classified as available-for-sale equity securities and carried at fair value. Changes in fair value are recognised in equity, unless there is objective evidence that an individual investment has been impaired. If there is objective evidence that an individual investment has been impaired, any amount held in the fair value reserve in respect of the investment is transferred to the profit and loss account for period in which the impairment is identified. Any subsequent increase in the fair value of available-for-sale equity securities is recognised directly in equity.

The Group uses forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group's forward currency contracts do not qualify for hedge accounting and accordingly gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

Convertible notes issued are split into liability and equity components at initial recognition. The fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost using effective interest method until extinguished on conversion or redemption. The remainder of the proceeds is recognised as equity component in the shareholders' equity and not remeasured in subsequent years.

(f) The adoption of HKFRS 2 has resulted in a change in accounting policy for employee share options. Prior to this, the provision of share options to employees did not result in a charge to profit and loss account. Following the adoption of HKFRS 2, the fair value of share options at grant date is amortised over the relevant vesting periods to the profit and loss account.

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKFRS 2, except that pursuant to the transitional provisions set out in paragraph 53 of HKFRS 2, the new recognition and measurement policies have not been applied to the following grants of share options:

- all share options granted to employees on or before 7 November 2002; and
- all share options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

(g) Effect of changes in the above accounting policies on the condensed consolidated balance sheet is as follows:

		Effect of adopting					
	Previous accounting policies *HK$ million*	**HKAS 17*** *HK$ million*	**HKAS 8*** *HK$ million*	**HKAS 32* and HKAS 39#** *HK$ million*	**HKFRS 3#** *HK$ million*	**Total effect on adoption of HKFRSs and HKASs** *HK$ million*	**Adoption of HKFRSs and HKASs** *HK$ million*
At 1 January 2005 (Audited and restated)							
Assets:							
Fixed assets	1,621	(1,621)	—	—	—	(1,621)	—
Properties, plant and equipment	—	1,269	—	—	—	1,269	1,269
Investment properties	—	101	—	—	—	101	101
Land lease payments	—	234	—	—	—	234	234
Interest in an associate	293	—	(71)	—	—	(71)	222
Held-to-maturity financial assets	—	—	—	17	—	17	17
Financial assets at fair value through profit or loss	—	—	—	44	—	44	44
Cash and cash equivalents	832	—	—	(61)	—	(61)	771
Forward currency contracts	—	—	—	4	—	4	4
Total equity:							
Share capital	42	—	—	—	—	—	42
Share premium	1,250	—	—	—	—	—	1,250
Capital reserve	1,060	—	—	—	—	—	1,060
Accumulated losses	(61)	(17)	(71)	2	(8)	(94)	(155)
Proposed final dividend	8	—	—	—	—	—	8
Minority interests	196	—	—	2	8	10	206
	2,495	(17)	(71)	4	—	(84)	2,411

* adjustments which take effect retrospectively

\# adjustments which take effect prospectively from 1 January 2005

	Previous accounting policies	Effect of adopting				Total effect on adoption of HKFRSs and HKASs	Adoption of HKFRSs and HKASs
		HKAS 17*	HKAS 8*	HKAS 32* and HKAS 39#	HKFRS 3#		
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
At 30 June 2005 (Unaudited)							
Assets:							
Fixed assets	1,660	(1,660)	—	—	—	(1,660)	—
Properties, plant and equipment	—	1,312	—	—	—	1,312	1,312
Investment properties	—	98	—	—	—	98	98
Land lease payments	—	231	—	—	—	231	231
Goodwill	124	—	—	—	(8)	(8)	116
Available-for-sale financial assets	—	—	—	790	—	790	790
Held-to-maturity financial assets	—	—	—	17	—	17	17
Financial assets at fair value through profit or loss	—	—	—	66	—	66	66
Other assets	12	—	—	(12)	—	(12)	—
Long term investments	348	—	(109)	(239)	—	(348)	—
Short term investments	3	—	—	(3)	—	(3)	—
Cash and cash equivalents	738	—	—	(77)	—	(77)	661
Forward currency contracts	—	—	—	3	—	3	3
Liabilities:							
Convertible notes	150	—	—	(43)	—	(43)	107
Forward currency contracts	—	—	—	1	—	1	1
Total equity:							
Share capital	43	—	—	—	—	—	43
Share premium	1,260	—	—	—	—	—	1,260
Capital reserve	741	—	—	—	—	—	741
Revaluation reserve	—	—	—	539	—	539	539
Equity component of convertible notes	—	—	—	44	—	44	44
Retained profits	122	(19)	(109)	2	(9)	(135)	(13)
Minority interests	58	—	—	2	1	3	61
	2,224	(19)	(109)	587	(8)	451	2,675

* adjustments which take effect retrospectively

\# adjustments which take effect prospectively from 1 January 2005

(h) Effect of changes in the above accounting policies on the condensed consolidated profit and loss account is as follows:

	Effect of adopting			
	HKAS 17*	**HKAS 8***	**HKAS 32* and HKAS 39#**	**Total effect on adoption of HKFRSs and HKASs**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
For the six months ended 30 June 2005 (Unaudited)				
Decrease in depreciation	1	—	—	1
Increase in amortisation of land lease payments	(3)	—	—	(3)
Decrease in gain on disposal and deemed disposal of an associate	—	(38)	—	(38)
Increase in finance costs	—	—	(1)	(1)
Decrease on forward currency contracts	—	—	(2)	(2)
Total decrease in profit	(2)	(38)	(3)	(43)
Decrease in basic earnings per share (HK$)	(0.005)	(0.090)	(0.007)	(0.102)
For the six months ended 30 June 2004 (Unaudited)				
Decrease in depreciation	1	—	—	1
Increase in amortisation of land lease payments	(3)	—	—	(3)
Increase in share of profit of an associate	—	26	—	26
Increase in share of tax attributable to an associate	—	(6)	—	(6)
Total increase/(decrease) in profit	(2)	20	—	18
Increase/(decrease) in basic earnings per share (HK$)	(0.005)	0.047	—	0.042

* adjustments which take effect retrospectively

\# adjustments which take effect prospectively from 1 January 2005

3. SEGMENT INFORMATION

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

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

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

(b) the baby and health care products segment engages in the manufacture and sale of baby products; and

(c) the corporate and others segment comprises corporate income and expenses items.

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

(a) Business segments

The following tables present revenue and profit/(loss) regarding the Group's business segments for the period ended 30 June 2005 and 2004.

2005

	Telecom and electronic products *HK$ million (Unaudited)*	**Baby and health care products** *HK$ million (Unaudited)*	**Corporate and others** *HK$ million (Unaudited)*	**Total** *HK$ million (Unaudited)*
Segment revenue:				
Sales to external customers	1,730	66	—	1,796
Other revenue	11	—	5	16
Total revenue	1,741	66	5	1,812
Segment results	110	2	(46)	66
Interest income				4
Profit from operating activities				70
Unallocated revenue				109
Finance costs				(7)
Profit before tax				172
Tax				(10)
Profit for the period				162

2004

	Telecom and electronic products *HK$ million (Unaudited) (Restated)*	**Baby and health care products** *HK$ million (Unaudited) (Restated)*	**Corporate and others** *HK$ million (Unaudited) (Restated)*	**Total** *HK$ million (Unaudited) (Restated)*
Segment revenue:				
Sales to external customers	1,806	71	—	1,877
Other revenue	10	—	2	12
Total revenue	1,816	71	2	1,889
Segment results	125	9	(35)	99
Interest income				3
Profit from operating activities				102
Finance costs				(3)
Share of profit of an associate				26
Profit before tax				125
Tax				(13)
Profit for the period				112

(b) Geographical segments

The following tables present revenue information regarding the Group's geographical segments for the period ended 30 June 2005 and 30 June 2004.

2005

	United States of America *HK$ million (Unaudited)*	**PRC, including HK** *HK$ million (Unaudited)*	**European Union** *HK$ million (Unaudited)*	**Others** *HK$ million (Unaudited)*	**Total** *HK$ million (Unaudited)*
Segment revenue:					
Sales to external customers	1,129	390	92	185	1,796
Other revenue	—	16	—	—	16
Total revenue	1,129	406	92	185	1,812

2004

	United States of America *HK$ million (Unaudited)*	**PRC, including HK** *HK$ million (Unaudited)*	**European Union** *HK$ million (Unaudited)*	**Others** *HK$ million (Unaudited)*	**Total** *HK$ million (Unaudited)*
Segment revenue:					
Sales to external customers	1,097	376	88	316	1,877
Other revenue	—	12	—	—	12
Total revenue	1,097	388	88	316	1,889

4. GAIN ON DISPOSAL AND DEEMED DISPOSAL OF AN ASSOCIATE

To maintain the minimum public float of Haier Electronics upon the completion of the Asset Injection, the Company and a wholly-owned subsidiary of the Company entered into a placing agreement on 19 January 2005 for a placement of 419,997,667 ordinary shares of HK$0.10 each in Haier Electronics at a price of HK$0.24 per share to independent investors (the "Placement"). The Placement was completed on 24 January 2005.

The Asset Injection was completed on 28 January 2005. Upon completion of the Asset Injection and the Placement, the equity interests of the Group in Haier Electronics was reduced from 43.6% to 24.0% and Mr. Mak Shiu Tong, Clement, the chairman and a director of the Company, and Mr. Tam Ngai Hung, Terry, a director of the Company, resigned from the board of directors of Haier Electronics and Haier Electronics was ceased to be accounted for as the Group's associated company as the Group is not in a position to exercise significant influence over Haier Electronics.

The effect of the Asset Injection and the Placement resulted in the disposal and deemed disposal of approximately 19.6% equity interests in Haier Electronics and the Group recorded a gain of approximately HK$109 million.

Under HKFRS 3, the Asset Injection in Haier Electronics is accounted for as a reverse acquisition and the consolidated financial statements of Haier Electronics have been restated retrospectively by adopting the reverse acquisition accounting method. As such, the interest in Haier Electronics in the Group's financial statements in previous years are restated accordingly.

5. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 30 June	
	2005	**2004**
	HK$ million	*HK$ million*
	(Unaudited)	*(Unaudited)*
		(Restated)
Cost of inventories sold	1,734	1,764
Depreciation	63	60
Amortisation of land lease payments	3	3
Amortisation of deferred development costs	13	15
Write off of deferred development costs	4	8

6. TAX

	Six months ended 30 June	
	2005	**2004**
	HK$ million	*HK$ million*
	(Unaudited)	*(Unaudited)*
		(Restated)
Current — Hong Kong:		
Charge for the period	7	7
Overprovision in prior years	—	(2)
Current — Elsewhere	2	1
Deferred	1	1
	10	7
Share of tax attributable to an associate	—	6
Total tax charge for the period	10	13

The Company is exempted from tax in the Cayman Islands until 2010. Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

7. DIVIDENDS

	Six months ended 30 June	
	2005	**2004**
	HK$ million	*HK$ million*
	(Unaudited)	*(Unaudited)*
Special interim dividend — HK$0.68 (30 June 2004: HK$0.10) per ordinary share	319	42
Proposed interim dividend — Nil (30 June 2004: HK$0.01) per ordinary share	—	4
Total	319	46

A special interim dividend of HK$0.68 per share was declared on 16 June 2005 out of the capital reserves of the Company. The amount of special interim dividend for the six months ended 30 June 2005 is calculated based on 468,808,652 shares in issue as at 7 July 2005 being the book close date for entitlement of special interim dividend, comprising 434,588,652 shares in issue as at 30 June 2005 and additional 34,220,000 shares issued on 4 July 2005. The special interim dividend for the six months ended 30 June 2005 was paid on 19 August 2005.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30 June	
	2005	**2004**
	HK$ million	*HK$ million*
	(Unaudited)	*(Unaudited)* *(Restated)*
Earnings		
Net profit for calculation of basic earnings per share	142	74
Adjustment for effective interest saving on convertible notes added back on deemed conversion of the notes	1	—
Net profit for calculation of diluted earnings per share	143	74
Shares	**Number of shares**	
Weighted average number of ordinary shares for calculation of basic earnings per share	423,995,545	422,105,230
Effect of dilutive convertible notes	43,656,435	—
Effect of dilutive share options	17,608,132	16,299,836
Weighted average number of ordinary shares for calculation of diluted earnings per share	485,260,112	438,405,066

9. FIXED ASSETS

During the six months ended 30 June 2005, the Group acquired fixed assets of HK$105 million (six months ended 30 June 2004: HK$128 million) and disposed fixed assets of HK$4 million (six months ended 30 June 2004: HK$84 million).

10. TRADE AND BILLS RECEIVABLES

The Group offers an average credit period of 30–90 days to its trade customers. The aged analysis of the trade and bills receivables is as follows:

	30 June 2005		**31 December 2004**	
	HK$ million	*Percentage*	*HK$ million*	*Percentage*
	(Unaudited)		*(Audited)*	
Current to 30 days	382	48	302	38
31 to 60 days	211	27	264	33
61 to 90 days	178	22	216	27
Over 90 days	22	3	12	2
Total	793	100	794	100

11. TRADE AND BILLS PAYABLES

The aged analysis of the trade and bills payable is as follows:

	30 June 2005		31 December 2004	
	HK$ million	*Percentage*	*HK$ million*	*Percentage*
	(Unaudited)		*(Audited)*	
Current to 30 days	350	40	249	28
31 to 60 days	186	21	179	20
61 to 90 days	150	17	196	22
Over 90 days	199	22	273	30
Total	885	100	897	100

12. CONVERTIBLE NOTES

	30 June 2005	**31 December 2004**
	HK$ million	*HK$ million*
	(Unaudited)	*(Audited)*
2010 Convertible Notes — *note (a)*	107	—
2007 Convertible Note — *note (b)*	—	45
	107	45
Portion classified as current liabilities	—	(45)
Non-current portion	107	—

(a) The 2010 Convertible Notes represent the outstanding convertible notes issued by the Company during the period to those CCT Tech's shareholders and the holder of the CCT Tech 2007 Convertible Note (see note 12(b) below) who accepted the general offers on CCT Tech ("General Offers") made by Jade Assets Company Limited ("Jade Assets"), a subsidiary of the Company, on CCT Tech and who opted for the 2010 Convertible Notes.

The 2010 Convertible Notes are interest-free and have a maturity date on the fifth anniversary of the date of their issue.

According to HKAS 32, any convertible note is required to be separated into liability and equity components on its initial recognition and the liability component is carried at amortised cost using effective interest method. Accordingly, the liability component of the outstanding 2010 Convertible Notes was stated at amortised in the amount of HK$107 million as at 30 June 2005. The equity component of the outstanding 2010 Convertible Notes was included in the shareholders' equity.

(b) The 2007 Convertible Note as at 31 December 2004 represents the zero coupon convertible note issued by CCT Tech and was previously held by New Capital Industrial Limited ("New Capital"), a company controlled by Mr. Mak Shiu Tong, Clement, the chairman and a director of the Company, and his family members. The 2007 Convertible Note was transferred by New Capital to Jade Assets during the period pursuant to the terms of the General Offers and was therefore eliminated on consolidation as at 30 June 2005. The original due date of the 2007 Convertible Note was 17 May 2005 and was subsequently extended to 31 December 2007 in May 2005.

13. SHARE CAPITAL

	30 June 2005 *HK$ million (Unaudited)*	31 December 2004 *HK$ million (Audited)*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	200	200
Issued and fully paid:		
434,588,652 (31 December 2004: 422,525,230) ordinary shares of HK$0.10 each	43	42

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

	Number of ordinary shares of HK$0.10 each	Issued share capital *HK$ million*
At 1 January 2005	422,525,230	42
Exercise of share options	7,560,000	1
Conversion of convertible notes	4,503,422	—
At 30 June 2005	434,588,652	43

14. CONTINGENT LIABILITIES

As at 30 June 2005, the Group has given guarantee to an independent third party in respect of a rental agreement amounting to approximately HK$45 million (31 December 2004: HK$48 million).

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 HK$2 million as at 30 June 2005 (31 December 2004: HK$9 million). The contingent liability has arisen as a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

15. PLEDGE OF ASSETS

At 30 June 2005, the Group's bank borrowings were secured by:

(i) pledge of the Group's fixed deposits amounting to approximately HK$67 million (31 December 2004: HK$117 million); and

(ii) fixed charges over certain of the Group's leasehold land and buildings with an aggregate net book value amounting to approximately HK$691 million (31 December 2004: HK$254 million).

16. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for an average term of two years.

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

	30 June 2005	31 December 2004
	HK$ million	*HK$ million*
	(Unaudited)	*(Audited)*
Within one year	3	3
In the second to the fifth year, inclusive	2	3
	5	6

At the balance sheet date, Group had total future minimum lease payments under non-cancellable operating leases with initial lease terms ranging from 50 to 51 years in respect of land on which certain of the Group's factories are situated falling due as follows:

	30 June 2005	31 December 2004
	HK$ million	*HK$ million*
	(Unaudited)	*(Audited)*
Within one year	2	2
In the second to the fifth year, inclusive	9	9
After five years	113	114
	124	125

17. COMMITMENTS

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

	30 June 2005	31 December 2004
	HK$ million	*HK$ million*
	(Unaudited)	*(Audited)*
Contracted, but not provided for:		
Construction in progress	27	28
Purchases of motor vehicles	—	4
Purchases of plant and machinery and equipment	11	1
	38	33

In addition, the Group's share of the associates' own capital commitments as at 31 December 2004, which are not included in the above were as follows:

	31 December 2004 *HK$ million (Audited) (Restated)*
Contracted, but not provided for	7
Authorised, but not contracted for	—
	7

18. RELATED PARTY TRANSACTIONS

(a) Pursuant to the General Offers, the 2007 Convertible Note due by CCT Tech was transferred by New Capital to Jade Assets at a consideration of approximately HK$103 million during the period in return for the issue of the Company's 2010 Convertible Notes in the amount of approximately HK$103 million to New Capital. The transaction was approved by the independent shareholders of the Company in the extraordinary general meeting held on 18 April 2005 and was completed on 25 April 2005. Further details of the transaction were set out in the circular of the Company dated 31 March 2005.

(b) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2005 *HK$ million (Unaudited)*	2004 *HK$ million (Unaudited)*
Short term employee benefits	22	19
Post-employment benefits	—	—
Total compensation paid to key management personnel	22	19

19. POST BALANCE SHEET EVENTS

(a) In order to restore the public float of CCT Tech, the Company, Jade Assets and a third party (the "Purchaser") entered into a sale and purchase agreement on 22 July 2005 for the sale of 1,500,000,000 shares of CCT Tech owned by Jade Assets to the funds under management by the Purchaser at a price of HK$0.02 per share of CCT Tech with a six-month put option granted to the Purchaser. After such sale, the Company had a 74.71% controlling interest in CCT Tech. Further details are set out in the Company's announcement dated 22 July 2005.

(b) On 22 September 2005, the Company announced that it proposed to seek prior shareholders' approval to approve the possible sale of part or whole of the property currently owned by the Group, which is currently used as the Group's corporate office in Hong Kong. The Company intends to relocate its corporate office by leasing smaller premises. The proposed sale and office relocation is because the existing property exceeds the Group's requirements for a corporate office premises and the proposed sale and office relocation may result in a realisation of a good value of the property (due to the recent prosperous property market) and may possibly result in a gain on disposal and net savings in administrative costs and finance cost. Further announcement will be made if the sale is materialised. Please refer to the announcement of the Company dated 22 September 2005 for details.

(c) On 22 September 2005, the board of the Company announced that it proposed to change the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda, in order to simplify the procedures and

allow flexibility for any future possible capital reorganisation. The proposed change of domicile will not affect the continuity and listing status, as well as the underlying assets, business operations, management or financial position of the Company, nor will it have any impact on the rights and obligations of the shareholders. The proposed change of domicile is conditional upon the approval of the shareholders and the compliance of the relevant procedures and requirements under the applicable laws of the Cayman Islands and Bermuda and the Listing Rules of Hong Kong. Please refer to the announcement of the Company dated 22 September 2005 for details.

20. COMPARATIVE FIGURES

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

(D) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE COMBINED GROUP

Set out below is the letter from Ernst & Young on the unaudited pro forma financial information of the Combined Group together with the unaudited pro forma financial information of the Combined Group.

安永會計師事務所

18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

18 January 2006

The Directors
CCT Telecom Holdings Limited

Dear Sirs

CCT Telecom Holdings Limited (the "Company") and its subsidiaries (the "Group")

We report on the unaudited pro forma financial information (the "Pro Forma Financial Information") set out on pages 85 to 86 in Appendix I(E) to the circular of the Company dated 18 January 2006 (the "Circular") in connection with the Company's major transaction, which has been prepared by the directors of the Company and the purpose of which is to provide information to the shareholders of the Company about how the Proposal (as defined in the Circular) might have affected the financial information presented in respect of the Group.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

It is our responsibility to form an opinion, as required by the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

Our work does not constitute an audit or a review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such assurance on the Pro Forma Financial Information.

The Pro Forma Financial Information is for illustrative purpose only, based on the directors' judgements and assumptions, and because of its nature, it does not provide an assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2005 or at any future date.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group in respect of the six months ended 30 June 2005; and

(c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 29 of Chapter 4 of the Listing Rules.

Yours faithfully
Ernst & Young
Certified Public Accountants
Hong Kong

(E) UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE COMBINED GROUP

The unaudited pro forma statement of assets and liabilities of the CCT Telecom Group and the CCT Tech Group (the "Combined Group") has been prepared to demonstrate the effect of the Proposal on the assets and liabilities of the CCT Telecom Group on the assumption that CCT Tech would have become a wholly-owned subsidiary of CCT Telecom as if the Proposal had been completed on 30 June 2005. It is based on the historical unaudited consolidated assets and liabilities of the CCT Telecom Group as at 30 June 2005 with further adjustments as explained in the notes below.

The unaudited pro forma statement of assets and liabilities has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Combined Group as at 30 June 2005 or at any future date.

The historical unaudited consolidated assets and liabilities of the CCT Telecom Group and the CCT Tech Group have been extracted from the respective unaudited interim financial statements in respect of the six months ended 30 June 2005 as set out in this Appendix.

	CCT Telecom Group as at 30 June 2005 *HK$ million*	**Pro Forma Adjustments** *HK$ million*	*Note*	**Combined Group** *HK$ million*
Non-current assets				
Properties, plant and equipment	1,312			1,312
Investment properties	98			98
Land lease payments	231			231
Intangible assets	38			38
Goodwill	116			116
Available-for-sale financial assets	790			790
Held-to-maturity financial assets	17			17
Financial assets at fair value through profit or loss	39			39
Deferred tax assets	4			4
	2,645			2,645
Current assets				
Inventories	272			272
Trade and bills receivables	793			793
Prepayments, deposits and other receivables	20			20
Financial assets at fair value through profit or loss	27			27
Forward currency contracts	3			3
Pledged time deposits	67			67
Cash and cash equivalents	661	(62)	*(a)*	599
	1,843			1,781

	CCT Telecom Group as at 30 June 2005 *HK$ million*	Pro Forma Adjustments *HK$ million*	*Note*	Combined Group *HK$ million*
Current liabilities				
Trade and bills payables	885			885
Tax payable	29			29
Other payables and accruals	157			157
Forward currency contracts	1			1
Dividend payable	319			319
Interest-bearing bank loans and other borrowings	115			115
	1,506			1,506
Net current assets	337			275
Total assets less current liabilities	2,982			2,920
Non-current liabilities				
Interest-bearing bank loans	184			184
Finance lease payables	10			10
Convertible notes	107			107
Deferred tax liabilities	6			6
	307			307
	2,675			2,613

Notes:

(a) The adjustment represents the aggregate effect on cash of (i) cash consideration of approximately HK$58.2 million for the cancellation of all the Scheme Shares: and (ii) estimated expenses of approximately HK$3.5 million to be incurred for the Proposal.

(b) As CCT Telecom will cancel the Scheme Shares under the Proposal for a total consideration of approximately HK$61.7 million (including estimated expenses of approximately HK$3.5 million to be incurred in connection with the Scheme) which has no material difference compared to the attributable net asset value of the minority interests to be acquired of approximately HK$61 million (with reference to the unaudited consolidated net assets value of the CCT Tech Group as at 30 June 2005), no material goodwill will arise under the Proposal.

(F) STATEMENT OF INDEBTEDNESS

As at the close of business on 30 November 2005 (being the latest practicable date for ascertaining information regarding this indebtedness statement), the CCT Telecom Group had outstanding borrowings of approximately HK$387 million. The borrowings comprised secured bank loans of approximately HK$269 million, secured trust receipt loans of approximately HK$107 million and obligations under finance lease contracts of approximately HK$11 million. The CCT Telecom Group's borrowings were secured by (i) the fixed charges over certain leasehold land and buildings and investment properties held by the CCT Telecom Group with aggregate net book values of approximately HK$657 million; and (ii) certain fixed deposits of the CCT Telecom Group of approximately HK$72 million. In addition, as at the same time, the CCT Telecom Group had outstanding unsecured convertible notes with a principal sum of approximately HK$104 million.

As at 30 November 2005, the CCT Telecom Group had contingent liabilities in respect of possible future long service payments to employees under the Hong Kong Employment Ordinances, with a maximum possible amount of approximately HK$1 million.

Save as aforesaid, and apart from intra-group liabilities, the CCT Telecom Group did not have any bank loans, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures or other loan capital, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities outstanding at the close of business on 30 November 2005.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the rates of the exchange prevailing at the close of business on 30 November 2005. As at 30 November 2005, United States dollar amounts and Renminbi amounts have been translated into Hong Kong dollars at the rates of approximately US$1=HK$7.78 and RMB1=HK$0.96 respectively.

(G) WORKING CAPITAL

The CCT Telecom Directors are of the opinion that taking into account of the CCT Telecom Group's internal resources and available banking and other borrowing facilities, the CCT Telecom Group has sufficient working capital for its present requirements.

(H) MATERIAL CHANGES

There has been no material changes in the financial or trading position or outlook of the CCT Telecom Group since 31 December 2004, the date to which the latest published audited consolidated financial statements of the CCT Telecom Group were made up.

The following is the text of a letter and valuation certificate received from Grant Sherman, an independent property valuer, in connection with their valuation as at 31 October 2005 of the property interests of the CCT Tech Group for the purpose of inclusion in this document:



GRANT SHERMAN APPRAISAL LIMITED

Rm. 904, 9/F.,
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

18 January 2006

The Directors
CCT Telecom Holdings Limited
2208, 22nd Floor,
St. George's Building
2 Ice House Street
Central
Hong Kong

The Directors
CCT Tech International Limited
2208, 22nd Floor,
St. George's Building
2 Ice House Street
Central
Hong Kong

Dear Sir,

In accordance with your instructions to value all the property interests held by CCT Tech International Limited ("CCT Tech") or its subsidiaries (together referred as "CCT Tech Group") in the People's Republic of China ("the PRC"), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of such property interests as at 31 October 2005.

Due to the nature of buildings and structures of the property, there are no market sales comparables, the property have been valued on the basis of depreciated replacement cost ("DRC"). DRC is based on an estimate of the market value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization.

In valuing the property, which is held by a wholly-owned subsidiary of CCT Tech under a long term State-owned Land Use Rights Certificate and Real Property Ownership Certificates, we have assumed that the owner has free and uninterrupted rights to use the property for the whole of the unexpired term as granted and is entitled to transfer the property with the residual term without payment of any further premium to the government authorities or any third parties.

We have assumed that all consents, approvals and licenses from relevant government authorities for the property have been granted without any onerous conditions or undue time delay which might affect its value. Also, we have assumed that the owner has been permitted to use all buildings and structures erected on the site.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the appraisal report. Moreover, it is assumed that the utilisation of the land and improvements is within the boundaries of the property described and that no encroachment or trespass exists, unless noted in the report.

We have been provided with copies of relevant legal documents of the property by CCT Tech. However, we have not caused search on the title of the property, or scrutinised the original documents.

According to a State-owned Land Use Rights Certificate Huiyang Fu Guo Yong (2002) Zi No. 13212200005 dated 4 February 2002 issued by the Land Bureau of Huiyang City, the land use rights for the land having an area of approximately 255,629 sq.m. have been granted to Huiyang CCT Telecommunications Products Co., Ltd., a wholly owned subsidiary of CCT Tech, for industrial uses for a term expiring on 17 February 2050.

According to 24 Real Property Ownership Certificates issued by the People's Government of Huiyang City dated 6 February 2002, the title to the various buildings and structures in the factory complex having a total construction floor area of 179,684 sq.m. is held by Huiyang CCT Telecommunications Products Co., Ltd..

Further information in the documents has been stated in the footnotes of the valuation certificate.

In the course of our valuation, we have relied on a considerable extent on information provided by CCT Tech on such matters as statutory notices, easements, tenure, occupation, floor area, identification of the property and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by CCT Tech. We were also advised by CCT Tech that no material facts have been omitted from the information supplied. All documents have been used as reference only. All dimensions, measurements and areas are approximations.

We have been shown copies of various title documents and official site plans relating to the properties that are owned by the Company in the PRC. However, we have not searched the original documents to verify ownership or to verify any lease amendments which may not appear on the copies handed to us. Due to the nature of the land registration system in the PRC, we are unable to search the original documents to verify the existing title of the properties or any material encumbrances that might be attached to the properties. In the preparation of our valuation report regarding the properties in the PRC, we have relied to a considerable extent on the legal opinion provided by the Company's legal adviser, 廣東鑄銘律師事務所 (Zhu Ming Lawyer Office of Guangdong), on the PRC laws regarding the titles of the properties in the PRC.

In the course of our valuations of the property interests, we have neither verified nor taken into account any tax liability in the PRC. As advised by CCT Tech, types of potential tax liability include business tax, stamp duty, income tax and capital gain tax. We have, however, been further advised by CCT Tech that all properties are held for production or staff quarters purposes and that CCT Tech does not have the intention to sell any or all properties. Hence, until the completion of the disposal of such property, the amount of tax liability would not be quantifiable nor crystallised.

No allowance has been made in our valuation for any charge, mortgage or amount owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its values.

We have inspected the exterior and, where possible, the interior of the property in respect of which we have been provided with such information as we have required for the purpose of our valuations. However, we must point out that we have not carried out site investigation to determine the suitability of the ground conditions or the services for any property development thereon. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expense or delay will be incurred during the construction period. No structural survey has been carried out and it was not possible to inspect the wood work and other parts of the structures which were covered, unexposed or inaccessible. We are therefore, unable to report that the property is free of rot, infestation or any structural defects. No tests have been carried out on any of the building services.

REMARKS

The property has been valued in Hong Kong Dollar at the exchange rate of RMB1.00 to HK$0.96.

We enclose herewith the valuation certificate.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED
Peggy Y.Y. Lai *MRICS MHKIS RPS*
Associate Director Real Estate Group

Note: Ms. Peggy Y.Y. Lai is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors and Register Professional Surveyors in the General Practice Section, who has over 5 years experience in the valuation of properties in Hong Kong, the PRC and the Asian Region.

VALUATION CERTIFICATE

Property held for owner occupation

Property	Description and tenure	Capital value in existing state as at 31 October 2005
Land, various buildings and structures located at The Upper Land Lot (Lot No. 0302002), Sanhan Development District (also known as Shiwei Administrative District) Danshui Town Huiyang City Guangdong Province The People's Republic of China (the "Property")	The Property comprises a main factory block, a plastic factory, nine blocks of staff quarters, a canteen/recreational building, various plant rooms and service rooms, built together with ancillary structures and facilities upon a parcel of land having an area of about 255,629 square metres. The total construction floor area of the erected buildings is about 179,684.09 sq.m and are summarized as below:	HK$441,000,000 (HONG KONG DOLLARS FOUR HUNDRED AND FORTY ONE MILLION)

Building and structures	No of Block	Construction Floor Area *(sq.m.)*
Main factories	2	87,198
Staff dormitories and quarters	9	80,252
Canteen and recreation building	1	7,289
Plant/service houses and store rooms	9	4,600
Ancillary rooms	3	345
Total:		179,684

The buildings, structures and ancillary facilities were completed in 1999.

A 3-storey new factory block with an area of approximately 30,689 sq.m. and a 6 storey new staff dormitory with an area of approximately 8,800 sq.m. are under construction, and are expected to be completed by 2006. The foundation and superstructure work of the building and the electrical and mechanical work of one floor of the building were finished as at the valuation date. *(Note iv)*

The property is currently occupied by the CCT Telecom Group as a factory complex manufacturing telephone communication goods and parts.

Portion of the main factory, with an area of approximately 35,328 sq.m., staff dormitories and ancillary facilities area, with an area of approximately 32,000 sq.m. are leased to a subsidiary of CCT Telecom for a term up to 31 December 2008 at the monthly rental of HK$500,000 exclusive of all outgoings.

Notes:

(i) According to a State-owned Land Use Rights Certificate No. 惠陽府國用(2002)字第13212200005 dated 4 February 2002 issued by the Land Bureau of Huiyang City, the land use rights for the land having an area of approximately 255,629 sq.m. have been granted to 惠陽中建電訊製品有限公司 (Huiyang CCT Telecommunications Products Co., Ltd.) for industrial uses for a term expiring on 17 February, 2050 and nil information related to government rent/rates has been stated. As informed by CCT Tech, 惠陽中建電訊製品有限公司 (Huiyang CCT Telecommunications Products Co., Ltd.) is a wholly-owned subsidiary of CCT Tech International Limited.

(ii) According to 24 Real Property Ownership Certificates issued by the People's Government of Huiyang City dated 6 February 2002, the title to the various buildings and structures in the factory complex having a total construction floor area of 179,684 sq. m. is held by 惠陽中建電訊製品有限公司 (Huiyang CCT Telecommunications Products Co., Ltd.). The details are summarized below:—

Real Property Ownership Certificate No.	**Use Designated by the CCT Tech Group**	**No. of Storey**	**Construction Floor Area** *(sq. m.)*
208902	Air-conditioning Centre	1	1,461.35
208903	Transformer House No. 6	1	339.90
208904	Staff Quarters B	5	2,381.11
208905	Transformer Centre	1	702.52
208906	Staff Quarters A	5	3,211.37
208907	Workers' Dormitory B	6	11,927.94
208908	Canteen	2	7,288.90
208909	Workers' Dormitory A	6	11,885.89
208910	Staff Quarters B1	5	3,179.72
208911	Fuel Station	1	72.02
208912	Workers' Dormitory C	7	13,279.57
208913	Transformer House No. 2	1	384.49
208914	Transformer House No. 7	1	339.90
208915	Transformer House No. 4	1	384.49
208916	Compressor House No. 5	1	339.90
208917	Garbage Room	1	63.09
208918	Dangerous Good Store	1	308.04
208919	Main Factory	3	51,869.80
208920	Industrial Waste Room	1	209.67
208921	Plastic Factory	2	35,327.89
208922	Transformer House No. 8	1	339.90
208923	Workers Dormitory D	7	13,279.57
208924	Workers Dormitory E	8	15,431.33
208925	Staff Quarter C	5	5,675.73
		Total	**179,684.09**

(iii) As advised, the Property is subject to a mortgage in favour of Nanyang Commercial Bank Limited (Shenzhen Branch) commencing from 11 January, 2005 to 11 July 2008 at a consideration of approximately RMB100,000,000.

(iv) Since the factory block and the staff dormitory that are under construction have not been applied for Building Ownership certificate, our valuation has not taken into account its value. However, as advised by CCT Tech, the total development costs expended as at the date of valuation was approximately RMB84,000,000 and the expected outstanding development cost to completed the development was approximately RMB22,000,000.

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

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

		HK$
Authorised share capital:		
2,000,000,000	CCT Telecom Shares	200,000,000.00
Issued and fully paid or credited as fully paid CCT Telecom Shares:		
655,693,308	CCT Telecom Shares	65,569,330.80

All CCT Telecom Shares in issue rank *pari passu* in all respects.

3. DISCLOSURE OF INTERESTS

(a) The CCT Telecom Directors' interests and short positions in the shares and underlying shares of share options or convertible bonds of CCT Telecom and its associated corporations

As at the Latest Practicable Date, the CCT Telecom Directors and the chief executive of CCT Telecom and their respective associates had the following interests and short positions in the shares, underlying shares and debentures of CCT Telecom and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to CCT Telecom and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register of CCT Telecom referred to therein or were required, pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to CCT Telecom and the Stock Exchange:

(1) *Interests and short positions in the CCT Telecom Shares and the underlying CCT Telecom Shares of convertible bonds of CCT Telecom*

(i) *Long positions in the CCT Telecom Shares:*

Name of CCT Telecom Director	*Notes*	Number of CCT Telecom Shares beneficially held and nature of interest				Approximate percentage of total issued share capital *(%)*
		Personal	**Family**	**Corporate**	**Total**	
Mak Shiu Tong, Clement	*(a)*	715,652	—	126,280,640	126,996,292	19.37
Cheng Yuk Ching, Flora	*(b)*	14,076,713	120,000	—	14,196,713	2.17
Tam Ngai Hung, Terry		1,868,000	—	—	1,868,000	0.28
William Donald Putt		591,500	—	—	591,500	0.09
Samuel Olenick	*(c)*	—	—	545,000	545,000	0.08

Notes:

(a) Included in the shareholdings in which Mr. Mak Shiu Tong, Clement was interested, 126,280,640 CCT Telecom Shares were held by corporations controlled by Mr. Mak Shiu Tong, Clement, whose interest in the CCT Telecom Shares has also been disclosed under the section headed "Interests of substantial shareholders of CCT Telecom" below.

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

(c) Mr. Samuel Olenick was deemed to be interested in 545,000 CCT Telecom Shares under the provisions of Part XV of the SFO.

(ii) *Long positions in the underlying CCT Telecom Shares of convertible bonds of CCT Telecom — The convertible bonds due 2010:*

Name of CCT Telecom Director	Number of total underlying CCT Telecom Shares	Approximate percentage of total issued share capital *(%)*
Mak Shiu Tong, Clement *(Note)*	171,357,615	26.13

Note: The convertible bonds were issued by CCT Telecom to New Capital Industrial Limited (a company controlled by Mr. Mak Shiu Tong, Clement) on 25 April 2005, with an outstanding principal amount of HK$103,500,000 as at the Latest Practicable Date. The convertible bonds are interest free, convertible into the CCT Telecom Shares at a conversion price of HK$0.604 per CCT Telecom Share (subject to adjustments according to the terms of the convertible bonds) as at the Latest Practicable Date and due on 25 April 2010. This interest in the underlying CCT Telecom Shares has also been disclosed under the section headed "Interests of substantial shareholders of CCT Telecom" below.

(2) ***Interests and short positions in the CCT Tech Shares and the underlying CCT Tech Shares:***

None of the CCT Telecom Directors had interests and short positions in respect of the CCT Tech Shares, debentures, equity derivatives or interests in the underlying CCT Tech Shares.

(b) Particulars of the CCT Telecom Directors' other interests

As at the Latest Practicable Date, none of the CCT Telecom Directors had entered or was proposing to enter into a service contract with CCT Telecom or any other member of the CCT Telecom Group (excluding contracts expiring or determinable by CCT Telecom or any member of the CCT Telecom Group within one year without payment of compensation, other than statutory compensation).

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

(i) none of the CCT Telecom Directors and the chief executive of CCT Telecom and their respective associates held any interests or short positions in the shares, underlying shares and debentures of CCT Telecom or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to CCT Telecom and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register of CCT Telecom referred to therein or were required, pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to CCT Telecom and the Stock Exchange;

(ii) none of the CCT Telecom Directors had any direct or indirect interest in any assets which had been, since 31 December 2004, being the date of the latest published audited accounts of CCT Telecom were made up, acquired or disposed of by or

leased to CCT Telecom or any member of the CCT Telecom Group, or were proposed to be acquired or disposed of by or leased to CCT Telecom or any member of the CCT Telecom Group;

(iii) none of the CCT Telecom Directors was materially interested in any contract or arrangement entered into by CCT Telecom or any member of the CCT Telecom Group which contract or arrangement was subsisting and which was significant in relation to the business of the CCT Telecom Group taken as a whole; and

(iv) none of the CCT Telecom Directors was interested in any business that was in competition with the CCT Telecom Group.

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS OF CCT TELECOM

As at the Latest Practicable Date, so far as was known to, or could be ascertained after reasonable enquiries by the CCT Telecom Directors, the following persons (other than the CCT Telecom Directors or the chief executive of CCT Telecom) had interests or short positions in the CCT Telecom Shares or the underlying CCT Telecom Shares as recorded in the register required to be kept by CCT Telecom under section 336 of the SFO:

(i) Long positions in the CCT Telecom Shares:

Name of CCT Telecom Shareholder	Number of CCT Telecom Shares held	Approximate percentage of total issued share capital *(%)*
Capital Force International Limited *(Note)*	96,868,792	14.77
Capital Interest Limited *(Note)*	29,411,848	4.49
	126,280,640	19.26

Note: Capital Force International Limited and Capital Interest Limited are corporations controlled by Mr. Mak Shiu Tong, Clement, whose interest in the CCT Telecom Shares has also been disclosed under the section headed "Disclosure of Interests" above.

(ii) Long positions in the underlying shares of convertible bonds of CCT Telecom — The convertible bonds due 2010:

Name of holder of the convertible bonds due 2010	Amount of the convertible bonds due 2010 *HK$*	Number of total underlying CCT Telecom Shares	Approximate percentage of total issued share capital *(%)*
New Capital Industrial Limited *(Note)*	103,500,000	171,357,615	26.13

Note: The convertible bonds were issued by CCT Telecom to New Capital Industrial Limited (a company controlled by Mr. Mak Shiu Tong, Clement) on 25 April 2005, with an outstanding principal amount of HK$103,500,000 as at the Latest Practicable Date. The convertible bonds are interest free, convertible

into the CCT Telecom Shares at a conversion price of HK$0.604 per CCT Telecom Share (subject to adjustments according to the terms of the convertible bonds) as at the Latest Practicable Date and due on 25 April 2010. This interest in the underlying CCT Telecom Shares has also been disclosed under the section headed "Disclosure of Interests" above.

Save as disclosed above, so far as was known to the CCT Telecom Directors, as at the Latest Practicable Date, there was no other person (other than the CCT Telecom Directors or the chief executive of CCT Telecom) who had any interests or short positions in the CCT Telecom Shares and the underlying CCT Telecom Shares as recorded in the register required to be kept by CCT Telecom under section 336 of the SFO.

5. LITIGATION

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

6. MATERIAL CONTRACTS

The following are the contracts (not being contracts in the ordinary course of business) entered into by the CCT Telecom Group during the two-year period prior to the Latest Practicable Date:

(i) a supplemental agreement dated 21 December 2005 made between CCT Telecom, Jade Assets and Value Partners Limited (an independent third party) relating to the buy back of 1,500,000,000 CCT Tech Shares by Jade Assets from the funds under the management of Value Partners Limited at a price of HK$0.023 per CCT Tech Share;

(ii) an agreement dated 16 November 2005 made between CCT Telecom and Deutsche Bank AG, Hong Kong Branch (an independent third party) relating to the sale of 3,926,774,819 shares in Haier Electronics Group Co., Ltd. owned by the indirectly wholly-owned subsidiaries of CCT Telecom to Deutsche Bank AG, Hong Kong Branch at a price of HK$0.142 per share of Haier Electronics Group Co., Ltd.;

(iii) an agreement dated 22 July 2005 made between CCT Telecom, Jade Assets and Value Partners Limited (an independent third party) relating to the sale of 1,500,000,000 CCT Tech Shares owned by Jade Assets to the funds under the management of Value Partners Limited at a price of HK$0.02 per CCT Tech Share with a put option;

(iv) a conditional placing agreement dated 19 January 2005 made amongst Info-Net International Corp. (a wholly-owned subsidiary of CCT Telecom), CCT Telecom and Deutsche Bank AG, Hong Kong Branch relating to the placing of 419,997,667 shares of HK$0.10 each in Haier Electronics Group Co., Ltd. at a price of HK$0.24 per share of Haier Electronics Group Co., Ltd.;

(v) a sale and purchase agreement dated 12 October 2004 made between Canford Holdings Limited (a wholly-owned subsidiary of CCT Telecom) and Bridge World Associates Limited (an independent third party) relating to the acquisition of a property (including certain car parking spaces) by Canford Holdings Limited;

(vi) a conditional agreement dated 2 June 2004 made between CCT Telecom and CCT Tech relating to the sale by CCT Tech of the entire equity interest in First Precision Holdings Limited and CCT Investment Limited, the then indirect wholly-owned subsidiaries of CCT Tech, and the assignment of their respective shareholder's loans to an indirect wholly-owned subsidiary of CCT Telecom; and

(vii) a conditional agreement dated 2 March 2004 made between CCT Telecom and New Capital Industrial Limited relating to the sale of the zero coupon convertible notes in the principal amount of HK$45 million to New Capital Industrial Limited.

7. CONSENTS

Each of Ernst & Young, the PRC Legal Adviser and Grant Sherman has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name, in the form and context in which it appear.

8. QUALIFICATIONS

The following are the qualifications of the experts who have given opinion or advice which are contained or referred to in this circular:

Name	Qualification
Ernst & Young	Certified public accountants
Grant Sherman	Independent valuers
PRC Legal Adviser	Registered law firm in the PRC

As at the Latest Practicable Date, none of Ernst & Young, the PRC Legal Adviser and Grant Sherman is interested in any CCT Telecom Share(s) or share(s) in any member of the CCT Telecom Group, nor does it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any CCT Telecom Share(s) or share(s) in any member of the CCT Telecom Group.

9. COSTS OF THE PROPOSAL

In the event that the Scheme becomes effective, the costs of the Proposal will be borne by CCT Tech. The costs of the Proposal and of its implementation are expected to amount to approximately HK$3.5 million. These primarily consist of fees for financial advisers, legal advisers and accounting, printing and other related charges.

In the event that the Scheme is either not recommended by the independent board committee of CCT Tech or is not recommended as fair and reasonable by the independent financial adviser to the independent board committee of CCT Tech and the Scheme Shareholders, and the Scheme is not approved at the relevant shareholders' meeting(s) or does not become unconditional, all the expenses incurred by CCT Tech in connection with the Proposal shall be borne by CCT Telecom.

10. MISCELLANEOUS

(a) The registered office of CCT Telecom is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and the head office and the principal place of business of CCT Telecom in Hong Kong is located at 2208, 22nd Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong.

(b) The branch share registrar and transfer office of CCT Telecom in Hong Kong is Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

(c) The qualified accountant of CCT Telecom is Mr. Cheung Chi Wah, Patrick, who is an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

(d) The company secretary of CCT Telecom is Ms. Low Pui Man, Jaime, who is a fellow of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office and the principal place of business of CCT Telecom in Hong Kong at 2208, 22nd Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong during normal business hours on any Business Day, except public holidays, from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and the bye-laws of CCT Telecom;

(b) the annual reports of CCT Telecom for the three financial years ended 31 December 2002, 2003 and 2004;

(c) the interim reports of CCT Telecom for the six months ended 30 June 2004 and 2005;

(d) the letter from Ernst & Young, certified public accountants, the text of which is set out on pages 83 to 84 of this circular;

(e) the property valuation report from Grant Sherman, the text of which is set out on pages 88 to 92 of this circular;

(f) the unaudited pro forma statement of assets and liabilities of the Combined Group, the text of which is set out in appendix I(E) of this circular;

(g) the discloseable transaction circular dated 4 February 2005 from CCT Telecom in relation to the placing of the ordinary share(s) of HK$0.10 each in the share capital of Haier Electronics Group Co., Ltd.;

(h) the major and connected transaction circular dated 31 March 2005 from CCT Telecom in relation to the Previous Offers;

(i) the composite offer and response document dated 31 March 2005 in respect to the Previous Offers;

(j) the discloseable transaction circular dated 15 August 2005 from CCT Telecom in respect of the sale of 1.5 billion CCT Tech Shares by Jade Assets to the funds under the management of Value Partners Limited with a put option;

(k) the possible major disposal circular dated 14 October 2005 from CCT Telecom in relation to the property situated at the whole floor of 32/F., China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong;

(l) the circular dated 25 October 2005 from CCT Telecom in relation to the proposed change of domicile and cancellation of the share premium account;

(m) the very substantial disposal circular dated 12 December 2005 in relation to the sale of shares of Haier Electronics Group Co., Ltd.;

(n) the discloseable transaction circular dated 6 January 2006 from CCT Telecom in respect of the buy back of 1.5 billion CCT Tech Shares from the funds under the management of Value Partners Limited by Jade Assets and cancellation of the put option;

(o) the material contracts referred to in the paragraph headed "Material contracts" to this appendix;

(p) the Scheme Document dated 18 January 2006 despatched to the CCT Tech Shareholders;

(q) this circular; and

(r) the letter of consent from each of Ernst & Young, the PRC Legal Adviser and Grant Sherman referred to in the section headed "Consents" in this appendix.

CCT TELECOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 138)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of the shareholders of CCT Telecom Holdings Limited (the "**Company**") will be held at 2208, 22nd Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong on Monday, 13 February 2006 at 9:30 a.m. for the purpose of considering and, if thought fit, passing with or without modification the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the proposed privatisation of CCT Tech International Limited ("**CCT Tech**") by the Company by way of a scheme of arrangement under section 99 of the Companies Act 1981 of Bermuda (as amended) (the "**Scheme**") on terms as set out in the Company's circular and the scheme document of CCT Tech all dated 18 January 2006, copies of which are tabled at the meeting and marked "A" and "B" respectively and initialed by the chairman of the meeting for identification purposes, be and is hereby approved; and

(b) any one director of the Company (the "**Director(s)**"), or any two Directors if the affixation of the common seal of the Company is necessary, be and is/are hereby generally and unconditionally authorised to do all such further acts and things and to sign and execute all such further documents (if any) and to take all such steps which in the opinion of the Directors may be necessary, appropriate, desirable or expedient to implement and/or give effect to the Scheme."

By Order of the Board of
CCT TELECOM HOLDINGS LIMITED
Mak Shiu Tong, Clement
Chairman

Hong Kong, 18 January 2006

Head office and principal place of business in Hong Kong:
2208, 22nd Floor, St. George's Building
2 Ice House Street
Central
Hong Kong

Notes:

1. *A form of proxy for use at the SGM is enclosed herewith.*

2. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either executed under its common seal or under the hand of any officer, attorney or other person duly authorised to sign the same.*

3. *Any member entitled to attend and vote at the SGM is entitled to appoint not more than two proxies (who must be an individual(s)) to attend and vote instead of him/her on the same occasion. A proxy need not be a member of the Company but must attend the SGM in person to represent him/her.*

4. *In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged at the branch share registrar and transfer office of the Company in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 48 hours before the time appointed for holding the SGM or any adjourned meeting thereof (as the case may be).*

5. *Completion and return of the form of proxy will not preclude members from attending and voting in person at the SGM or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.*

6. *Where there are joint registered holders of any share(s), any one of such joint holders may attend and vote at the SGM or any adjourned meeting thereof (as the case may be), either in person or by proxy, in respect of such share(s) as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the SGM or any adjourned meeting thereof (as the case may be), the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.*

CCT TELECOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 138)

FORM OF PROXY FOR THE SPECIAL GENERAL MEETING TO BE HELD ON MONDAY, 13 FEBRUARY 2006 AND ANY ADJOURNMENT THEREOF

I/We[1] _____

of _____

being the registered holder(s) of[2] _____ share(s) (the "**Share(s)**") of HK$0.10 each in the capital of CCT Telecom Holdings Limited (the "**Company**"), HEREBY APPOINT THE CHAIRMAN OF THE MEETING[3], or _____

of _____

as my/our proxy to attend and act for me/us and on my/our behalf at the special general meeting of the Company to be held at 2208, 22nd Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong on Monday, 13 February 2006 at 9:30 a.m. (and at any adjournment thereof, as the case may be) (the "**Meeting**") for the purpose of considering and, if thought fit, passing the ordinary resolution as set out in the notice convening the Meeting and at the Meeting to vote for me/us and in my/our name(s) in respect of such resolution as hereunder indicated, and, if no such indication is given, as my/our proxy thinks fit. My/Our proxy will also be entitled to vote on any matter properly put to the Meeting in such manner as he/she thinks fit.

	FOR[4]	AGAINST[4]
Ordinary Resolution		

Signature[5] _____ Date _____

Notes:

1. *Full name(s) and address(es) must be inserted in BLOCK CAPITALS. The names of all joint registered holders should be stated.*

2. *Please insert the number of Shares registered in your name(s) to which this proxy relates. If no number is inserted, this form of proxy will be deemed to relate to all Shares registered in your name(s).*

3. *If any proxy other than the chairman of the Meeting is preferred, please strike out the words "THE CHAIRMAN OF THE MEETING" and insert the name and address of the proxy desired in the space provided. ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALLED BY THE PERSON WHO SIGNS IT.*

4. ***IMPORTANT: If you wish to vote for the resolution, please put a tick in the box marked "FOR". If you wish to vote against the resolution, please put a tick in the box marked "AGAINST". If no direction is given, your proxy may vote or abstain as he/she thinks fit. Your proxy will also be entitled to vote at his/her discretion on any resolution properly put to the Meeting other than the resolution referred to in the notice convening the Meeting.***

5. *This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be either executed under its common seal or under the hand of an officer or attorney duly authorised on that corporation's behalf.*

6. *In the case of joint registered holders of any Share(s), any one of such persons may vote at the Meeting, either in person or by proxy, in respect of such Share(s) as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting in person or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such Share(s) shall alone be entitled to vote in respect thereof.*

7. *In order to be valid, this form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the branch share registrar and transfer office of the Company in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 48 hours before the time appointed for holding the Meeting.*

8. *A proxy need not be a shareholder of the Company but must attend the Meeting in person to represent you.*

9. *Completion and deposit of this form of proxy will not preclude you from attending and voting in person at the Meeting if you so wish. If you attend and vote at the Meeting in person, the authority of your proxy will be revoked.*