THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this document 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 Tech International Limited, you should at once hand this document and the accompanying forms of the 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.

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CCT TELECOM HOLDINGS LIMITED
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 138)

CCT TECH INTERNATIONAL LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 261)

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

Independent financial adviser to the Independent Board Committee (as defined herein) and the Scheme Shareholders (as defined herein)

第一上海 FIRST SHANGHAI CAPITAL LTD.

First Shanghai Capital Limited

A letter from the CCT Tech Board (as defined herein) is set out on pages 8 to 16 of this document. An explanatory statement regarding the Proposal (as defined herein) is set out on pages 40 to 54 of this document. A letter from the Independent Board Committee (as defined herein) containing their advice and recommendation to the Scheme Shareholders (as defined herein) in relation to the Proposal (as defined herein) and the Scheme (as defined herein) is set out on page 17 of this document. A letter of advice from First Shanghai (as defined herein) to the Independent Board Committee (as defined herein) and the Scheme Shareholders (as defined herein) in relation to the Proposal (as defined herein) and the Scheme (as defined herein) is set out on pages 18 to 39 of this document. The action to be taken by the Scheme Shareholders (as defined herein) is set out on pages 53 to 54 of this document.

Notices convening the Court Meeting (as defined herein) to be held at 10:00 a.m. on Monday, 13 February 2006 and the SGM (as defined herein) to be held at 10:30 a.m. on Monday, 13 February 2006 are set out on pages 132 to 135 of this document. The forms of proxy for use at the relevant Meetings (as defined herein) are enclosed herein. Whether or not you intend to attend the Meetings (as defined herein) in person, you are strongly urged to complete and sign the enclosed yellow form of proxy in respect of the Court Meeting (as defined herein) and the enclosed white form of proxy in respect of the SGM (as defined herein), in accordance with the instructions respectively printed thereon, and to lodge them with CCT Tech International Limited'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 of the relevant Meetings (as defined herein) or any relevant adjourned Meetings (as defined herein) (as the case may be). Such forms of proxy for use at the SGM (as defined herein) and the Court Meeting (as defined herein) are also published on the website of the Stock Exchange (as defined herein) (www.hkex.com.hk). Completion and return of such forms of proxy will not preclude you from attending and voting in person at the SGM (as defined herein) and the Court Meeting (as defined herein) or any respective adjourned Meetings (as defined herein) (as the case may be) should you so wish. In the case of the yellow form of proxy for the Court Meeting (as defined herein), it may be handed to the chairman of the Court Meeting (as defined herein) at the Court Meeting (as defined herein) if it is not so lodged.

This document is issued jointly by CCT Telecom Holdings Limited and CCT Tech International Limited.

18 January 2006

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In this document (other than the scheme of arrangement, the notice of the Court Meeting and 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 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 Explanatory Statement on pages 41 to 42 of this document
"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, at 10:00 a.m., on Monday, 13 February 2006, notice of which is set out on pages 132 to 133 of this 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
"Explanatory Statement"	the explanatory statement as set out on pages 40 to 54 of this document in compliance with Section 100 of the Companies Act
"First Shanghai"	First Shanghai Capital Limited, a licensed corporation under the SFO permitted to engage in type 6 (advising on corporate finance) of the regulated activity as defined in the SFO, the independent financial adviser appointed by CCT Tech and approved by the Independent Board Committee in compliance with Rule 2.1 of the Takeovers Code to advise the Independent Board Committee and the Scheme Shareholders
"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
"Independent Board Committee"	the independent board committee of CCT Tech, comprising Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Chen Li, being the independent non-executive directors of CCT Tech appointed by the CCT Tech Board, has been established for the purpose of advising the Scheme Shareholders in relation to the Proposal and the Scheme
"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 document 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 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 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 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 (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
"Relevant Period"	the period commencing on the date falling six months prior to the date of the Announcement and ending on the Latest Practicable Date
"Scheme"	a scheme of arrangement under Section 99 of the Companies Act involving the cancellation of the Scheme Shares
"Scheme Document"	this 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 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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"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 this document, or any adjournment thereof (as the case may be)
"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 document, the exchange rate of HK$1.00 to RMB1.042 is need. 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.

Latest time for lodging transfers of the CCT Tech Shares to qualify for entitlement to attend and vote at the Court Meeting and the SGM	4:00 p.m., on Monday, 6 February 2006
Register closed for determination of entitlements to attend and vote at the Court Meeting and the SGM *(Note 1)*	Tuesday, 7 February 2006 to Monday, 13 February 2006 (both dates inclusive)
Latest time for lodging forms of proxy in respect of *(Notes 2, 3 and 4)*:	
Court Meeting	10:00 a.m., on Saturday, 11 February 2006
SGM	10:30 a.m., on Saturday, 11 February 2006
Suspension of dealings in the CCT Tech Shares	9:30 a.m., on Monday, 13 February 2006
Court Meeting *(Note 3)*	10:00 a.m., on Monday, 13 February 2006
SGM *(Note 3)*	10:30 a.m., on Monday, 13 February 2006
Press announcement of the results of the Meetings in The Standard and Hong Kong Economic Times	Tuesday, 14 February 2006
Resumption of dealings in the CCT Tech Shares	9:30 a.m., on Tuesday, 14 February 2006
Court hearing of the petition to sanction the Scheme *(Note 4)*	Friday, 24 February 2006
Press announcement of the results of court hearing of the petition to sanction the Scheme in The Standard and Hong Kong Economic Times	Monday, 27 February 2006
Last day for dealings in the CCT Tech Shares	Monday, 27 February 2006
Latest time for lodging transfers of the CCT Tech Shares to qualify for entitlements under the Scheme	4:00 p.m., on Thursday, 2 March 2006
Book close date	Friday, 3 March 2006
Record Time	9:00 a.m., on Friday, 3 March 2006
Effective Date *(Notes 4 and 5)*	Monday, 6 March 2006
Withdrawal of listing of the CCT Tech Shares *(Note 5)*	9:30 a.m., on Tuesday, 7 March 2006
Press announcement on the Effective Date and withdrawal of listing in The Standard and Hong Kong Economic Times	Tuesday, 7 March 2006
Cheque for cash entitlement under the Scheme to be despatched on or before	Friday, 10 March 2006

CCT Tech Shareholders should note that the above timetable is subject to change. Further announcement(s) will be made in the event that there is any such change.

Notes:

1. The registers of member of CCT Tech kept in Bermuda and Hong Kong will be closed during such period for the purpose of determining entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and of the CCT Tech Shareholders to attend and vote at the SGM.

2. Forms of proxy should be lodged with CCT Tech'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 the relevant time and dates stated above. In the case of the yellow form of proxy in respect of the Court Meeting, it may be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged. In order to be valid, the white form of proxy for the SGM must be lodged, not later than the time and date stated above. Completion and return of a form of proxy for either the Court Meeting or the SGM will not preclude a Scheme Shareholder or a CCT Tech Shareholder from attending and voting in person at the relevant Meetings. In such event, the returned form of proxy will be deemed to have been revoked.

3. The Court Meeting and the SGM will be held at 2208, 22nd Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong at the times and dates specified above. Please see the notice of the Court Meeting set out on pages 132 to 133 and the notice of the SGM set out on pages 134 to 135 of this document for details.

4. All references in this document to times and dates are reference to Hong Kong times and dates other than references to the expected date for the Court hearing of the petition to sanction the Scheme and the Effective Date, which are references to the relevant dates in Bermuda. Bermuda time is 12 hours behind Hong Kong time.

5. The Scheme will become effective when it is sanctioned (with or without modification) by the Court and a copy of the Court order is expected to be delivered to the Registrar of Companies in Bermuda for registration on or around Monday, 6 March 2006. The Scheme Shareholders should note the conditions of the Scheme and the Proposal set out on pages 41 to 42 of this document. It is expected that the listing of the CCT Tech Shares on the Stock Exchange will be withdrawn with effect from 9:30 a.m. on Tuesday, 7 March 2006.

CCT TECH INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 261)

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

Independent non-executive CCT Tech Directors:
Chow Siu Ngor
Lau Ho Kit, Ivan
Chen Li

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

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

18 January 2006

To the CCT Tech Shareholders

Dear Sirs

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 to Jade Assets 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 the CCT Telecom Group 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.

The CCT Tech Board comprises 8 members, five of whom are executive directors and the remaining three are independent non-executive directors. The Independent Board Committee comprising Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Chen Li, being independent non-executive directors of CCT Tech appointed by the CCT Tech Board, has been established to make a recommendation to the Scheme Shareholders in respect of the Proposal. Each of Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Chen Li has confirmed that he does not have any conflicts of interest in the Proposal.

First Shanghai has been appointed by CCT Tech and approved by the Independent Board Committee in compliance with Rule 2.1 of the Takeovers Code as the independent financial adviser to advise the Independent Board Committee and the Scheme Shareholders.

SHAREHOLDING STRUCTURE

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:

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, and whose interest in the CCT Tech Shares at the date of 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 Supplemental 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 the SPA 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 SPA.

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 by 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 and up to the Latest Practicable Date.

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. Assuming that no further CCT Tech Shares will be issued or repurchased between the Latest Practicable Date and the Record Time and the Scheme is approved at the Court Meeting, 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 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.

SUMMARY OF THE PROPOSAL

The purpose of this document is to give you further information regarding the Proposal and to give you notices of the Court Meeting and the SGM. Your attention is also drawn to the letter from the Independent Board Committee, the letter from First Shanghai, the Explanatory Statement and the scheme of arrangement, all of which form part of this document.

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.

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

The Proposal will become effective and binding on CCT Tech and all the CCT Tech Shareholders provided that the Conditions are fulfilled or waived, as applicable.

The Scheme will lapse if it does not become effective on or before 31 March 2006 (or such later date as CCT Telecom and CCT Tech may agree or as the Court may direct), and under such circumstances, the Scheme Shareholders will be notified by way of a press announcement accordingly.

Assuming that the Scheme becomes effective on Monday, 6 March 2006, cheques for the Scheme Price are expected to be despatched to the Scheme Shareholders on or before Friday, 10 March 2006.

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.

Historical share price information on the CCT Tech Shares is set out in Section 7 of the Appendix III to this document.

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" under section headed "Explanatory Statement" as set out on pages 45 to 46 of this document.

The aggregate amount of cash payable by CCT Telecom for the cancellation of the Scheme Shares is approximately HK$58.2 million.

REASONS FOR AND BENEFITS OF THE PROPOSAL

Your attention is drawn to the section headed "Reasons for and benefits of the Proposal" in the Explanatory Statement on pages 45 to 46 of this document.

INFORMATION ON THE CCT TECH GROUP AND INTENTIONS OF CCT TELECOM WITH REGARD TO THE CCT TECH GROUP

Your attention is drawn to the sections headed "Information on the CCT Tech Group" and "Intentions of CCT Telecom with regard to the CCT Tech Group" in the Explanatory Statement on pages 47 to 49 and page 50, respectively, of this document.

MEETINGS AND ACTION TO BE TAKEN BY THE SCHEME

As set out on pages 132 to 135 of this document, the Meetings have been convened to be held at 10:00 a.m. and 10:30 a.m. respectively on Monday, 13 February 2006 at 2208, 22nd Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong.

In accordance with the direction of the Court, the Court Meeting has been convened for the purpose of considering and, if thought fit, passing the appropriate resolution to approve the Scheme (with or without modifications). Such resolution is required to be passed 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. Based on 2,531,242,866 CCT Tech Shares held by the Scheme Shareholders as at the Latest Practicable Date, 10% of such CCT Tech Shares amounted to 253,124,286 CCT Tech Shares. As at the Latest Practicable Date, CCT Telecom and parties acting in concert with it beneficially 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.

Immediately following the Court Meeting, the SGM will be convened for the purpose of considering and, if though fit, passing special resolution 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. The special resolutions will be passed provided that it is approved by a majority of at least three-fourths of the votes cast by the CCT Tech Shareholders present and voting in person or by proxy at the SGM. All CCT Tech Shareholders will be entitled to attend and vote on such special resolution at the SGM.

Whether or not you are able to attend the Meetings in person, you are strongly urged to complete and sign the enclosed yellow form of proxy in respect of the Court Meeting and the white form of proxy in respect of the SGM in accordance with the instructions respectively printed thereon and to lodge them with CCT Tech'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 the following respective times. In case of the yellow form of proxy for use at the Court Meeting, it is required that this form of proxy be lodged not later than 10:00 a.m., on Saturday, 11 February 2006 but if it is not so lodged, it may be handed to the chairman of the Court Meeting at the Court Meeting. In order to be valid, the white form of proxy for the SGM must be lodged not later than 10:30 a.m., on Saturday, 11 February 2006. One self-addressed and pre-paid envelope is enclosed in order to facilitate the return by the CCT Tech Shareholders by post (from within Hong Kong only) of their completed forms of proxy. The completion and return of a form of proxy for any of the Meetings will not preclude you from attending the relevant Meetings and voting in person if you so wish. In the event that you attend a Meeting after having lodged the form of proxy, your form of proxy for that Meeting will be deemed to have been revoked.

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and of the CCT Tech Shareholders to attend and vote at the SGM, the Register will be closed from Tuesday, 7 February 2006 to Monday, 13 February 2006 (both dates inclusive) and during such period, no transfer of the CCT Tech Shares will be effected. In order to qualify to vote at the Court Meeting and the SGM, all transfers accompanied by the relevant share certificates

must be lodged with CCT Tech's branch share registrar and transfer office in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m., on Monday, 6 February 2006.

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 court 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.

SHARE CERTIFICATES, DEALINGS, LISTING, REGISTRATION AND PAYMENT

Your attention is drawn to the sections headed "Share certificates, dealings and listing" and "Registration and payment" in the Explanatory Statement on pages 50 to 51 of this document.

FURTHER 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 years 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.

A letter from the Independent Board Committee as well as a letter from First Shanghai are reproduced on page 17 to 39 of this document. We advise you to read these letters carefully before you take any action in respect of the Proposal.

In considering what action to take in connection with the Proposal, you should consider your own tax position and, if you are in any doubt, you should consult your professional advisers.

You are urged to read the Explanatory Statement as set out on pages 40 to 54 of this document, the appendices to this document, the scheme of arrangement as set out on pages 128 to 131 of this document, and the notices of the Court Meeting and the SGM as set out on pages 132 to 135 of this document.

Yours faithfully
For and on behalf of the CCT Tech Board of
CCT TECH INTERNATIONAL LIMITED
Mak Shiu Tong, Clement
Chairman

CCT TECH INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 261)

The Independent Board Committee:
Chow Siu Ngor
Lau Ho Kit, Ivan
Chen Li

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

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

18 January 2006

To the Scheme Shareholders

Dear Sirs

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

It was jointly announced by CCT Telecom and CCT Tech on 9 November 2005 that on 25 October 2005, CCT Telecom had requested the CCT Tech Board to put forward and the Proposal to the Scheme Shareholders for the purpose of acquiring their interests in CCT Tech at the Scheme Price of HK$0.023 per Scheme Share. Details of the Proposal are set out in the section entitled "Letter from the CCT Tech Board" as set out on pages 8 to 16 of this document issued jointly by CCT Telecom and CCT Tech dated 18 January 2006 (the "**Scheme Document**"), of which this letter forms part. For the purpose of the Proposal, we have been appointed as members of the Independent Board Committee to give a recommendation to the Scheme Shareholders as to how they should vote on the Proposal. First Shanghai has been appointed as the independent financial adviser to advise us in connection with the Proposal. Unless the context otherwise requires, terms used in this letter have the same meanings as defined in the Scheme Document.

Having considered the terms of the Scheme and the opinion of First Shanghai and, in particular, the factors, reasons and recommendations as set out in the letter from First Shanghai on pages 18 to 39 of the Scheme Document, we consider that the terms of the Proposal are fair and reasonable so far as the Scheme Shareholders are concerned. Accordingly, we recommend the Scheme Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting and to vote in favour of the special resolution to approve and give effect to the Proposal at the SGM.

We also draw the attention of the Scheme Shareholders to (i) the letter from the CCT Tech Board; (ii) the letter from First Shanghai; (iii) the Explanatory Statement; and (iv) the appendices which form part of the Scheme Document.

Yours faithfully
For and on behalf of the
Independent Board Committee

Chow Siu Ngor	**Lau Ho Kit, Ivan**	**Chen Li**
Independent non-executive director	*Independent non-executive director*	*Independent non-executive director*

The following is the text of a letter of advice to the Independent Board Committee and the Scheme Shareholders from First Shanghai in respect of the Proposal for the purpose of incorporation in this circular.



FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

18 January 2006

To the Independent Board Committee and the Scheme Shareholders

Dear Sirs,

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

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee in respect of the terms of the Proposal and the Scheme. Details of the Proposal and the Scheme are contained in the Scheme Document jointly issued by CCT Tech and CCT Telecom dated 18 January 2006, of which this letter forms part. Unless otherwise requires, capitalized terms used in this letter have the same meanings as defined in the Scheme Document.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on the information and representations contained in the Scheme Document and information provided, and opinions expressed, by CCT Tech and its directors. We have assumed such information and representation were true, accurate and complete at the time they were made and continue to be true as at the date hereof. We have also assumed that all statements of belief, opinion and intention made by CCT Tech, CCT Telecom and their respective directors in the Scheme Document were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by CCT Tech and its directors and the information contained in the Scheme Document. We have also been advised by CCT Tech and its directors that no material facts have been omitted from the information provided and referred to in the Scheme Document. We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Scheme Document and to provide a reasonable basis for our advice. We have not, however, conducted an independent investigation into the business, operations or financial condition, or prospects of the CCT Tech Group.

TERMS OF THE PROPOSAL

On 25 October 2005, CCT Telecom requested the CCT Tech Board to put forward the Proposal to the Scheme Shareholders for the privatisation of CCT Tech by way of the Scheme.

The Scheme will involve cancellation of the Scheme Shares and, in consideration, each Scheme Shareholder will be entitled to receive HK$0.023 in cash for every Scheme Share held. CCT Telecom will not increase the Scheme Price. The aggregate amount of cash payable by CCT Telecom for the cancellation of the Scheme Shares is approximately HK$58.2 million. 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 in principal amount of HK$45 million and HK$615 million respectively. In addition to the approximately 84.12% equity interest in CCT Tech, CCT Telecom indirectly held the entire outstanding 2007 CN and the 2008 CN. As such, no comparable offer for the 2007 CN and the 2008 CN will be made. Upon completion of the Scheme, the issued share capital of CCT Tech will be reduced and CCT Tech will become a wholly owned subsidiary of CCT Telecom and listing of the CCT Tech Shares will be withdrawn from the Stock Exchange.

Further details of the terms and conditions of the Scheme are set out in the Explanatory Statement contained in the Scheme Document.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Proposal, we have considered, among other things, the following principal factors and reasons:

1. Reasons for and benefits of the Proposal

The reasons for and benefits of the Proposal are set out in the Explanatory Statement included in the Scheme Document.

As stated in the Explanatory Statement, given 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. As a listed company, there are numerous disclosure and compliance obligations that CCT Tech must comply with. Furthermore, there are numerous continuing connected transactions between the CCT Telecom Group and the CCT Tech Group, which compounds those obligations and costs.

As such, the CCT Tech Directors believe that it would not be justifiable to maintain the listing status after taking into consideration the associated costs and management resources. 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 would in turn increase profits of CCT Tech. The CCT Tech Directors accordingly consider that the Proposal is in the interests of CCT Tech and the 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.

In addition to the low trading volume of the CCT Tech Shares, their average trading price since 26 October 2004 (being one year prior to the last trading day prior to the suspension of trading of CCT Tech shares on the Stock Exchange pending the issue of the Announcement)

and up to the Latest Practicable Date of HK$0.021, has been below the offer price of the Previous Offers of HK$0.023 since their closing. As such, the Scheme Price also represents a premium to average trading price of the CCT Tech Shares. With the CCT Telecom Group holding approximately 84.12% of the CCT Tech Shares, the Proposal represents a good opportunity for the Scheme Shareholders to realize their investments since it would be unlikely for them to receive other offers from third parties.

Our analysis on share performance and trading volume of the CCT Tech Shares is set out in the section headed "Historical share performance and trading volume" below.

2. Financial review of the CCT Tech Group

A summary of the audited consolidated results of the CCT Tech Group for the three years/ period ended 31 December 2004 and the unaudited consolidated results of the CCT Tech Group for the six months ended 30 June 2005 (and the unaudited comparative figures for the six months ended 30 June 2004), as extracted from the annual reports of the respective financial periods and the interim report of CCT Tech for the six months ended 30 June 2005, is as follows:

	15 months ended 31 December 2002 (Audited) *HK$ million*	**Year ended 31 December 2003 (Audited)** *HK$ million*	**Year ended 31 December 2004 (Audited)** *HK$ million*	**Six months ended 30 June 2004 (Unaudited)** *HK$ million*	**Six months ended 30 June 2005 (Unaudited)** *HK$ million*
Turnover	106	1,926	3,847	1,783	1,737
Gross profit	18	216	336	164	184
Operating profit/(loss)	(17)	111	194	92	103
Finance costs	(3)	(29)	(53)	(29)	(26)
Net profit attributable to shareholders	98	73	125	56	68
Dividend	—	—	—	—	—

A summary of the audited consolidated balance sheets of the CCT Tech Group as at 31 December 2002, 2003 and 2004 and the unaudited consolidated balance sheet of the CCT Tech Group as at 30 June 2005, as extracted from the annual reports and the interim report of CCT Tech for the respective financial periods, is as follows:

	As at 31 December 2002 (Audited) *HK$ million*	**As at 31 December 2003 (Audited)** *HK$ million*	**As at 31 December 2004 (Audited)** *HK$ million*	**As at 30 June 2005 (Unaudited)** *HK$ million*
Non-current assets	**49**	**768**	**746**	**805**
Fixed assets	16	681	692	742
Intangible assets	33	78	50	60
Current assets	**101**	**1,306**	**1,432**	**1,474**
Trade and other receivables	32	601	747	788
Pledged deposits, cash and cash equivalents	68	550	517	450
Current liabilities	**37**	**1,105**	**1,238**	**1,197**
Trade and other payables	35	985	1,078	1,103
Bank and other borrowings	2	112	116	93
Convertible notes	—	8	44	—
Non-current liabilities	**66**	**827**	**640**	**699**
Loans and finance lease payables	—	1	23	43
Convertible notes	65	823	615	654
Shareholders' equity	**46**	**142**	**300**	**383**

From the above summary of financial information, we have analyzed several key performance indicators of the CCT Tech Group as follows:

	15 months ended 31 December 2002	Year ended 31 December 2003	Year ended 31 December 2004	Six months ended 30 June 2004	Six months ended 30 June 2005
Performance					
Gross profit margin	16.98%	11.21%	8.73%	9.20%	10.59%
Operating profit margin	(16.04%)	5.76%	5.04%	5.16%	5.93%
Net profit margin	92.45%	3.79%	3.25%	3.14%	3.91%
Liquidity and leverage					
Current ratio	2.73	1.18	1.16	N/A[#]	1.23
Financial leverage	3.26	14.61	7.26	N/A[#]	5.95
Gearing	0.59	0.87	0.73	N/A[#]	0.67
Interest coverage	N/A	3.83	3.66	3.17	3.96
Financial efficiency					
Return on equity	2.13	0.51	0.42	N/A[#]	0.18
Asset turnover	0.71	0.93	1.77	N/A[#]	0.76
Dividend payout ratio	—	—	—	—	—

[#] After the implementation of new accounting policies in 2005, the income statement for the six months ended 30 June 2004 were restated for the purpose of inclusion in the 2005 interim report for comparison, however, the restated balance sheet as at 30 June 2004 was not disclosed. As such, the balance sheet figures for the period ended 30 June 2004 were excluded from the above analysis. Therefore, the calculations for these ratios are not available.

Performance

(a) *Year ended 31 December 2003 vs 15 months ended 31 December 2002*

Prior to the acquisition of Empire Success Holdings Limited and its subsidiaries ("ESH Group") in June 2003, CCT Tech Group was principally engaged in the business of manufacturing power supply components. Following the acquisition, CCT Tech Group's main operations have changed to its current business of selling, manufacturing, designing and developing telecom products and electronic products on original design manufacturing basis and contract manufacturing basis. Due to the acquisition of ESH Group, the scale of CCT Tech Group's business operations has enlarged significantly. Turnover for the year ended 31 December 2003 was approximately HK$1,926 million, which was over 18 times that of 2002. Gross profit margin for 2003 fell by approximately 5.77% to 11.21%. The gross profit margins of telecom products were lower than that of the power supply components. Since the revenues contributed by the sale of telecom products accounted for over 90% of the revenues of CCT Tech Group for the year, the lower gross profit margin in 2003 was almost fully contributed by, and directly attributable to, the lower gross profit margins from telecom products. As the sale of telecom products represented substantially all of CCT Tech Group's revenues for 2003, we did not analyse results from the sale of power supply components.

For the 15 months ended 31 December 2002, CCT Tech Group recorded a negative operating profit margin. During the period, CCT Tech Group incurred costs due to a group restructuring, whereby CCT Telecom acquired a controlling interest of the CCT Tech Group (then Wireless InterNetworks Limited) from its then receivers, resulting in a

negative operating profit margin. These costs included legal and professional fees of approximately HK$12 million and impairment losses on assets of approximately HK$10 million. CCT Tech Group's net profit margin for the 15 months ended 31 December 2002 was also abnormally high due to an exceptional gain from the group restructuring as elaborated above of approximately HK$119 million. Without such gain, there would be a net loss of HK$21 million for that period. Since CCT Tech Group's principal business changed as a result of the group restructuring, it would not be meaningful to compare the results for the two periods. The above analysis is for illustration purposes only.

(b) *Year ended 31 December 2004 vs year ended 31 December 2003*

Turnover for the year ended 31 December 2004 almost doubled that of the year ended 31 December 2003 and amounted to approximately HK$3,847 million. This increase was due to the inclusion of the ESH Group for the entire year of 2004 while only half a year for 2003. Although turnover increased two-fold, margins of the CCT Tech Group decreased in 2004. Gross profit margins decreased from approximately 11.2% in 2003 to 8.7% in 2004, while operating profit margin decreased from approximately 5.8% to 5.0%. According to CCT Tech's annual report for the year ended 31 December 2004, the main reasons for the decrease in margins were keen competition in cordless phone market which led to decrease in sales prices, the rise in cost of raw materials and certain electronic components, and shortage of electricity and labor in the Guangdong Province where CCT Tech Group's factories were located.

(c) *Six months ended 30 June 2005 vs six months ended 30 June 2004*

Turnover for the six months ended 30 June 2005 slightly decreased by approximately 2.6% to HK$1,737 million as compared to the corresponding period for 2004. Despite the decrease in turnover, CCT Tech Group's operating profit increased by approximately 12% to HK$103 million for the period while its net profits increased by approximately 21% to HK$68 million.

According to CCT Tech's interim report for the six months ended 30 June 2005, the decrease in turnover was primarily due to a labor shortage in the Guangdong Province, PRC, where CCT Tech Group's manufacturing facilities were located. This labor shortage caused delays in the CCT Tech Group's shipments and therefore lowered its revenues. As advised by the CCT Tech Directors, its major customers have imposed price pressures on the CCT Tech Group's products, and were therefore tightening CCT Tech Group's margins. However, the CCT Tech Group was able to increase its gross, operating and net profit margins by passing on some of the price reduction to suppliers, implementing cost controls and improving labor and plant efficiency through process reengineering. It was also able to reduce its costs of materials through the research and development of new and more efficient product designs.

(d) *CCT Tech Group vs market comparables*

We have identified the following Hong Kong listed companies with similar businesses to CCT Tech Group and compared their financial performances for reference:

	VTech Holdings Limited ("VTech")	SunCorp Technologies Limited ("SunCorp")	IDT International Limited ("IDT")[3]	CCT Tech Group
Turnover growth	22.88%	13.56%	(11.07%)	(2.58%)
— Turnover growth of telecom products	(2.30%)	13.56%	(55.10%)	(2.58%)
Gross profit growth	40.60%	6.31%	(46.37%)	12.20%
Operating profit growth	280.30%	6.91%	(220.62%)	11.96%
Net profit growth	444.71%	3.31%	(226.33%)	21.43%
Gross profit margin	33.42%	10.86%	21.65%	10.59%
Operating profit margin	8.94%	4.82%	(14.32%)	5.93%
Net profit margin	8.24%	3.52%	(14.51%)	3.91%

Note 1: Figures for VTech and IDT were extracted from their interim reports for the six months ended 30 September 2005, while those for SunCorp and CCT Tech Group were extracted from their interim reports for the six months ended 30 June 2005.

Note 2: The growth figures for turnover, gross profit, operating profit and net profit are calculated on a year on year basis (i.e. compared with the same period in the previous financial year).

Note 3: According to its interim report for the six months ended 30 September 2005, IDT made a one-time inventory provision for certain discontinued products. As such, its cost of sales was exceptionally large for the period, rendering the figures for IDT incomparable except for turnover growth.

As shown in the above, CCT Tech Group's performance lies within, or is close to, the range set by its peers. CCT Tech Group has outperformed SunCorp in terms of the margin figures for gross profit, operating profit as well as net profit. Furthermore, CCT Tech Group recorded faster growth in its operating profit and net profit when compared to SunCorp. The majority of VTech's turnover for the period comes from the sale of telecommunication products, which accounted for approximately 52.9% of total turnover. VTech has only separately disclosed the revenues from the various product lines and therefore individual results for this product line are not available. Nevertheless, VTech has disclosed that it has successfully restored profitability to the telecommunication products business, which has generated gross profit and net profit for the period. Furthermore, VTech's substantial growth in its gross, operating and net profits are also attributable to the expansion in other product lines such as electronic learning products. Turnover from this product line increased by approximately 104% from the same period last year, and accounted for 34.5% of VTech's total revenue.

As discussed above, CCT Tech Group's turnover decreased in the first half of 2005 due to delays caused shortages of labor. VTech, SunCorp and IDT's factories were also located in Guangdong Province, PRC. As disclosed in VTech's annual report for the year ended 31 March 2005, it was also faced with a tight supply of labor and has begun building other manufacturing facilities so that it could relocate some processes if necessary. Neither SunCorp nor IDT has disclosed any information regarding the impact of labor shortage on their operations or their strategies to deal with the shortage. When compared to the peer group, we see that VTech and IDT's telecom product sales have also

fallen while those of SunCorp have increased. According to VTech's and IDT's interim reports, the largest geographical segment for them were North America. Turnover from the North America accounted for approximately 57% and 44% of their total turnover, respectively. Furthermore, North America accounted for approximately 71% of VTech's sales of telecom products. On the other hand, SunCorp's primary market was Europe, which accounted for approximately 92% of its turnover. VTech has also disclosed in its interim report that it is shifting more of its sales of telecom products to Europe. From the above analysis, we see that sales to North America have been decreasing while those to Europe have been increasing.

The gross profit margins for VTech and IDT were considerably higher than that for CCT Tech Group. This is because VTech produces its own brand of products, which could be sold for higher margins. Furthermore, both VTech and IDT produce other products such as electronic learning products, which could also be sold at higher margins. However, the average operating profit margin and average net profit margin of the peers are similar to that of CCT Tech Group. According to VTech's interim report, it reported considerable increases in administration expenses due to exchange losses. Another reason for the high gross profit margins but similar operating profit margins of VTech and IDT is that they recorded a portion of their research and development expenses as administrative expenses, which accounted for 3% to 4% of their turnovers for the period.

From the above analysis, we see that CCT Tech Group's financial performance falls. As a portion of VTech's substantial growth in gross, operating and net profits were attributable to its other product lines, growth from the telecom products business may be higher or lower than the overall growth rates. However, CCT Tech Group's performance, save for gross profit margin, is above the lowest point set by the market comparables. The sales trends of CCT Tech Group and its peers appear to suggest a shift in market focus from North America to Europe. Further analysis on the CCT Tech Group's business performance and prospects are included in the section headed "Future prospects of CCT Tech Group" below. Please also see section "Market Comparables" below for analysis on share performance.

Liquidity and leverage

The main assets on CCT Tech Group's balance sheet include fixed assets, trade and other receivables and pledged deposits, cash and cash equivalents. As at 30 June 2005, these assets amounted to approximately HK$742 million, HK$789 million and HK$450 million respectively while total assets amounted to approximately HK$2,279 million. The CCT Tech Group's assets have increased steadily since 2003.

These assets are mainly financed by trade and other payables and a range of debt instruments such as bank borrowings, convertible notes and finance lease payables. As at 30 June 2005, trade and other payables amounted to approximately HK$1,103 million while total debts were HK$790 million. Included in the CCT Tech Group's debts were the liability component of the 2007 CN and 2008 CN, which amounted to HK$39 million and HK$615 million, respectively. These represent convertible notes held by CCT Telecom's subsidiaries and will remain outstanding after the Proposal. The 2007 CN is a zero coupon convertible note with a principal amount of HK$45 million and maturity date on 31 December 2007. It is convertible into CCT Tech Shares at a conversion price of HK$0.01 per CCT Tech Share. The 2008 CN has an outstanding principal amount of HK$615 million as at the Latest Practicable Date and carries interest at a rate of 2% over prime or

best lending rate as quoted by the Hongkong and Shanghai Banking Corporation Limited for Hong Kong dollar loans. It will mature on 31 December 2008 and is convertible into CCT Tech Shares at a conversion price of HK$0.014 per CCT Tech Share.

CCT Tech Group's liquidity has improved while its financial leverage has decreased since 2003. The CCT Tech Group's gearing (calculated on the basis of total borrowings over total capital employed) has also been lowered. The primary reason for the decrease in financial leverage and gearing is the redemption and cancellation of HK$153 million of the 2008 CN. As stated in CCT Tech's interim report for the six months ended 30 June 2005, HK$14 million of the 2008 CN was converted into CCT Tech Shares while HK$139 million was cancelled in 2004 to satisfy the consideration as a result of the acquisition of CCT Tech's power supply component business and an unused industrial property by CCT Telecom.

All of the CCT Tech Group's convertible notes are due to the subsidiaries of CCT Telecom and will not mature in the coming two years. As such, they do not pose an immediate stress on CCT Tech Group's liquidity. However, the amounts they represent are significant to CCT Tech Group's balance sheet as they represent about 29% of total assets and 44% of total current assets as at 30 June 2005. Unless CCT Telecom converts the convertible notes into CCT Tech Shares, the 2007 CN and the 2008 CN may create a significant burden on the CCT Tech Group's working capital when they fall due. CCT Tech Group will need to find additional funding to repay the 2007 CN and the 2008 CN. Given the low liquidity of the CCT Tech Shares, it may be difficult for CCT Tech to raise funds from the stock market by placing of its shares. As such, if the 2007 CN and the 2008 CN become payable without conversion, CCT Tech may need to satisfy such repayment with debt financing. However, it is not certain whether CCT Tech would be able to find such financing and even if it can, there is no guarantee that the cost of financing would not be increased.

The CCT Tech Group has maintained a relatively healthy interest coverage ratio (calculated on the basis of operating profits divided by finance costs) with the exception of the 15 months ended 31 December 2002. During that period, the CCT Tech Group recorded an operating loss. Since then, it has recorded interest coverage ratios between 3.17 to 3.96. Furthermore, the ratio has been improving since the six months ended 30 June 2004, and reaching the highest ratio for the periods under review for the six months ended 30 June 2005. As such, we believe that CCT Tech Group has sufficient ability to fulfill its financing obligations.

The 2008 CN carries interest at prime or best lending rate plus 2% per annum. The interest rates in Hong Kong have escalated from the prime rate of 5% per annum in September 2004 to 7.75% per annum as at the Latest Practicable Date. Based on the current prime rate of 7.75% per annum, the interest rate on the 2008 CN is 9.75% per annum and the resulting interest payable by CCT Tech on the 2008 CN amount to HK$59,962,500 per year. The Scheme Shareholders should be aware that there might still be upward adjustments of interest rates. Should interest rates continue to rise, there would be an increasing financial burden on the CCT Tech Group.

Financial efficiency

Although CCT Tech Group's profitability has been increasing, its return on equity has dropped. This is primarily because of a drop in financial leverage (calculated on the basis of total assets over total equity) of the CCT Tech Group, which is attributable to (i) the decrease in accumulated losses due to profits earned since the year 2002, and (ii) a large portion of the CCT Tech Group's debt has been cancelled or converted into CCT Tech Shares. This has resulted in more of the CCT Tech Group's operations being financed by its equity and therefore diluting returns on equity.

CCT Tech Group has not declared any dividends during the periods under review. Furthermore, according to CCT Tech Group's interim report for the six months ended 30 June 2005, it had accumulated losses of HK$670 million as at 30 June 2005. As stated in the Explanatory Statement to the Scheme Document, 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 years ending 31 December 2005 and 31 December 2006.

3. Future prospects of CCT Tech Group

As stated in CCT Tech's annual report for the year ended 31 December 2004, the CCT Tech Group is one of the world's largest telecom product manufacturers engaging in the manufacture of cordless phones and advanced and hi-tech electronic products. CCT Tech acts as an original design manufacturer and a contract-manufacturing provider for a number of leading internationally renowned brands.

The CCT Tech Directors are of the view that the global cordless phones market will maintain stable and highly competitive with the major market players being international distributors or telephone operators with well-known brands. As such, the CCT Tech Directors believe that the CCT Tech Group's business will remain challenging due to keen competition in its major markets and price pressures from its customers. On the other hand, they expect that some of its customers which are currently producing most of their products themselves, will outsource more manufacturing to CCT Tech Group in order to reduce production costs. However, the dependence of growth of CCT Tech's business on these customers would create uncertainties, as it is unsure of when and how much such production would be outsourced to CCT Tech Group.

During the past year, the costs of certain raw materials have increased due to global shortage and/or rising petroleum prices. Combined with the price pressures from the CCT Tech Group's customers, CCT Tech Group is faced with tighter operating margins.

Furthermore, due to the economic development and increasing opportunities in other regions of the PRC, such as the Yangzi River Delta region, the northeastern and northwestern regions, in recent years, workers in those regions prefer to stay and work in their home towns rather than relocating to work in the Guangdong Province, which resulted in a shortage of labor in the Guangdong Province. This has pushed up wages and salaries of the CCT Tech Group.

The recent appreciation of Renminbi is another issue that has an negative impact on the CCT Tech Group. For the six months ended 30 June 2005, all of CCT Tech Group's revenue was denominated in foreign currencies and predominantly in US dollars. However, a substantial

amount of the costs of the CCT Tech Group (including wages and salaries, electricity, overhead and local purchases of CCT Tech Group's factories located in the Guangdong Province) is denominated in Renminbi. As stated in CCT Tech's interim report for the six months ended 30 June 2005, it has partially hedged the risk of the appreciating Renminbi by entering into forward exchange contracts with banks in China to cover Renminbi expenses up to mid 2006. However, the cost of these hedges has become more costly since the appreciation of Renminbi in July 2005 and the market expectation with respect to further Renminbi appreciation and as such, this would not be a long-term solution to the issue as the CCT Tech Group continues to incur expenses in Renminbi in respect of its PRC factories. Therefore, the appreciation of Renminbi has placed further pressure on the margins of CCT Tech Group. The CCT Tech Directors believe that as US and the European countries continue to exert pressure on the PRC to deregulate trading of Renminbi, which may cause Renminbi to further appreciate against US dollar and Hong Kong dollar. Based on recent world developments, we also consider that various countries are putting pressure on the PRC government to raise the value of the Renminbi. This will impose significant pressure on the profit margin of the CCT Tech Group.

The CCT Tech Directors consider the above factors, most of which are outside the control of the management of the CCT Tech Group, as posing operating challenges to the CCT Tech Group. These factors will have adverse impacts on the results of CCT Tech Group if not handled properly.

The CCT Tech Directors believe that CCT Tech's strength and competitive edge is its strong research and development capabilities, efficient production management, advanced production facilities as well as its economies of scale. The CCT Tech Group intends to continue to place emphasis and capitalize on its research and development capabilities and launch new and innovative products to stimulate demand. In order to minimize impact of the shortage of labor in the Guangdong Province and the possible appreciation of Renminbi, the CCT Tech Directors will explore opportunities to build additional production plants in South East Asia. However, the setting up of any additional production plants outside China will involve considerable capital expenditure and may also increase the logistics cost (such as transportation expenses) of the CCT Tech Group. There are other factors such as political stability, commercial and taxation laws, efficiency of workers, differences in labor costs, availability of suitable materials, components and services at an acceptable price in the region that the CCT Tech Group intend to set up new factory must also be considered. The CCT Tech Group will carry out feasibility studies before making their decision.

In light of the above, we believe that CCT Tech Group is faced with considerable challenges. On one hand, its ability to generate revenues is limited by keen competition in the market and downward price pressures from customers. It has been CCT Tech Group's strategy to diversify its geographical coverage and expand into regions with higher growth and leverage its research and development capabilities to create new and attractive products in order to broaden its revenue base. According to the CCT Tech Directors, CCT Tech is developing new hi-tech products, which would diversify CCT Tech's product line and could attract new customers. Furthermore, CCT Tech has been increasing its sales to the PRC, Europe and other parts of the world, so as to decrease the dependence on the United States market. As discussed in the section headed "Performance" above, sales to the United States have decreased while sales to Europe have increased. As shown in the table below, the sales to PRC and European Union have increased from a combined 21% for the year ended 31 December 2003 to 26% for the six months ended 30 June 2005. At the same time, sales to the United States have decreased from 65% to 63%.

	United States	PRC, including Hong Kong	European Union	Others	Total
Year ended 31 December 2003	65%	18%	3%	14%	100%
Year ended 31 December 2004	62%	17%	3%	18%	100%
Six months ended 30 June 2005	63%	21%	5%	11%	100%

Note: Data extracted from CCT Tech's annual report for the year ended 31 December 2004 and interim report for the six months ended 30 June 2005

In view of the risks and uncertainties, whether or not CCT Tech can maintain its growth in both turnover and profit in the future is uncertain. At the same time, factors out of CCT Tech Group's control, such as increases and fluctuations in costs of raw materials, shortages of labor and appreciation of Renminbi are tightening its margins. CCT Tech Group has leveraged its economies of scale and concentrated its procurement functions to gain bulk discounts from suppliers. We are of the view that if CCT Tech Group cannot combat these issues in the future, its profit may be adversely affected.

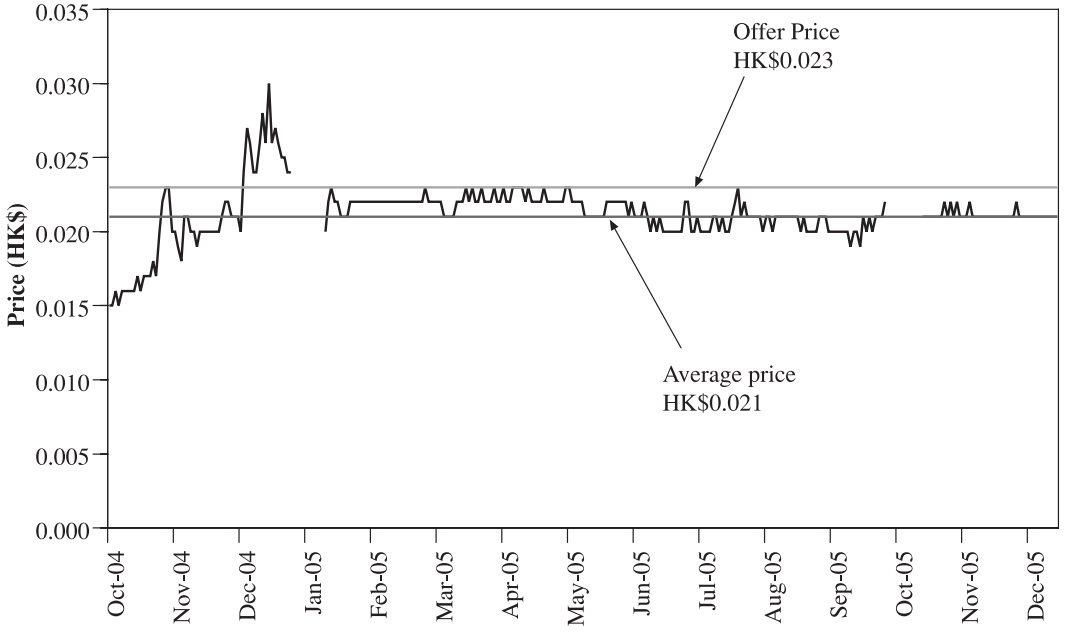
CCT Tech Group has been able to maintain its turnover and profitability subsequent to its acquisition of ESH Group in June 2003, however, whether it can sustain its current level of profitability and/or achieve further growth is uncertain and is dependent on CCT Tech Group's ability to continue to increase its sales through geographical expansion and products diversification and maintaining stringent cost control. Furthermore, it is subject to certain factors which are beyond the control of CCT Tech Group, including the intense competition in US cordless phone market which lead to price reduction, fluctuations in raw material prices, labor shortage in Guangdong and appreciation of the Renminbi. Therefore, there remain uncertainties and risks to CCT Tech Group's future prospects.

As seen in the section headed "Financial review of the CCT Tech Group", its financial position and performance have been improving since 2002. Furthermore, as discussed in this section, CCT Tech Group has taken steps to deal with the various challenges. With CCT Tech Group's experienced management, we consider that CCT Tech Group has been dealing with these challenges effectively. Nevertheless, Scheme Shareholders are advised to assess your own investment objectives and review your own investment strategies in conjunction with the future prospects of CCT Tech Group before deciding whether to accept the Proposal.

4. Historical share performance and trading volume

Share performance

The chart below shows the daily closing price of the CCT Tech Shares during the period from 26 October 2004 (being one year prior to the last trading day prior to the suspension of trading of CCT Tech shares on the Stock Exchange pending the issue of the Announcement) and up to the Latest Practicable Date (the "Review Period").



During the Review Period, the CCT Tech Shares traded between a range of HK$0.015 and HK$0.030, or at a simple daily average of HK$0.021. These highs and lows all occurred before 18 January 2005. There had been relatively higher trading volumes and fluctuations in prices of the CCT Tech Shares prior to that date. From 27 October 2004 to 6 January 2005, the CCT Tech Shares doubled in price from HK$0.015 to HK$0.030. During that time, CCT Tech issued several announcements about the increase in share prices and noting that the CCT Tech Directors were not aware of any reasons for the increases. Since hitting its 12-month high, the CCT Tech Share prices decreased to HK$0.024 before its trading was suspended.

Trading in the CCT Tech Shares was suspended from 18 January 2005 to 31 January pending the release of the announcement regarding the Previous Offers. On 31 January 2005, CCT Tech and CCT Telecom jointly announced that Jade Assets 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 and to cancel the CCT Tech Options. The offer price of the Previous Offers was HK$0.023, which was the same as the Scheme Price. After the closing 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. As announced on

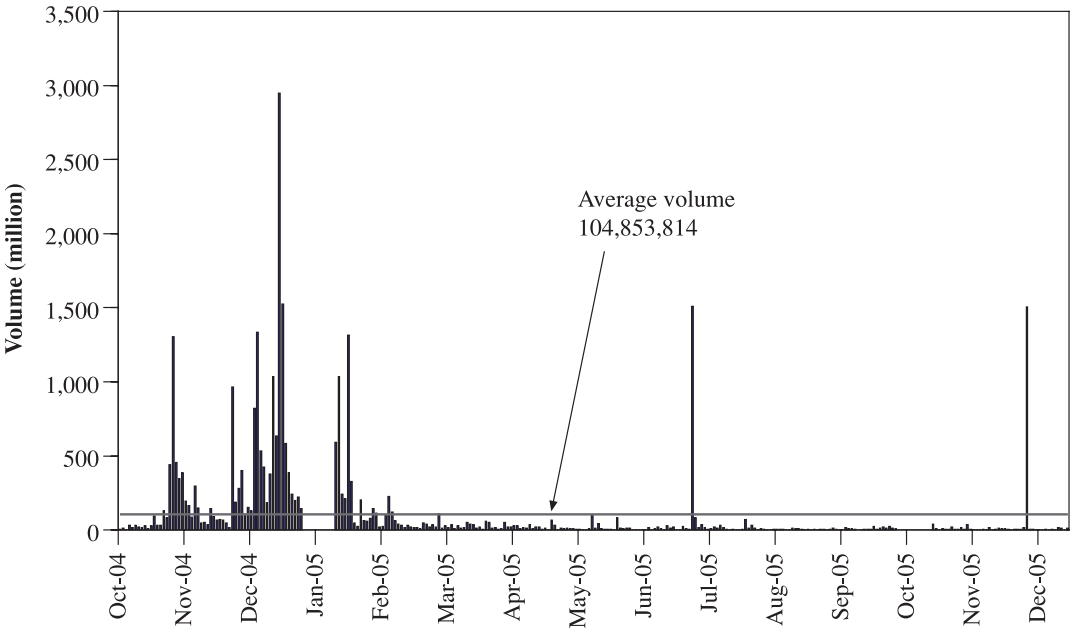
22 July 2005, CCT Telecom subsequently disposed of a portion of its shareholding interest in CCT Tech to the funds under the management of Value Partners Limited ("Value Partners") and reduced its shareholding to approximately 74.71% in order to maintain the then minimum public float of the CCT Tech Shares. Since trading resumed, both trading activity and price fluctuation have dropped off. CCT Tech Shares have been trading at a much narrower range of HK$0.019 and HK$0.023.

The Scheme Price of HK$0.023 matches the highest price of the CCT Tech Shares since 1 February 2005 and represents the following:

	CCT Tech Share price *(HK$)*	**Premium/ (discount)** *(%)*
— as quoted on the Stock Exchange on the Latest Practicable Date	0.0210	9.52
— offer price for each CCT Tech Share under the Previous Offers	0.0230	—
— closing price on 25 October 2005, being the last trading day prior to the suspension of the trading on the Stock Exchange prior to the issue of the Announcement ("Last Trading Day")	0.0220	4.55
— average closing prices as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day	0.0206	11.65
— average closing prices as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day	0.0204	12.75
— average closing prices as quoted on the Stock Exchange for the last 60 consecutive trading days up to and including the Last Trading Day	0.0206	11.65
— average closing prices as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Last Trading Day	0.0207	11.11
— average closing prices as quoted on the Stock Exchange for the last 180 consecutive trading days up to and including the Trading Day	0.0214	7.48
— average closing prices as quoted on the Stock Exchange for the last 360 consecutive trading days up to and including the Last Trading Day	0.0193	19.17
— unaudited consolidated net asset value ("NAV") as at 30 June 2005	0.0240	(4.17)

As shown from the table above, the Scheme Price represents a premium over the past trading prices of the CCT Tech Shares. However, the Scheme Price represents a slight discount over the unaudited consolidated net asset value shown on CCT Tech's interim report for the period ended 30 June 2005.

Volume



During the Review Period, trading volume in the CCT Tech Shares reached a high of approximately 3 billion on 6 January 2005, coinciding with the high in CCT Tech's share price. CCT Tech made an announcement that day clarifying that it was not aware of any reasons for the exceptional price and volume movements. As mentioned in the section above, trading volumes prior to the suspension on 18 January 2005 pending an announcement for the Previous Offers was much higher than that after resumption. The average daily trading volume prior to the suspension was approximately 256 million CCT Tech Shares, representing approximately 1.6% of total issued CCT Tech Shares and 2.5% of CCT Tech Shares held by the public.

After resumption in trading of the CCT Tech Shares on 1 February 2005, average daily trading volume dropped to only about 48 million CCT Tech Shares, representing approximately 0.3% of total issued CCT Tech Shares and 1.9% of CCT Tech Shares held by the public. However, there were exceptionally high trading volumes of CCT Tech Shares on 22 July 2005 and 22 December 2005. On 22 July 2005, CCT Telecom sold 1.5 billion CCT Tech Shares to Value Partners. After the closing of the Previous Offers, CCT Telecom held approximately 84.12% of CCT Tech Shares. CCT Telecom sold these shares in order to maintain the public float of CCT Tech. On 22 December 2005, as stated in the Scheme Document, CCT Telecom bought back 1.5 billion CCT Tech Shares from Value Partners. Please refer to the Scheme Document for details.

As stated in the "Letter from the CCT Tech Board" and the "Explanatory Statement" to the Scheme Document, public float of CCT Tech has fallen below the minimum of 25% as required by the Listing Rules subsequent to the buy back of 1.5 billion CCT Tech Shares by the CCT Telecom Group from Value Partners on 22 December 2005. CCT Telecom and CCT Tech has applied for, 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 buy back (i.e. 22 December 2005) and ending on the date of 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 is not proceeded, 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. If the public float of CCT Tech cannot be restored to 25% after the waiver period, the Stock Exchange may suspend the trading of CCT Tech Shares.

In view of the low liquidity of CCT Tech Shares during the Review Period, Scheme Shareholders should note that they may find it difficult to dispose of their shareholding in CCT Tech or may not be able to sell their CCT Tech Shares without exerting a downward pressure to CCT Tech Share price. As such, the Proposal represents an opportunity for Scheme Shareholders to realize their investments. However, Scheme Shareholders should closely monitor market prices of CCT Tech Shares.

Since the completion of the Previous Offers, both trading volume and price fluctuations have decreased significantly. In light of this, we believe that the trading volume of the CCT Tech Shares will remain small. Furthermore, we note that the CCT Tech Shares have not traded above CCT Tech's unaudited consolidated net assets of HK$0.024 per CCT Tech Share since 17 January 2005 and had been traded between a range of HK$0.019 and HK$0.023. Since the Scheme Price of HK$0.023 (i) is equal to the offer price under the Previous Offers, (ii) matches the highest price of the CCT Tech Shares since 17 January 2005 and (iii) represents a premium of 19.02% above the average price for the last 360 trading days up to the Last Trading Day, we are of the view that the Scheme Price fair and reasonable so far as the Scheme Shareholders are concerned.

5. Privatisation precedents

The following table setting out the details of the privatisation of companies listed on the Stock Exchange (excluding unsuccessful cases) which were announced during the Review Period.

			Premium/discount of offer price over closing price or average closing price prior to the relevant announcements						
Date of announcement	**Company**	**Market capitalization as at the Latest Practicable Date** *HK$ million*	**Closing price** %	**10 day average** %	**30 day average** %	**60 day average** %	**90 day average** %	**180 day average** %	**Premium/ discount of offer price to net tangible assets** %
23 December 2005	Sino Stride Technology (Holdings) Limited (8177)	315	(10.45%)	(7.41%)	(1.32%)	0.00%	(1.32%)	(1.96%)	112.77%
12 November 2005	Sinopec Zhenhai Refining & Chemical Company Limited (1128)	7,599	12.17%	20.25%	24.81%	26.22%	31.64%	28.75%	132.97%
11 November 2005	Superdata Software Holdings Limited ("Superdata") (8263)	758	4.40%	4.00%	5.97%	7.28%	6.24%	3.37%	779.00%
2 November 2005	New World TMT Limited (301)	667	78.57%	76.06%	70.07%	66.30%	63.76%	50.91%	0.00%
27 October 2005	Media Partners International Holdings Limited (8072)	965	32.67%	77.45%	85.83%	91.12%	92.74%	112.08%	110.91%
20 October 2005	China Resources Peoples Telephone Company Limited (331)	3,346	2.82%	3.69%	26.67%	44.90%	52.12%	61.63%	205.37%
30 August 2005	Far Eastern Polychem Industries Limited (8012)	892	57.14%	57.82%	57.71%	57.71%	55.04%	50.27%	(22.26%)
16 August 2005	Henderson Cyber Limited (8023)	2,075	90.91%	110.00%	110.00%	110.00%	110.00%	100.00%	180.00%
19 May 2005	Henderson China Holdings Limited (246)	2,389	56.25%	51.06%	54.00%	54.16%	58.03%	74.30%	(46.28%)
3 May 2005	Hutchison Global Communications Holdings Limited ("HGCH") (757)	3,279	36.84%	43.81%	43.81%	41.92%	45.41%	43.17%	1811.76%
5 November 2004	The Kwong Sang Hong International Limited (189)	1,142	5.04%	23.03%	29.53%	46.03%	58.23%	73.61%	(6.72%)
Median		**2,130**	**32.67%**	**43.81%**	**43.81%**	**46.03%**	**55.04%**	**50.91%**	**112.77%**
Highest		**7,599**	**90.91%**	**110.00%**	**110.00%**	**110.00%**	**110.00%**	**112.08%**	**1,811.76%**
Lowest		**315**	**(10.45%)**	**(7.41%)**	**(1.32%)**	**0.00%**	**(1.32%)**	**(1.96%)**	**(46.28%)**
2 November 2005	**CCT Tech**	**351**	**4.55%**	**11.65%**	**12.75%**	**11.65%**	**11.11%**	**7.48%**	**(4.17%)**
9 November 2005	Henderson Investment Limited (97)	42,401	24.23%	23.18%	22.27%	21.08%	20.45%	20.35%	63.13%
28 October 2005	Jilin Chemical Industrial Company Limited (368)	14,520	15.46%	30.66%	21.32%	25.56%	32.39%	31.02%	99.00%
29 December 2004	Sinopec Beijing Yanhua Petrochemical Company Limited (325)	11,556	10.95%	18.75%	23.86%	24.30%	28.99%	39.40%	108.79%

Source: Stock Exchange web site

Note 1: Market capitalization extracted from Bloomberg

Note 2: Premiums and discounts of offer or cancellation price over past share prices were calculated based on offer prices extracted from the relevant announcements and historical price information from Bloomberg

Note 3: Premiums and discounts over NAV were calculated based on information extracted from the relevant announcements and circulars

We note that the market capitalizations of Sinopac Zhenhai Refining and Chemical Company Limited, Henderson Investment Limited, Jilin Chemical Industrial Company Limited and Sinopec Beijing Yanhua Petrochemical Company Limited range from approximately HK$12 billion to HK$30 billion and are therefore much too large to be comparable to CCT Tech. As such, they have been excluded in our analysis and are shown above for illustration purposes only. From the above, the offer or cancellation prices of the precedents range from a maximum discount of about 10.5% to a maximum premium of 90.9% to the share prices on the last trading day prior to the relevant announcements.

When comparing offer or cancellation prices to net tangible asset values, we note that the premiums represented by the offer prices of Superdata and HGCH were exceptionally high. The premium over net tangible assets of approximately 779% represented by the offer price of the Superdata privatization is almost four times that of the next highest premium of approximately 205%. The range of values would increase by over three times from 252% to 825%. The premium over net tangible assets of approximately 1,812% represented by the offer price of the HGCH privatization is even greater than that of the Superdata privatization. As such, using them as comparative figures would distort the results of the analysis and therefore, we have excluded them from our analysis. Disregarding Superdata and HGCH, the offer prices range from a maximum discount of about 47% to a maximum premium of 205% to their net tangible assets.

When compared with the precedents, the premiums of the Scheme Price over the past share prices and its discount over the net asset value of CCT Tech fall within the range of those of the past transactions. Based on the above, we are of the view that the Scheme Price is fair and reasonable so far as CCT Tech and the Scheme Shareholders are concerned.

6. Market comparables

We have compared the valuation of CCT Tech Group based on the Scheme Price against companies with similar businesses listed on the Stock Exchange in order to assess the reasonableness of the Scheme Price.

Company	Principal Business	Market capitalization as at the Latest Practicable Date *HK$ million*	Trading price as at the Latest Practicable Date *HK$*	Basic P/E[2]	Fully diluted P/E[2]	P/NAV[3]	Fully diluted P/NAV[3]
VTech Holdings Limited (303)	Design, manufacture, distribution of electronic consumer products	6,774	28.45	14.48	14.65	3.57	3.60
IDT International Limited (167)	Manufacture and sale of various consumer electronic products	1,251	0.60	9.68	9.68	1.40	1.40
Suncorp Technologies Limited (1063)	Design, manufacture and sale of telephones and related equipment	611	1.87	6.15	6.33	2.87	2.95
Highest			28.45	14.48	14.65	3.57	3.60
Average			10.31	10.10	10.22	7.84	2.65
Lowest			0.60	6.15	6.33	1.40	1.40
CCT Tech	Manufacture and sale of telecom products						
— Last trading price		351	0.022	2.53	8.80	0.92	1.37
— Scheme Price			0.023	2.64	9.20	0.96	1.43
CCT Telecom[4]	Manufacture and sale of telecom products and accessories, and manufacture and sale of baby products	623	0.95	7.31	7.31	0.15	0.18

Note 1: Market capitalization and latest share prices of comparables are extracted from Bloomberg

Note 2: Basic and fully diluted P/E are calculated are based on basic and fully diluted earnings per share on the latest published annual report

Note 3: Basic and fully diluted P/NAV are calculated are based on basic and fully diluted NAV per share on the latest published interim report

Note 4: CCT Telecom, being the company proposing to privatize CCT Tech, has been excluded as a comparable company in the above analysis. We have included its figures for illustration purposes only.

From the above, we see that CCT Tech Shares have been trading at low price multiples compared to its peers. Based on its closing price on 25 October 2005 (the "Last Trading Price") of HK$0.022 and Scheme Price of HK$0.023, CCT Tech Shares represent price to earnings ratio ("P/E") of about 2.53 and 2.64 respectively. However, its peers were trading at multiples of a lowest of 6.15 and a highest of 14.48. Since CCT Tech Group's convertible

notes, namely the 2007CN and 2008CN, pose significant dilutive effects on earnings if converted, we have also compared the P/E of the above companies based on fully diluted earnings. CCT Tech's P/E, based on the Scheme Price and its fully diluted earnings per CCT Tech Share, increases significantly to about 9.20. This is close to the average of and falls within the range set by its peers.

CCT Tech's price to net asset value ratio ("P/NAV") is also at the lower end of the range of its peers. Based on CCT Tech's net tangible asset value as at 30 June 2005, its shares were trading at a P/NAV of about 0.92, or a discount of about 8% to CCT Tech's consolidated net assets. Its P/NAV as represented by the Scheme Price is approximately 0.96, or a discount of about 4%. As with its P/E ratio, CCT Tech's P/NAV ratio increases substantially when calculated on a fully diluted basis. CCT Tech's fully diluted P/NAV ratios, based on its Last Trading Price and the Scheme Price, are approximately 1.37 and 1.43 respectively. The comparable companies' stocks were trading at a range of 1.40 to 3.60. As such, CCT Tech's fully diluted P/NAV is close to the range set by its peers.

Based on the findings above, we observe that CCT Tech Shares' basic P/E and P/NAV, and fully diluted P/NAV are below the range of its peers while the fully diluted P/E falls with this range. Furthermore, as mentioned above, the trading volume of the CCT Tech Shares has been and is expected to remain light, and trade within a narrow range of prices. As such, we consider the slight discount to net tangible assets represented by the Scheme Price acceptable and believe that this is in line with the CCT Tech Directors' view 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 its share prices and trading volume in the foreseeable future is unlikely. Based on the above, we are of the view that the Scheme Price is fair and reasonable so far as CCT Tech and the Scheme Shareholders are concerned.

7. Possible impact if the proposed privatisation of CCT Tech is not successful

Subsequent to the buy back of 1.5 billion CCT Tech Shares from the funds under the management of Value Partners by Jade Assets on 22 December 2005 (further details are set out in the section headed "Shareholding structure" in the "Letter from the CCT Tech Board" in the Scheme Document) and up to the Latest Practicable Date, the CCT Telecom Group holds approximately 84.12% interest in CCT Tech and only approximately 15.88% interest is held by the public.

CCT Telecom and CCT Tech has applied for, 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 buy back (i.e. 22 December 2005) and ending on the date of 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 is 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.

If the Proposal is not approved by the Scheme Shareholders, the public float of CCT Tech should be restored to a minimum of 25% as required by the Listing Rules. CCT Telecom and CCT Tech have stated that they will take reasonable endeavors to restore the public float. However, the CCT Tech Directors are of the opinion that it would be very difficult for them to find any placing agents or investors to buy a substantial volume of the CCT Tech Shares to restore public float, because they would be concerned about their ability to sell or divest their investments in the market given the continuing low liquidity and share performance of the CCT

Tech Shares. Scheme Shareholders should be aware that that if the privatization is not approved, there is a possibility that CCT Tech cannot restore its public float and trading of the CCT Tech Shares will be suspended until its restoration.

RECOMMENDATION

Having considered the above, in particular the following:

— CCT Tech Group has been able to maintain its turnover and profitability subsequent to its acquisition of ESH Group in June 2003, however, whether it can sustain its current level of profitability and/or achieve further growth is dependent on CCT Tech Group's ability to continue to increase its sales through geographical expansion and products diversification and maintaining stringent cost control. Also, it is subject to certain factors which are beyond the control of CCT Tech Group, including the intense competition in the United States cordless phone market which lead to price reduction, fluctuations on raw material prices, labor shortage in the Guangdong Province and the appreciation of Renminbi. Therefore, there remain uncertainties and risks to CCT Tech Group's future prospects. Scheme Shareholders are advised to assess your own investment objectives and review your own investment strategies in conjunction with the future plan of CCT Tech Group before deciding whether to accept the Proposal;

— CCT Tech Group has not declared any dividends for the past few years. The CCT Tech Directors also advised that they have no intention to distribute any dividends to the CCT Tech Shareholders for the year ending 31 December 2005 and 31 December 2006. It is uncertain as to whether there will be any declaration of dividend in the future as this is dependent on CCT Tech Group's results, financial condition, cashflow, operating and capital requirement and future plans. Scheme Shareholders could, if they so wish, reinvest the proceeds received from accepting the Proposal in other income generating assets;

— CCT Tech Group has significant interest expenses of over HK$58 million per annum payable on the 2008 CN and may face increasing financial burden on the interest payable on the 2008 CN if interest rates continue to rise;

— CCT Tech Group may need to look for re-financing when 2007 CN and 2008 CN mature if they are not converted into CCT Tech Shares before maturity, which may increase the financial risk and interest cost of the CCT Tech Group;

— CCT Tech Shares have been trading at prices below the Scheme Price of HK$0.023 and within a narrow range of HK$0.019 and HK$0.023 for most of the time during the Review Period and there is no certainty whether the CCT Tech Share price would sustain;

— The Scheme Price of HK$0.023, which is identical to the offer price under the Previous Offers, although representing a slight discount of approximately 4% to CCT Tech Group's unaudited consolidated NAV as at 30 June 2005, still matches the highest price of the CCT Tech Shares of HK$0.023 since 1 February 2005 and represents premiums over the average prices during the Review Period;

— The premium/discount of the Scheme Price to CCT Tech Share prices and NAV are within the ranges of the privatisation transactions analyzed above; and

— Given the low liquidity of CCT Tech Shares during the Review Period, Scheme Shareholders should note that it may find it difficult to dispose of their shareholding in CCT Tech or may not be able to sell their CCT Tech Shares without exerting a downward pressure to CCT Tech Share price. Furthermore, if the Scheme is not approved, it may be difficult for CCT Tech to restore the public float to the minimum requirement of 25%. In such case, the trading of the CCT Tech Shares may be suspended by the Stock Exchange. As such, the Proposal represents an opportunity for Scheme Shareholder to realize their investments if they wish. However, Scheme Shareholders should closely monitor market prices of CCT Tech Shares;

we are of the view that the terms of the Proposal are fair and reasonable so far as CCT Tech and the Scheme Shareholders are concerned, and accordingly recommend the Independent Board Committee to advise the Scheme Shareholders to vote in favour of the resolutions to approve the Proposal at the Court Meeting and the Special General Meeting.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited

Helen Zee	**Byron Tan**
Managing Director	*Managing Director*

This Explanatory Statement constitutes the statement required under Section 100 of the Companies Act.

SCHEME OF ARRANGEMENT FOR THE CANCELLATION OF THE SCHEME SHARES AND THE PAYMENT OF THE SCHEME PRICE

INTRODUCTION

It was jointly announced by CCT Telecom and CCT Tech on 9 November 2005 that on 25 October 2005, CCT Telecom had requested the CCT Tech Board to put forward the Proposal to the Scheme Shareholders for the purpose of acquiring their interests in CCT Tech at the Scheme Price of HK$0.023 per Scheme Share.

The purpose of this Explanatory Statement is to explain the terms and the effects of the Proposal, which is to be implemented by the Scheme, and to give to the CCT Tech Shareholders other relevant information.

A letter from the CCT Tech Board is set out on pages 8 to 16 of this document. A letter from the Independent Board Committee, together with a letter from First Shanghai, in connection with the Proposal are set out on pages 17 to 39 of this document. The terms of the Scheme are set out on pages 128 to 131 of this document.

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 the 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 were 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 special resolution 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 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) and (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.

EFFECTS OF THE SCHEME

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; and

— 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.

Historical share price information on the CCT Tech Shares is set out in Section 7 of the Appendix III to this document.

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.

Shareholding structure

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. 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 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:

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, and whose interest in the CCT Tech Shares at the date of 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 Supplemental Agreement and 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 22 December 2005.

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.

Net assets

Based on the 2004 annual report of CCT Tech, the audited consolidated net assets of the CCT Tech Group were approximately HK$299 million or approximately HK$0.019 per CCT Tech Share as at 31 December 2004. The Scheme Price represents a premium of approximately 21.1% to the net assets value per CCT Tech Share of approximately HK$0.019 as at 31 December 2004.

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. The Scheme Price represents 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.

Earnings

Based on the 2004 annual report of CCT Tech, the audited consolidated profit of the CCT Tech Group attributable to the CCT Tech Shareholders for the year ended 31 December 2004 amounted to approximately HK$125 million, representing an earning of approximately HK$0.0087 per CCT Tech Share.

Dividends

CCT Tech did not declare any dividend for the year ended 31 December 2004.

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.

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 30/6/2005	**For the year ended 31/12/2004**	**31/12/2003**
	HK$ million (unaudited)	*HK$ million (audited)*	*HK$ million (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).

In compliance with Rule 11.1(f) of the Takeovers code, CCT Tech has appointed Grant Sherman (an independent property valuer) to revalue the properties of the CCT Tech Group as at 31 October 2005. Based on the said revaluation of its properties, CCT Tech had a surplus of approximately HK$4 million.

Your attention is also drawn to Appendix I to this document which set out the financial information of the CCT Tech Group.

Based on the closing price of HK$0.021 per CCT Tech Share and the total number of CCT Tech Shares in issue as at the Latest Practicable Date, the market capitalisation of CCT Tech was approximately HK$334.71 million.

Recent performance, future prospects and business outlook

As reported in the 2005 interim report, turnover of the CCT Tech Group for the six months ended 30 June 2005 slightly decreased by approximately 2.6% as compared to in the corresponding period in 2004, caused by the shortage of labor in the Guangdong Province. Nevertheless, the profit after tax increased by approximately 21.4% to HK$68 million as compared to HK$56 million in the corresponding period, due to efforts on the part of the management in continuously improving efficiencies, successful product diversification and differentiation, meeting consumer preferences and implementing effective cost control measures

The CCT Tech Directors are of the view that the global cordless phones market will remain stable and is highly competitive. The major players are international distributors or telephone operators with well-known brands. As such, the CCT Tech Directors believe that the CCT Tech Group's business will remain challenging due to keen competition in its major markets and price pressures from its customers. On the other hand, the CCT Tech Directors expect that some of the CCT Tech Group's customers which are currently producing most of their products themselves, will outsource more manufacturing to the CCT Tech Group in order to reduce production costs. However, the dependence of growth of CCT Tech's business on these customers would create uncertainties, as it is unsure of when and how much such production would be outsourced to CCT Tech Group.

During the past year, the costs of certain raw materials have increased due to global shortage and/or rising petroleum prices. Combined with the price pressures from the CCT Tech Group's customers, CCT Tech Group is faced with tighter operating margins.

Furthermore, due to the economic development and increasing opportunities in other regions of the PRC, such as the Yangzi River Delta region, the northeastern and northwestern regions, in recent years, workers in those regions prefer to stay and work in their home towns rather than relocating to work in the Guangdong Province, which resulted in a shortage of labor in the Guangdong Province. This has pushed up wages and salaries of the CCT Tech Group.

The recent appreciation of Renminbi is another issue that has an negative impact on the CCT Tech Group. For the six months ended 30 June 2005, all of the CCT Tech Group's revenue was denominated in foreign currencies and predominantly in US dollars. However, a substantial amount of the costs of the CCT Tech Group (including wages and salaries, electricity, overhead and local purchases of the CCT Tech Group's factories located in the Guangdong Province) is denominated in Renminbi. As stated in CCT Tech's interim report for the six months ended 30 June 2005, it has partially hedged the risk of the appreciating Renminbi by entering into forward exchange contracts with banks in China to cover Renminbi expenses up to mid 2006. However, the cost of these hedges has become more costly since the appreciation of Renminbi in July 2005 and the market expectation with respect to further Renminbi appreciation. The CCT Tech Directors also consider that hedging by entering into forward contract would not be a long-term solution to this issue as CCT Tech has a continuing need in paying expenses in Renminbi. Therefore, the appreciation of Renminbi has placed further pressure on the margins of CCT Tech Group. The CCT Tech Directors believe that as US and the European countries continue to exert pressure on the PRC to deregulate trading of Renminbi, which may cause Renminbi to further appreciate against US dollar and Hong Kong dollar. Based on recent world developments, the CCT Tech Directors also consider that various countries are putting pressure on the PRC government to raise the value of the Renminbi. This would impose significant pressure on the profit margin of the CCT Tech Group. The CCT Tech Directors consider the above factors as posing operating challenges to the CCT Tech Group, most of which are outside the control

of the management of the CCT Tech Group. The CCT Tech Directors realise that these challenges will give considerable pressure on the growth and margin of CCT Tech and will have adverse impact on the result of CCT Tech if they cannot be combated.

The CCT Tech Directors believe that CCT Tech's strength and competitive edge are its strong research and development capabilities, efficient production management, advanced production facilities as well as its economies of scale. The CCT Tech Group intends to continue to place emphasis and capitalise on its research and development capabilities and launch new and innovative products to stimulate demand. In order to minimise impact of the shortage of labor in the Guangdong Province and the possible appreciation of Renminbi, the CCT Tech Directors will explore opportunities to build additional production plants in South East Asian countries where the cost of wages are in general not higher than Chinese workers and there is plenty supply of labor in the region. However, the setting up of any additional production plants outside China will involve considerable capital expenditure and may also increase the logistics cost (such as transportation expenses) of the CCT Tech Group. There are other factors such as political stability, commercial and taxation laws, efficiency of workers, differences in labor costs, availability of supporting industries, suitable materials, components and services at an acceptable price in the region that the CCT Tech Group intend to set up new factory must also be considered. The CCT Tech Group will carry out feasibility studies before making its decision.

Further information

The public float of CCT Tech was only 15.88% subsequent to the buy back of 1.5 billion CCT Tech Shares by the CCT Telecom Group from the funds under the management of Value Partners Limited on 22 December 2005 and up to the Latest Practicable Date, which has fallen below the minimum of 25% as required by the Listing Rules. CCT Telecom and CCT Tech has applied for, 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 buy back (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 Scheme will not proceed, the waiver will expire on the date which is one month after CCT Tech first becomes aware that the Scheme will not proceed. If the Scheme is not approved at the Court Meeting, each of CCT Telecom and CCT Tech will use their reasonable endeavours to restore the minimum public float of the CCT Tech Shares. In the event that the proposed privatisation of CCT Tech is not proceeded, 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. Given the low liquidity of the CCT Tech Shares, it will be difficult for the CCT Tech Directors or the CCT Telecom Directors to find any placing agents or investors to buy a substantial volume of the CCT Tech Shares and the CCT Telecom Directors and the CCT Tech Directors are not confident that minimum public float can be restored. In such case, the trading in the CCT Tech Shares may be suspended by the Stock Exchange at its discretion and the Scheme Shareholders may not be able to sell their CCT Tech Shares on the open market until the public float is restored. As such, the Proposal represents a good opportunity for the Scheme Shareholders to realise their investment in CCT Tech.

INFORMATION ON THE CCT TELECOM GROUP

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 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 was approved by the CCT Telecom Shareholders at an extraordinary general meeting held on 18 November 2005 and the change of domicile was 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.

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 Tech 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 Tech 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 Tech 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.

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 SGM, it intends to vote at the SGM and has indicated that if the Scheme is approved at the Court Meeting, those CCT Tech Shares held by it will be voted in favour of the special resolution to be proposed at the 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.

REGISTRATION AND PAYMENT

If the Scheme becomes effective, cheques for the Scheme Price will be sent to the Scheme Shareholders whose names appear on the Register at the Record Time. Such cheques will be posted within ten days after the Effective Date.

It is proposed to close the Register immediately after 4:00 p.m., on Thursday, 2 March 2006, or such other date as may be notified to the Scheme Shareholders by press announcements, in order to establish entitlements to the Scheme Price under the Scheme. The Scheme Shareholders or their successors in title should ensure that their CCT Tech Shares are registered or lodged for registration in their names or in the names of their nominees before the Register is closed. CCT Tech's branch share registrar and transfer office in Hong Kong is Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

Assuming that the Scheme becomes effective on Monday, 6 March 2006, cheques for the Scheme Price are expected to be despatched to the Scheme Shareholders or persons nominated by them on or before Friday, 10 March 2006. In the absence of any specific instruction to the contrary received in writing by CCT Tech's branch share registrar and transfer office in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, cheuqes will be sent by ordinary mails to the persons whose names appear on the Register at the Record Time at their respective addresses or, in the case of joint Scheme Shareholders, to the registered address of that joint holder whose name stands first in the Register in respect of the joint holding. All such cheques will be sent at the risk of the persons entitled thereto and neither CCT Telecom and CCT Tech will be liable for any loss or delay in transmission.

As provided in the Scheme, on or after the day being six calendar months after the posting of such cheques, CCT Tech shall have the right to cancel or countermand payment of any such cheques which have not then been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in CCT Tech's name with a licensed bank in Hong Kong selected by CCT Tech. CCT Tech shall hold such monies on trust for those entitled under the terms of the Scheme until the expiry of six years from the Effective Date and shall, prior to such date, make payments thereout of the sums, together with interest thereon in accordance with Clause 3(e) of the Scheme, to persons who satisfy CCT Tech that they are respectively entitled thereto and that the cheques of which they are payees have not been cashed. On the expiry of six years from the Effective Date, CCT Telecom shall be released from any further obligation to make any payments under the Scheme and CCT Tech shall thereafter transfer to CCT Telecom the balance (if any) of the sums then standing to the credit of the deposit account in its name, including accrued interest subject, if applicable, to the deduction of any interest or withholding or other tax or any other deduction required by law and subject to the deduction of any expenses.

OVERSEAS SCHEME SHAREHOLDERS

The making of the Proposal to and acceptance of the Scheme by the Scheme Shareholders not resident in Hong Kong may be subject to the laws of the relevant jurisdictions. Such Scheme Shareholders should confirm themselves appropriately and observe any applicable legal or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders wishing to accept the Scheme to satisfy themselves as to full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

TAXATION

The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the Proposal and, in particular, whether the receipt of the Scheme Price would make such Scheme Shareholders liable to taxations in Hong Kong or in other jurisdictions.

MEETINGS

As set out on pages 132 to 135 of this document, the Meetings have been convened to be held at 10:00 a.m. and 10:30 a.m. respectively on Monday, 13 February 2006 at 2208, 22nd Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong.

In accordance with the direction of the Court, the Court Meeting has been convened for the purpose of considering and, if thought fit, passing the appropriate resolution to approve the Scheme (with or without modifications). Such resolution is required to be passed 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. Based on 2,531,242,866 CCT Tech Shares held by the Scheme Shareholders as at the Latest Practicable Date, 10% of such CCT Tech Shares amounted to 253,124,286 CCT Tech Shares. As at the Latest Practicable Date, the CCT Telecom Group beneficially 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.

Immediately following the Court Meeting, the SGM will be convened for the purpose of considering and, if though fit, passing the special resolution 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. The special resolution will be passed provided that it is approved by a majority of at least three-fourths of the votes cast by the CCT Tech Shareholders present and voting in person or by proxy at the SGM. All CCT Tech Shareholders will be entitled to attend and vote on such special resolution at the SGM.

Notices of the Meetings are set out on pages 132 to 135 of this document. The Meetings will be held on Monday, 13 February 2006 at the respective times specified in such notices at 2208, 22nd Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong.

DEMAND FOR POLL AT THE SGM

In accordance with bye-law 70 of the bye-laws of CCT Tech, at any general meeting a resolution put to the vote shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded or otherwise required under the Listing Rules. A poll may be demanded:

(a) by the chairman of such meeting; or

(b) by at least three CCT Tech Shareholders present in person or in the case of a CCT Tech Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(c) by a CCT Tech Shareholder or CCT Tech Shareholders present in person or in the case of a CCT Tech Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all CCT Tech Shareholders having the right to vote at the meeting; or

(d) by a CCT Tech Shareholder or CCT Tech Shareholders present in person or in the case of a CCT Tech Shareholder being a corporation by its duly authorised representative or by proxy and holding CCT Tech Shares conferring a right to vote at the meeting being 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 CCT Tech Shares conferring that right.

A demand by a person or proxy for a CCT Tech Shareholder or in the case of a CCT Tech Shareholder being a corporation by its duly authorised representative shall be deemed to be the same as a demand by the CCT Tech Shareholder.

The special resolution to be proposed 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 will be voted by the CCT Tech Shareholders by way of poll.

ACTIONS TO BE TAKEN BY THE CCT TECH SHAREHOLDERS

Whether or not you intend to attend the Meetings in person, you are strongly urged to complete and sign the enclosed yellow form of proxy in respect of the Court Meeting and the white form of proxy in respect of the SGM in accordance with the instructions respectively printed thereon and to lodge them with CCT Tech'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 the following respective times. In case of the yellow form of proxy for use at the Court Meeting, it is required that this form of proxy be lodged not later than 10:00 a.m., on Saturday, 11 February 2006 but if it is not so lodged, it may be handed to the chairman of the Court Meeting at the Court Meeting. In order to be valid, the white form of proxy for the SGM must be lodged not later than 10:30 a.m., on Saturday, 11 February 2006. One self-addressed and pre-paid envelope is enclosed in order to facilitate the return by the CCT Tech Shareholders by post (from within Hong Kong only) of their completed forms of proxy. Such forms of proxy for use at the SGM and the Court Meeting are also published on the website of the Stock Exchange

(www.hkex.com.hk). Completion and return of a form of proxy for any of the Meetings will not preclude you from attending the relevant Meetings and voting in person should you so wish. In the event that you attend a Meeting after having lodged the form of proxy, your form of proxy for that Meeting will be deemed to have been revoked.

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and of the CCT Tech Shareholders to attend and vote at the SGM, the Register will be closed from Tuesday, 7 February 2006 to Monday, 13 February 2006 (both dates inclusive) and during such period, no transfer of the CCT Tech Shares will be effected. In order to qualify to vote at the Court Meeting and the SGM, all transfers accompanied by the relevant share certificates must be lodged with CCT Tech' branch share registrar and transfer office in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m., on Monday, 6 February 2006.

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.

FURTHER INFORMATION

Your attention is also drawn to the additional information contained in the appendices to the Scheme Document.

(1) FINANCIAL SUMMARY

The following is a summary of the published audited consolidated profit and loss accounts of CCT Tech for the three years/period ended 31 December 2004, as extracted from the respective annual reports of CCT Tech:

	Year ended 31 December		Period from 1 October 2002 to 31 December
	2004	**2003**	**2002**
	HK$ million (Audited)	*HK$ million (Audited)*	*HK$ million (Audited)*
TURNOVER	3,847	1,926	106
PROFIT BEFORE TAX	141	82	100
Tax	(16)	(9)	(1)
PROFIT AFTER TAX	125	73	99
ATTRIBUTABLE TO:			
Equity holders of CCT Tech	125	73	98
Minority interests	—	—	1
	125	73	99
DIVIDEND	—	—	—
EARNINGS PER SHARE	0.87 cents	0.60 cents	1.75 cents
DIVIDEND PER SHARE	—	—	—

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

(2) FINANCIAL INFORMATION OF THE CCT TECH GROUP FOR THE YEAR ENDED 31 DECEMBER 2004

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

Consolidated Profit and Loss Account
Year ended 31 December 2004

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

Consolidated Balance Sheet
31 December 2004

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2004

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

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

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

Consolidated Cash Flow Statement
Year ended 31 December 2004

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

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

Balance Sheet
31 December 2004

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

Notes to Financial Statements

31 December 2004

1. CORPORATE INFORMATION

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

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

Subsidiaries

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

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

Goodwill

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

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

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

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

Impairment of assets

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

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

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

Fixed assets and depreciation

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

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

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

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

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

Construction in progress

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

Intangible assets

Deferred development costs

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

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

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

Inventories

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

Income tax

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

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

Deferred tax liabilities are recognised for all taxable temporary differences:

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

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

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

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

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

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

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

Leased assets

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

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

Employee benefits

Paid leave carried forward

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

Employment Ordinance long service payments

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

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Share option scheme

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

Pension schemes

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

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

Foreign currencies

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

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

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

Cash and cash equivalents

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

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

Revenue recognition

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

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

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

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

Related parties

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

4. SEGMENT INFORMATION

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

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

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

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

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

(a) Business segments

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

Group

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

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

(b) Geographical segments

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

Group

	United States of America		PRC, including Hong Kong		European Union		Others		Consolidated	
	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	2,377	1,244	640	343	139	65	690	273	3,846	1,925
Other revenue and gains	—	—	57	12	—	—	—	—	57	12
Total revenue	2,377	1,244	697	355	139	65	690	273	3,903	1,937

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

5. TURNOVER

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

Revenue from the following activities has been included in turnover:

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

6. PROFIT FROM OPERATING ACTIVITIES

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

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

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

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

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

7. FINANCE COSTS

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

8. DIRECTORS' REMUNERATION

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

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

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

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

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

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

9. FIVE HIGHEST PAID EMPLOYEES

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

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

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

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

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

10. TAX

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

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

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

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

Group — 2004

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

Group — 2003

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

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

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

12. DIVIDEND

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

13. EARNINGS PER SHARE

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

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

14. FIXED ASSETS

Group

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

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

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

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 back	(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 in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

Group

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

17. INTERESTS IN SUBSIDIARIES

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

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

Particulars of the principal subsidiaries are as follows:

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

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

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

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

18. INVENTORIES

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

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

19. TRADE AND BILLS RECEIVABLES

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

Group

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

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

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

21. 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	347	317	22	1
Time deposits	170	233	26	10
	517	550	48	11
Less: Time deposits pledged for bank borrowings — *note 34*	(95)	(100)	—	—
Cash and cash equivalents	422	450	48	11

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

22. TRADE AND BILLS PAYABLES

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

Group

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

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

23. OTHER PAYABLES AND ACCRUALS

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

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

25. INTEREST-BEARING BANK LOANS, SECURED

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

26. FINANCE LEASE PAYABLES

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

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

Group

	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	1	1	1	1
In the second year	1	1	1	1
Total minimum finance lease payments	2	2	2	2
Future finance charges	—	—		
Total net finance lease payables	2	2		
Portion classified as current liabilities — *note 24*	(1)	(1)		
Non-current portion	1	1		

27. CONVERTIBLE NOTES

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

(d) On 30 June 2003, the Company issued convertible note with principal amount of HK$768 million to Noble Team Investments Limited, an indirect wholly-owned subsidiary of CCT Telecom, as the consideration for the acquisition of the entire interest in Empire Success Holdings Limited ("ESH") from an indirect wholly-owned subsidiary of CCT Telecom, details of which are set out in note 32(b) to the financial statements. The convertible note provides the holder the option right to convert the principal amount into the Company's ordinary shares of HK$0.01 each on any business day until five business days prior to the maturity of the convertible notes at a conversion price of HK$0.014 per share. The convertible note bears interest at the prime or best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited for Hong Kong dollar loans plus 2% per annum and will mature on the fifth anniversary of the date of its issue.

During the year, part of the convertible note with principal amount of HK$14 million was converted into 1,000,000,000 shares of the Company of HK$0.01 each at a conversion price of HK$0.014 per share. On 13 September 2004, the convertible note with principal amount of HK$139 million was cancelled for the purpose of satisfying the consideration receivable from CCT Telecom in respect of the disposal of the First Precision Group and CCT Investment.

28. DEFERRED TAX

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

Deferred tax liabilities

Group

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

Deferred tax assets

Group

	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 assets at 31 December 2004	2

Deferred tax liabilities

Group

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

Deferred tax assets

Group

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

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

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

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

29. SHARE CAPITAL

Shares

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

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

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

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

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

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

Share options

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

30. SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was conditionally adopted by the then shareholder of the Company and the shareholders of CCT Technology Holdings Limited, the then holding company of the Company, on 17 September 2002 and 15 October 2002 respectively to comply with the new amendments to the Listing Rules. The Share Option Scheme became effective on 7 November 2002. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from that date. As at 31 December 2004, there were 1,082,781,000 share options outstanding under the Share Option Scheme. Based on these outstanding share options, the total number of shares available for issue is 1,082,781,000, which represents approximately 6.79% of the existing issued share capital of the Company as at the date of this report. No share option has been granted under the Share Option Scheme during the year.

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

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

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

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

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

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

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

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

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

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

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

31. 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 96 of the financial statements.

(b) Company

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

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

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transactions

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

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

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

(b) Acquisition of subsidiaries

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

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

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

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

(c) Disposal of subsidiaries

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

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

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

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

33. 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	—	—	426	346

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

(b) The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$6 million as at 31 December 2004 (2003: HK$5 million), as further explained under the heading "Employee benefits" in note 3 to the financial statements. The contingent liability has arisen because at the balance sheet date a

number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

34. PLEDGE OF ASSETS

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

35. OPERATING LEASE ARRANGEMENTS

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

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

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

36. COMMITMENTS

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

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

37. RELATED PARTY TRANSACTIONS

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

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

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

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

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

Notes:

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

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

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

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

(iv) The office rental expenses were charged to CCT HK and CCT Telecom R&D Limited ("CCT R&D"), indirect wholly-owned subsidiaries of the Company, by Goldbay Investments Limited ("Goldbay"), an indirect wholly-owned subsidiary of CCT Telecom, for the provision of office spaces in Hong Kong, at a rate determined in accordance with the terms and conditions set out in

three tenancy agreements (the "Hong Kong Tenancy Agreements") entered into between CCT HK and Goldbay on 15 September 2003 and 17 September 2004, and between CCT R&D and Goldbay on 23 December 2003, respectively.

(v) The management information system service fee was charged to CCT Telecom by CCT HK for the provision of general management information system support, network and software consultation and hardware maintenance services. The rate was determined in accordance with the terms and conditions set out in an agreement (the "MIS Agreement") entered into between CCT Telecom and CCT HK on 15 May 2003.

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

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

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

Notes:

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

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

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

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

Notes:

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

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

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

38. POST BALANCE SHEET EVENT

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

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

39. APPROVAL OF THE FINANCIAL STATEMENTS

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

(3) FINANCIAL INFORMATION OF THE CCT TECH GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2005

Set out below is the unaudited consolidated financial statements of the CCT Tech Group for the six months ended 30 June 2005 as extracted from the CCT Tech 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	1,737	1,783
Cost of sales		(1,553)	(1,619)
Gross profit		184	164
Other revenue	3	21	13
Selling and distribution costs		(22)	(21)
Administrative expenses		(76)	(55)
Other operating expenses		(4)	(9)
PROFIT FROM OPERATING ACTIVITIES	3, 4	103	92
Finance costs		(26)	(29)
PROFIT BEFORE TAX		77	63
Tax	5	(9)	(7)
PROFIT FOR THE PERIOD		68	56
EARNINGS PER SHARE	7		
— Basic		0.43 cents	0.42 cents
— Diluted		0.13 cents	0.11 cents

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		512	607
Land lease payments		52	85
Investment property		178	—
Intangible assets		38	28
Goodwill		22	22
Deferred tax assets		3	4
		805	746
CURRENT ASSETS			
Inventories		235	168
Trade and bills receivables	9	774	736
Prepayments, deposits and other receivables		14	11
Forward currency contracts		1	—
Pledged time deposits		60	95
Cash and cash equivalents		390	422
		1,474	1,432
CURRENT LIABILITIES			
Trade and bills payables	10	980	963
Tax payable		15	10
Other payables and accruals		108	105
Interest-bearing bank and other borrowings		93	116
Forward currency contracts		1	—
Convertible notes	11	—	44
		1,197	1,238
NET CURRENT ASSETS		277	194
TOTAL ASSETS LESS CURRENT LIABILITIES		1,082	940

	Notes	30 June 2005 HK$ million (Unaudited)	31 December 2004 HK$ million (Audited) (Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank loans, secured		40	22
Finance lease payables		3	1
Convertible notes	11	654	615
Deferred tax liabilities		2	2
		699	640
		383	300
TOTAL EQUITY			
Issued capital	12	159	159
Reserves		224	141
		383	300

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2005

	Attributable to equity holders of the Company					
	Issued capital *HK$ million (Unaudited)*	**Share premium account** *HK$ million (Unaudited)*	**Capital reserve** *HK$ million (Unaudited)*	**Equity component of convertible notes** *HK$ million (Unaudited)*	**Accumulated losses** *HK$ million (Unaudited)*	**Total** *HK$ million (Unaudited)*
At 31 December 2004, as previously reported	159	4	733	—	(597)	299
Effect of changes in accounting policies *(note 2)*	—	—	—	7	9	16
At 1 January 2005, as restated	159	4	733	7	(588)	315
Net profit for the period	—	—	—	—	68	68
At 30 June 2005	159	4	733	7	(520)	383
At 31 December 2003, as previously reported	131	—	733	—	(722)	142
Effect of changes in accounting policies *(note 2)*	—	—	—	7	(4)	3
At 1 January 2004, as restated	131	—	733	7	(726)	145
Issue of new shares upon conversion of convertible notes	10	2	—	—	—	12
Net profit for the period	—	—	—	—	56	56
At 30 June 2004	141	2	733	7	(670)	213

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	38	70
INVESTING ACTIVITIES	(63)	(88)
FINANCING ACTIVITIES	(7)	19
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(32)	1
Cash and cash equivalents at beginning of period	422	450
CASH AND CASH EQUIVALENTS AT END OF PERIOD	390	451
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	306	438
Time deposits with original maturity of less than three months when acquired	84	13
	390	451

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 Standards ("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.

(c) The adoption of HKFRS 3 and HKAS 36 has resulted in a change in the accounting policy for goodwill. Prior to this, goodwill was 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. Further, from the year ended 31 December 2004 onwards, goodwill is assessed annually for impairment, as well as when there are indications of impairment. Any impairment loss recognised for goodwill is not reversed in subsequent periods.

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

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. Previously, convertible notes were classified as liabilities on the balance sheet. Because HKAS 32 requires retrospective application, comparative figures have been restated. Comparative profit for 2004 has been restated in order to reflect the increase in effective interest on the liability component.

(e) HKAS 40 requires the gains or losses arising from changes in the fair values of investment properties are included in the profit and loss account in the period in which they arise. In addition, if the premises comprises a portion that held for rental and this portion could be sold separately, an entity should account for such portions as an investment property separately.

The Group has taken advantage of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of retained earnings rather than restating the comparative amounts to reflect the changes retrospectively for the earlier period presented in the condensed consolidated financial statements. The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements.

(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	HKAS 17*	HKAS 32* and HKAS 39#	HKAS 40#	HKFRS 3#	Total effect on adoption of HKFRSs and HKASs	Adoption of HKFRSs and HKASs
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
At 1 January 2005 (Audited & restated)							
Assets:							
Fixed assets	692	(53)	—	(165)	—	(218)	474
Land lease payments	—	53	—	—	—	53	53
Investment property	—	—	—	178	—	178	178
Forward currency contracts	—	—	2	—	—	2	2
Liabilities:							
Convertible notes	660	—	(1)	—	—	(1)	659
Total equity:							
Share capital	159	—	—	—	—	—	159
Share premium	4	—	—	—	—	—	4
Capital reserve	733	—	—	—	—	—	733
Equity component of convertible notes	—	—	7	—	—	7	7
Accumulated losses	(597)	—	(4)	13	—	9	(588)
	299	—	3	13	—	16	315
At 30 June 2005 (Unaudited)							
Assets:							
Fixed assets	724	(52)	—	(160)	—	(212)	512
Land lease payments	—	52	—	—	—	52	52
Investment property	—	—	—	178	—	178	178
Goodwill	21	—	—	—	1	1	22
Forward currency contracts	—	—	1	—	—	1	1
Liabilities:							
Forward currency contracts	—	—	1	—	—	1	1
Convertible notes	660	—	(6)	—	—	(6)	654
Total equity:							
Share capital	159	—	—	—	—	—	159
Share premium	4	—	—	—	—	—	4
Capital reserve	733	—	—	—	—	—	733
Equity component of convertible notes	—	—	7	—	—	7	7
Accumulated losses	(538)	—	(1)	18	1	18	(520)
	358	—	6	18	1	25	383

* 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 are as follows:

	Effect of adopting				
	HKAS 17*	HKAS 32*and HKAS 39#	HKAS 40#	HKFRS 3#	Total effect on adoption of HKFRSs and HKASs
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
For the six months ended 30 June 2005 (Unaudited)					
Decrease in amortisation of goodwill	—	—	—	1	1
Decrease in depreciation	1	—	5	—	6
Increase in amortisation of land lease payments	(1)	—	—	—	(1)
Decrease in fair value of convertible notes	—	6	—	—	6
Increase in finance costs	—	(1)	—	—	(1)
Decrease in fair value of forward currency contracts	—	(2)	—	—	(2)
Total increase in profit	—	3	5	1	9
Increase in basic earnings per share (HK cents)	—	0.02	0.03	0.01	0.06
For the six months ended 30 June 2004 (Unaudited)					
Decrease in depreciation	—	—	—	—	—
Increase in amortisation of land lease payments	—	—	—	—	—
Increase in finance costs	—	(1)	—	—	(1)
Total decrease in profit	—	(1)	—	—	(1)
Decrease in basic earnings per share (HK cents)	—	(0.01)	—	—	(0.01)

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

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

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

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

(a) Business segments

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

	Telecom and electronic products		Corporate		Total	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**
	HK$ million (Unaudited)	*HK$ million (Unaudited) (Restated)*	*HK$ million (Unaudited)*	*HK$ million (Unaudited) (Restated)*	*HK$ million (Unaudited)*	*HK$ million (Unaudited) (Restated)*
Segment revenue:						
Sales to external customers	1,737	1,782	—	—	1,737	1,782
Other revenue	21	13	—	—	21	13
Total revenue	1,758	1,795	—	—	1,758	1,795
Segment results	114	101	(11)	(10)	103	91
Interest income					—	1
Finance costs					(26)	(29)
Profit before tax					77	63
Tax					(9)	(7)
Profit for the period					68	56

(b) Geographical segments

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

2005

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

2004

	United States of America *HK$ million (Unaudited)*	PRC, including Hong Kong *HK$ million (Unaudited)*	European Union *HK$ million (Unaudited)*	Others *HK$ million (Unaudited)*	Total *HK$ million (Unaudited)*
Segment revenue:					
Sales to external customers	1,031	352	86	313	1,782
Other revenue	—	13	—	—	13
Total revenue	1,031	365	86	313	1,795

4. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 30 June	
	2005 *HK$ million (Unaudited)*	**2004** *HK$ million (Unaudited) (Restated)*
Cost of inventories sold	1,553	1,606
Depreciation	36	41
Amortisation of land lease payments	1	1
Amortisation of goodwill	—	1
Amortisation of deferred development costs	14	15
Write off of deferred development costs	4	8

5. TAX

	Six months ended 30 June	
	2005 *HK$ million (Unaudited)*	**2004** *HK$ million (Unaudited)* (Restated)
Current — Hong Kong:		
Charge for the period	6	6
Overprovision in prior years	—	(2)
Current — Elsewhere	2	1
Deferred	1	2
Total tax charge for the period	9	7

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, followed by a 50% reduction for the next three years.

6. DIVIDEND

The directors do not recommend payment of an interim dividend for the six months ended 30 June 2005 (30 June 2004: nil).

7. 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	68	56
Adjustment for effective interest saving on convertible notes added back on deemed conversion of the notes	23	28
Adjustment for decrease in fair value of convertible notes added back on deemed conversion of the notes	(6)	—
Net profit for calculation of diluted earnings per share	85	84
	Number of shares	
Shares		
Weighted average number of ordinary shares for calculation of basic earnings per share	15,938,422,562	13,287,873,111
Assumed issued at no consideration on deemed exercise of all share options during the period	247,790,267	—
Assumed issued on deemed conversion of all convertible notes outstanding during the period	48,428,571,429	61,011,538,462
Weighted average number of ordinary shares for calculation of diluted earnings per share	64,614,784,258	74,299,411,573

8. FIXED ASSETS

During the six months ended 30 June 2005, the Group acquired fixed assets of approximately HK$74 million (six months ended 30 June 2004: approximately HK$64 million) and disposed fixed assets with costs of HK$4 million (six months ended 30 June 2004: approximately HK$1 million).

9. TRADE AND BILLS RECEIVABLES

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

	30 June 2005 *(Unaudited)*		**31 December 2004** *(Audited)*	
	HK$ million	*Percentage*	*HK$ million*	*Percentage*
Current to 30 days	377	49	283	39
31 to 60 days	207	27	242	33
61 to 90 days	175	23	202	27
Over 90 days	15	1	9	1
Total	774	100	736	100

10. TRADE AND BILLS PAYABLES

The aged analysis of trade and bills payables is as follows:

	30 June 2005 (Unaudited)		31 December 2004 (Audited)	
	HK$ million	*Percentage*	*HK$ million*	*Percentage*
Current to 30 days	356	36	249	26
31 to 60 days	202	21	181	19
61 to 90 days	171	17	204	21
Over 90 days	251	26	329	34
Total	980	100	963	100

Included in trade and bills payables are trade payables of HK$183 million (31 December 2004: HK$194 million) due to Neptune Holding Limited ("Neptune"), Electronic Sales Limited ("ESL") and Wiltec Industries Limited ("Wiltec"), being wholly-owned subsidiaries of CCT Telecom, which are repayable within 120 days from invoice date.

11. CONVERTIBLE NOTES

	30 June 2005 *HK$ million (Unaudited)*	31 December 2004 *HK$ million (Audited) (Restated)*
2007 Convertible Notes — *note (a)*	39	44
2008 Convertible Notes — *note (b)*	615	615
	654	659
Portion classified as current liabilities	—	(44)
Non-current portion	654	615

Notes:

(a) On 17 May 2002, CCT Technology Holdings Limited, a direct wholly-owned subsidiary of the Company, issued convertible notes with the principal amount of HK$45 million to Emporium International Limited, an indirect wholly-owned subsidiary of CCT Telecom, which were subsequently replaced by the convertible notes ("2007 Convertible Notes") issued by the Company on 4 November 2002. The 2007 Convertible Notes provide the holder an option right to convert the principal amount into ordinary shares of HK$0.01 each of the Company on any business day prior to five business days prior to the maturity of the 2007 Convertible Notes at a conversion price of HK$0.01 per share (subject to adjustment according to the terms of the 2007 Convertible Notes).

On 26 April 2004, the 2007 Convertible Notes were disposed of in full by Emporium International Limited to New Capital Industrial Limited, a company controlled by Mr. Mak Shiu Tong, Clement, the Chairman and a director of the Company, and his family members for a cash consideration of HK$45 million.

On 25 April 2005, the legal title of the 2007 Convertible Notes was transferred to Jade Assets Company Limited, an indirect wholly-owned subsidiary of CCT Telecom, pursuant to the terms of the voluntary conditional cash offer made by CCT Telecom during the period.

The 2007 Convertible Notes are interest-free and with an original due date on 17 May 2005, which was subsequently extended to 31 December 2007.

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. According to HKAS 32, the liability component of the outstanding 2007 Convertible Notes stated at amortised cost amounted to HK$39 million as at 30 June 2005. The equity component of the 2007 convertible Notes was accounted for and included in the shareholders' fund.

(b) On 30 June 2003, the Company issued convertible notes ("2008 Convertible Notes") with a principal amount of HK$768 million to Noble Team Investments Limited, an indirect wholly-owned subsidiary of CCT Telecom, as the consideration for the acquisition of the entire interest in Empire Success Holdings Limited from an indirect wholly-owned subsidiary of CCT Telecom. The 2008 Convertible Notes provide the holder an option right to convert the principal amount into the Company's ordinary shares of HK$0.01 each on any business day prior to five business days prior to the maturity of the 2008 Convertible Notes at the conversion price of HK$0.014 (subject to adjustment according to the terms of the 2008 Convertible Note) per share. The 2008 Convertible Notes bear interest at prime or best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited for Hong Kong dollar loans plus 2% per annum and will mature on the fifth anniversary of the date of their issue.

In 2004, part of the 2008 Convertible Notes with the principal amount of HK$14 million was converted into 1,000,000,000 shares of the Company of HK$0.01 each at the conversion price of HK$0.014 per share. Furthermore, on 13 September 2004, part of the 2008 Convertible Notes with the principal amount of HK$139 million was cancelled for the purpose of satisfying the consideration receivable from CCT Telecom in respect of the disposal of the First Precision Holdings Limited and its subsidiaries and CCT Investment Limited, a subsidiary of CCT Telecom.

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. According to HKAS 32, the liability component of the outstanding 2008 Convertible Notes stated at amortised cost amounted to HK$615 million as at 30 June 2005.

12. SHARE CAPITAL

	30 June 2005	31 December 2004
	HK$ million	*HK$ million*
	(Unaudited)	*(Audited)*
Authorised:		
120,000,000,000 ordinary shares of HK$0.01 each	1,200	1,200
Issued and fully paid:		
15,938,422,562 ordinary shares of HK$0.01 each	159	159

There were no changes to the carrying amount or the number of the ordinary shares in issue during the six months ended 30 June 2005.

13. CONTINGENT LIABILITIES

The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$1 million as at 30 June 2005 (31 December 2004: HK$6 million). The contingent liability have arisen because at the balance sheet date a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

14. PLEDGE OF ASSETS

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

(i) pledge of the Group's fixed deposits amounted to approximately HK$60 million (31 December 2004: approximately HK$95 million); and

(ii) fixed charges over certain of the Group's leasehold land and buildings and investment property with an aggregate net book value amounting to approximately HK$443 million (31 December 2004: Nil).

15. OPERATING LEASE ARRANGEMENTS

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

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

	30 June 2005	**31 December 2004**
	HK$ million	*HK$ million*
	(Unaudited)	*(Audited)*
Within one year	4	5
In the second to the fifth year, inclusive	2	2
	6	7

16. COMMITMENTS

In addition to the operating lease commitments detailed in note 15 above, the Group had the following capital 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	26	15
Purchase of a motor vehicle	—	4
Purchase of plant, machinery and equipment	11	1
	37	20

17. RELATED PARTY TRANSACTIONS

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

		Six months ended 30 June	
		2005	**2004**
		HK$ million	*HK$ million*
		(Unaudited)	*(Unaudited)*
Purchase of plastic casings and components	(i)	132	147
Purchases of materials	(ii)	—	13
Purchases of power supply components	(iii)	65	—
Factory rental income	(iv)	3	3
Factory rental expenses	(v)	3	4
Office rental expenses	(vi)	1	1
Management information system service fee	(vii)	2	1
Outsourcing of non-electronic baby products	(viii)	25	—

Notes:

(i) The transactions represent plastic casings and components purchased by CCT Telecom (HK) Limited ("CCT HK"), an indirect wholly-owned subsidiary of the Company, from Neptune and were previously made in accordance with the terms and conditions set out in the manufacturing agreement (the "First Manufacturing Agreement") entered into between CCT HK and Neptune on 15 May 2003. The First Manufacturing Agreement was terminated on 4 May 2004 and was replaced by the new manufacturing agreement (the "Second Manufacturing Agreement") entered into by the Company and CCT Telecom. Thereafter, the transactions were made pursuant to the Second Manufacturing Agreement under which CCT Telecom Remaining Group agree to manufacture for and supply to the Group certain plastic casings and components and toolings for telecom products and accessories and other products for the Group. The Second Manufacturing Agreement became effective on 15 June 2004.

The purchase prices of the transactions during the period were determined based on the direct material costs plus a mark-up of no more than 300% in accordance with the Second Manufacturing Agreement.

(ii) The materials purchased by ESL (the then wholly owned subsidiary of CCT Tech) from Neptune. The purchase prices were determined based on the direct costs of the materials plus a mark-up of up to 50% of such direct costs in accordance with the terms and conditions set out in the manufacturing agreement (the "Third Manufacturing Agreement") entered into between Neptune and ESL on 23 July 2002. Both parties agreed to early terminate the Third Manufacturing Agreement on 4 May 2004. Thereafter the purchases were made in accordance with the Second Manufacturing Agreement, details of which have been set out in paragraph (i) above. There was no such related purchases in 2005 because purchases of material by ESL from Neptune no longer constitute related party transactions after ESL became a subsidiary of CCT Telecom instead of CCT Tech as a result of transaction set out in 17(c).

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

(iv) The factory rental income was charged to Shine Best Developments Limited ("Shine Best"), an indirect wholly-owned subsidiary of CCT Telecom, by CCT Enterprise Limited ("CCT Ent"), an indirect wholly-owned subsidiary of the Company, for the provision of factory space in Huiyang, the PRC, at a rate determined in accordance with the terms and conditions set out in a tenancy

agreement entered into between Shine Best and CCT Ent on 15 May 2003. Shine Best and its subsidiaries manufacture and supply the plastic components to the Group in accordance with the terms of the Second Manufacturing Agreement

(v) The factory rental expenses were charged to the Group by CCT Telecom, for the provision of factory spaces in Dongguan, the PRC, at the rates determined in accordance with the terms and conditions set out in tenancy agreement dated 14 January 2004 which was subsequently replaced by the tenancy agreement dated 13 September 2004.

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

(vii) The management information system service fee was charged to CCT Telecom by CCT HK for the provision of general management information system support, network and software consultation and hardware maintenance services. The rate was determined in accordance with the terms and conditions set out in the agreement entered into between CCT Telecom and CCT HK on 15 May 2003.

(viii) The manufacturing of the non-electronic baby products and related components was outsourced by the Group to the CCT Telecom Remaining Group. The purchase prices were determined based on direct material costs plus a mark-up of no more than 300% of such material costs in accordance with the terms and conditions set out in the outsourcing agreement entered into between the Company and CCT Telecom on 29 November 2004 which came into effect on 1 January 2005.

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

	For the six months ended 30 June	
	2005	**2004**
	HK$ million	*HK$ million*
	(Unaudited)	*(Unaudited)*
Short term employee benefits	16	8
Post-employment benefits	—	—
Total compensation paid to key management personnel	16	8

(c) On 2 June 2004, the Company and CCT Telecom entered into a conditional agreement pursuant to which the Company agreed to dispose of its then power supply components business and an unused industrial property to CCT Telecom for a total consideration of HK$139.0 million, which was satisfied by the cancellation of the 2008 Convertible Notes in the same amount owed to CCT Telecom. The transaction was approved and completed on 8 September 2004. Further details of the transaction are set out in the circular of the Company dated 20 August 2004.

18. 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.

(4) 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 Tech Group had outstanding borrowings of approximately HK$223 million. The borrowings comprised secured bank loans of approximately HK$113 million, secured trust receipt loans of approximately HK$107 million and obligations under finance lease contracts of approximately HK$3 million. The CCT Tech Group's borrowings were secured by (i) the fixed charges over certain leasehold land and buildings and investment properties held by the CCT Tech Group with aggregate net book values of approximately HK$435 million; and (ii) certain fixed deposits of the CCT Tech Group of approximately HK$72 million. In addition, as at the same time, the CCT Tech Group had outstanding unsecured convertible notes with a principal sum of approximately HK$660 million.

As at 30 November 2005, the CCT Tech 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$0.4 million.

Save as aforesaid, and apart from intra-group liabilities, the CCT Tech 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.

(5) WORKING CAPITAL

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

(6) MATERIAL CHANGES

There has been no material changes in the financial or trading position or outlook of the CCT Tech Group since 31 December 2004, the date to which the latest published audited consolidated financial statements of the CCT Tech 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 Guandgong), 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 upto 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

The information in this document, other than information relating to the CCT Telecom Remaining Group, the terms of the Proposal and the CCT Telecom Group's intentions regarding the CCT Tech Group, has been supplied by the CCT Tech Directors. The CCT Tech Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than information relating to the CCT Telecom Remaining Group, the terms of the Proposal and the CCT Telecom Group's intentions regarding the CCT Tech Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this document (other than those expressed by the CCT Telecom Remaining Group) have been arrived at after due and careful consideration and there are no other facts not contained in this document the omission of which would make any such statement contained in this document misleading.

The information in this document, other than information relating to the CCT Tech Group, has been supplied by the CCT Telecom Remaining Group. The CCT Telecom Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than information relating to the CCT Tech Group) and confirms, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this document (other than information relating to the CCT Tech Group) have been arrived at after due and carefully consideration and there are no other facts not contained in this document the omission of which would make any such statement contained in this document misleading.

2. CORPORATE INFORMATION OF CCT TECH

CCT Tech was incorporated in Bermuda under the Companies Act on 22 July 2002. Its registered office is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. Its head office and principal place of business in Hong Kong is at 2208, 22nd Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong.

3. SHARE CAPITAL OF CCT TECH

The authorised and issued share capital of CCT Tech as at the Latest Practicable Date were as following:

	HK$
Authorised:	
120,000,000,000 CCT Tech Shares	1,200,000,000.00
Issued and fully paid up:	
15,938,422,562 CCT Tech Shares	159,384,225.62

All of the CCT Tech Shares currently in issue rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and capital. No CCT Tech Shares have been issued since 31 December 2004 (being the date to which the latest audited financial statements of the CCT Tech Group were made up) up to the Latest Practicable Date.

The CCT Tech Shares are listed on the Stock Exchange and none of the securities of CCT Tech are listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

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.

Save as disclosed, as at the Latest Practicable Date, the CCT Tech Group had no options, warrants, derivatives or other securities that are convertible into the CCT Tech Shares.

4. DISCLOSURE OF INTERESTS

(a) Mr. Mak Shiu Tong, Clement, Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and Mr. William Donald Putt are common executive directors of both CCT Tech and CCT Telecom.

(b) The interests and short positions of the CCT Tech Directors and the CCT Telelcom Directors in the shares and the underlying shares of convertible bonds of CCT Tech and CCT Telecom.

As at the Latest Practicable Date, the CCT Tech Directors, the CCT Telecom Directors and the chief executive of CCT Tech and CCT Telecom and their respective associates had the following interests and short positions in the shares, underlying shares and debentures of CCT Tech and CCT Telecom which were required to be notified to the Stock Exchange, CCT Tech and CCT Telecom 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 Tech and CCT Telecom respectively 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 the Stock Exchange, CCT Tech and CCT Telecom:

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

None of the CCT Tech Directors nor 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.

(2) ***Interests and short positions in the shares and the underlying shares of convertible bonds of an associated company — CCT Telecom***

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

Name of the CCT Tech Director and the CCT Telecom Directors	*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)*	*(b)*	715,652	—	126,280,640	126,996,292	19.37
Cheng Yuk Ching, Flora *(a)*	*(c)*	14,076,713	120,000	—	14,196,713	2.17
Tam Ngai Hung, Terry *(a)*		1,868,000	—	—	1,868,000	0.28
Tong Chi Hoi		300,000	—	—	300,000	0.05
William Donald Putt *(a)*		591,500	—	—	591,500	0.09
Samuel Olenick	*(d)*	—	—	545,000	545,000	0.08

Notes:

(a) Mr. Mak Shiu Tong, Clement, Ms. Cheng Yuk Ching, Flora, Mr. Tam Ngai Hung, Terry and Mr. William Donald Putt are common executive directors of both CCT Tech and CCT Telecom.

(b) 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.

(c) 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.

(d) 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 the CCT Tech 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 who is the executive director of both CCT Tech and CCT Telecom) 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.

(c) Particulars of other interests of the CCT Tech Directors and the CCT Telecom Directors

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

(d) Save as disclosed in the section headed "Disclosure of Interests" in this appendix, as at the Latest Practicable Date:

(i) none of the CCT Tech Directors or the CCT Telecom Directors and the chief executive of CCT Tech or CCT Telecom and their respective associates held any interests or short positions in the shares, underlying shares and debentures of CCT Tech or CCT Telecom;

(ii) none of the CCT Tech Directors or 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 Tech or CCT Telecom were made up, acquired or disposed of by or leased to any member of the CCT Tech Group or the CCT Telecom Group, or were proposed to be acquired or disposed of by or leased to any member of the CCT Tech Group or the CCT Telecom Group;

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

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

(v) CCT Tech or any of its subsidiaries did not have any interests in the shares, convertible bonds, options and securities of CCT Telecom;

(vi) save as disclosed in (b) above, none of the CCT Telecom Directors has any interests in the securities of CCT Tech;

(vii) save as disclosed in (b) above, none of the CCT Tech Directors has any interests in the securities of CCT Telecom;

(viii) save as disclosed in the paragraph headed "Interests of substantial shareholders of CCT Tech" below, none of the parties acting in concert with CCT Telecom has any interests in the securities of CCT Tech;

(ix) no person had irrevocably committed to accept or reject the Scheme;

(x) no person had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with CCT Telecom or with persons acting in concert with it had any interests in any securities of CCT Tech;

(xi) no subsidiary of CCT Tech, nor any pension fund of CCT Tech or any of its subsidiaries, nor any of the professional advisers named under the section headed "Consents" in this appendix nor any adviser of CCT Tech as specified in class (2) of the definition of "associate" in the Takeovers Code had any interests in any securities of CCT Tech;

(xii) save as disclosed in the paragraph headed "Interests of substantial shareholders of CCT Tech" below, none of CCT Telecom and parties acting in concert with it had any other interests in the securities of CCT Tech; and

(xiii) no fund managers who managed funds on a discretionary basis or connected with CCT Tech or CCT Telecom had any interests in any securities in CCT Tech or CCT Telecom.

5. INTERESTS OF SUBSTANTIAL SHAREHOLDERS OF CCT TECH

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

(i) Long positions in the CCT Tech Shares as at the Latest Practicable Date:

Name of the CCT Tech Shareholder	*Notes*	**Number of CCT Tech Shares held**	**Approximate percentage of total issued share capital** *(%)*
CCT Telecom	*(a)*	13,407,179,696	84.12
CCT Technology Investment Limited	*(b)*	13,407,179,696	84.12
Jade Assets	*(c)*	9,707,179,696	60.91
CCT Assets Management Limited	*(c)*	1,350,000,000	8.47
Expert Success International Limited	*(c)*	1,350,000,000	8.47
Noble Team Investments Limited	*(c)*	1,000,000,000	6.27

Notes:

(a) The interest disclosed represents 13,407,179,696 CCT Tech Shares indirectly owned by CCT Technology Investment Limited through the subsidiaries stated in Note (b) below. CCT Technology Investment Limited is a wholly-owned subsidiary of CCT Telecom.

(b) The interest disclosed represents 9,707,179,696 CCT Tech Shares held by Jade Assets, 1,350,000,000 CCT Tech Shares held by CCT Assets Management Limited, 1,350,000,000 CCT Tech Shares held by Expert Success International Limited and 1,000,000,000 CCT Tech Shares held by Noble Team Investments Limited, all of them are wholly-owned subsidiaries of CCT Technology Investment Limited.

(c) All are the indirect wholly-owned subsidiaries of and the parties acting in concert with CCT Telecom.

(ii) Long positions in the underlying CCT Tech Shares of convertible notes of CCT Tech as at the Latest Practicable Date:

Name of holder of convertible notes	*Notes*	Description of equity derivatives	Number of total underlying CCT Tech Shares	Approximate percentage of total issued share capital *(%)*
CCT Telecom	*(a)*	the 2008 CN	43,928,571,428	275.61
		the 2007 CN	4,500,000,000	28.23
CCT Technology Investment Limited	*(b)*	the 2008 CN	43,928,571,428	275.61
		the 2007 CN	4,500,000,000	28.23
Noble Team Investments Limited		the 2008 CN	43,928,571,428	275.61
Jade Assets		the 2007 CN	4,500,000,000	28.23

Notes:

(a) The interest disclosed represents the 2007 CN and the 2008 CN, (convertible into a total of 48,428,571,428 underlying CCT Tech Shares) indirectly owned by CCT Technology Investment Limited through the subsidiaries stated in Note (b) below. CCT Technology Investment Limited is a wholly-owned subsidiary of CCT Telecom.

(b) The interest disclosed represents the 2008 CN (convertible into a total of 43,928,571,428 underlying CCT Tech Shares) held by Noble Team Investments Limited and the 2007 CN (convertible into a total of 4,500,000,000 underlying CCT Tech Shares) held by Jade Assets, both companies are wholly-owned subsidiaries of CCT Technology Investment Limited.

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

6. DEALINGS IN SECURITIES

During the Relevant Period,

(a) Save for (i) the SPA entered into amongst CCT Telecom, Jade Assets and Value Partners Limited pursuant to which Jade Assets agreed to dispose of 1,500 million CCT Tech Shares to the funds managed by Value Partners Limited at HK$0.02 per CCT Tech Share and the granting of the Put Option to Value Partners Limited in accordance with the terms of the SPA as jointly announced by CCT Telecom and CCT Tech on 22 July 2005; and (ii) the Supplemental Agreement entered into amongst CCT Telecom, Jade Assets and Value Partners Limited pursuant to which Jade Assets agreed to buy back 1,500 million CCT Tech Shares from the funds managed by Value Partners Limited at HK$0.023 per

CCT Tech Share and the cancellation of the Put Option originally granted under the SPA, none of CCT Telecom nor the parties acting in concert with it had dealt for value in the securities of CCT Tech;

(b) none of the CCT Tech Directors nor the CCT Telecom Directors dealt for value in any securities of CCT Tech during the Relevant Period;

(c) the dealings of each of the CCT Tech Directors and the CCT Telecom Directors in the CCT Telecom Shares, convertible securities, options and derivatives or other securities exchangeable or convertible into the CCT Telecom Shares were as follows:

Name of the CCT Tech Directors and the CCT Telecom Directors	**Date or week**	**Acquisition by exercise of share options of CCT Telecom** *No. of CCT Telecom Shares*	**Exercise price per CCT Telecom Share** *HK$*	**Increase by electing scrip shares instead of cash dividend** *No. of CCT Telecom Shares*	**Disposal** *No. of CCT Telecom Shares*	**Average disposal price per CCT Telecom Share** *HK$*
Mak Shiu Tong, Clement*	4/7/2005	420,000	0.75	—	—	N/A
	19/8/2005	—	N/A	40,314,351#	—	N/A
Cheng Yuk Ching, Flora*	4/7/2005	4,200,000	0.75	—	—	N/A
Tam Ngai Hung, Terry*	22/6/2005	4,200,000	0.75	—	—	N/A
	11/7/2005–15/7/2005	—	N/A	—	1,174,000	0.96
	15/8/2005–19/8/2005	—	N/A	—	1,158,000	0.95
Tong Chi Hoi	20/6/2005–24/6/2005	—	N/A	—	282,000	1.68
	4/7/2005	1,000,000	0.75	—	—	N/A
	25/7/2005–29/7/2005	—	N/A	—	700,000	0.95
William Donald Putt*	22/6/2005	420,000	0.75	—	—	N/A
Samuel Olenick	4/7/2005	420,000	0.75	—	—	N/A
Tam King Ching, Kenny	22/6/2005	420,000	0.75	—	—	N/A
	20/6/2005–24/6/2005	—	N/A	—	350,000	1.67
	27/6/2005–30/6/2005	—	N/A	—	70,000	1.70
Lau Ho Man, Edward	22/6/2005	420,000	0.75	—	—	N/A
	27/6/2005–30/6/2005	—	N/A	—	250,000	1.70
	4/7/2005–8/7/2005	—	N/A	—	170,000	1.71

* Common executive directors of both CCT Tech and CCT Telecom

\# Represents the election of 40,018,699 scrip shares instead of cash dividend in respect of the special interim dividend paid by CCT Telecom on 19 August 2005 by Capital Force International Limited (a corporation controlled by Mr. Mak Shiu Tong, Clement) and the election by Mr. Mak Shiu Tong, Clement of 295,652 scrip shares instead of cash dividend in respect of the special interim dividend paid by CCT Telecom on 19 August 2005

Save as disclosed above, neither CCT Tech and CCT Telecom nor any of the CCT Tech Directors and the CCT Telecom Directors dealt for value in the securities of CCT Telecom or CCT Tech;

(d) no subsidiary of CCT Tech, nor any pension fund of CCT Tech or any of its subsidiaries, nor any of the professional advisers named under the section headed "Consents" in this Appendix nor any adviser of CCT Tech as specified in class (2) of the definition of "associate" in the Takeovers Code had dealt for value in any securities of CCT Tech;

(e) no person had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with CCT Tech or with any person who is an associate of CCT Tech by virtue of classes (1), (2), (3) or (4) of the definition of "associates" under the Takeovers Code and any other person had dealt for value in any securities of CCT Tech;

(f) no person had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with CCT Telecom or with persons acting in concert with it and no such person had dealt for value in any securities of CCT Tech; and

(g) no fund managers who managed funds on a discretionary basis or connected with CCT Tech had dealt for value in any securities in CCT Tech.

7. MARKET PRICES

The table below shows the closing market prices of the CCT Tech Shares as quoted on the Stock Exchange on the full trading day of each of the six calendar months immediately preceding the date of the Announcement on which trading of the CCT Tech Shares took place.

Date	**CCT Tech Share's price** *HK$*
31 May 2005	0.023
30 June 2005	0.021
29 July 2005	0.021
31 August 2005	0.021
30 September 2005	0.020
25 October 2005 (being the last trading day before the CCT Tech Shares were suspended pending the issue of the Announcement)	0.022
30 November 2005	0.021
30 December 2005	0.021
13 January 2006, the Latest Practicable Date	0.021

The highest and lowest closing market prices for the CCT Tech Shares as quoted on the Stock Exchange for the period between 10 May 2005 (being the commencement of the six-month period preceding the date of the Announcement) and the Latest Practicable Date were HK$0.023 recorded on 17 August 2005 and HK$0.019 recorded on 7 October 2005 respectively.

8. LITIGATION

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

9. MATERIAL CONTRACT

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

(1) a conditional agreement dated 2 June 2004 made between CCT Tech and CCT Telecom 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.

10. CONSENTS

Each of VC Capital, First Shanghai, Grant Sherman and the PRC Legal Adviser has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of its letter and/or references to its name, in the form and context in which it appears.

11. QUALIFICATIONS

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

Name	Qualification
VC Capital	Licensed corporation to carry out types 1 and 6 regulated activities under the SFO
First Shanghai	Licensed corporation to carry out type 6 regulated activity under the SFO
Grant Sherman	Property valuers, Chartered Surveyors
PRC Legal Adviser	Registered law firm in the PRC

As at the Latest Practicable Date, none of VC Capital, First Shanghai, Grant Sherman and the PRC Legal Adviser is interested in any CCT Tech Share or share in any member of the CCT Tech 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 Tech Share or share in any member of the CCT Tech Group.

12. 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 or is not recommended as fair and reasonable by First Shanghai to the Independent Board Committee and the Scheme Shareholders, and the Scheme is not approved at the relevant 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.

13. GENERAL

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

(b) 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.

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

(d) The controlling shareholders of CCT Tech are indirect wholly-owned subsidiaries of CCT Telecom.

(e) The substantial shareholders of CCT Telecom are corporations controlled by Mr. Mak Shiu Tong, Clement.

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

(g) The qualified accountant of CCT Tech is Mr. Ho Yiu Hong, Victor, who is a fellow of the Association of Chartered Certified Accountants and an associate of The Institute of Chartered Secretaries and Administrators.

(h) The company secretary of CCT Tech and 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.

(i) CCT Telecom does not have any intention to transfer any CCT Tech Shares acquired pursuant to the Scheme to any other person.

(j) There is no person who has irrevocably committed to accepting or rejecting the Proposal.

(k) No benefit (other than statutory compensation) would be given to any CCT Tech Directors as compensation for loss of office or otherwise in connection with the Proposal.

(l) As at the Latest Practicable Date and save in respect of the Proposal and the Scheme itself, there is no agreement, arrangement or understanding (including any compensation arrangement) between CCT Telecom, CCT Tech or any parties acting in concert with them and any CCT Tech Directors or CCT Telecom Directors, recent CCT Tech Directors, the CCT Tech Shareholders or recent CCT Tech Shareholders having any connection with or was dependent upon the outcome of the Proposal or otherwise connected therewith.

(m) As at the Latest Practicable Date, there was no agreement or arrangement between any of the CCT Tech Directors, the CCT Telecom Directors and any other person which is conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal.

(n) There is no agreement or arrangement to which CCT Telecom is a party which relates to the circumstances in which it may or may not involve or seek to involve a condition to the Scheme.

(o) As at the Latest Practicable Date, there was no material contract to which CCT Telecom is a party in which any CCT Tech Director or any CCT Telecom Director has a material personal interest.

(p) No qualified opinion has been expressed in the respective audited consolidated financial statements of CCT Tech and CCT Telecom for each of the three years ended 31 December 2004.

(q) As at the Latest Practicable Date, the executive directors of CCT Tech are Mr. Mak Shiu Tong, Clement, Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora, Mr. Tong Chi Hoi and Dr. William Donald Putt and the independent non-executive directors of CCT Tech are Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Chen Li.

(r) As at the Latest Practicable Date, the executive directors of CCT Telecom are Mr. Mak Shiu Tong, Clement, Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt and the independent non-executive directors of CCT Telecom are Mr. Samuel Olenick, Mr. Tam King Ching, Kenny and Mr. Lau Ho Man, Edward.

(s) The registered office of VC Capital is 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong.

(t) The registered office of First Shanghai is 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong.

(u) The English text of this document shall prevail over the Chinese text in the case of inconsistency.

14. 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 Tech in Hong Kong at 2208, 22/F., 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 document up to and including the date of the Meetings:

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

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

(c) the annual reports of CCT Tech for each of the two financial years ended 31 December 2003 and 2004 and the interim reports of CCT Tech for the six months ended 30 June 2004 and 2005;

(d) the annual reports of CCT Telecom for each of the two financial years ended 31 December 2003 and 2004 and the interim reports of CCT Telecom for the six months ended 30 June 2004 and 2005;

(e) the letter from the Independent Board Committee, the text of which is set out on page 17 of this document;

(f) the letter from First Shanghai, the text of which is set out on pages 18 to 39 of this document;

(g) the written consents from the experts referred to in the paragraph headed "Consents" in this appendix;

(h) the property valuation report provided by Grant Sherman, the text of which is set out on pages 111 to 113 of this document, and the valuation certificate provided by Grant Sherman as set out on pages 114 to 115 of this document;

(i) the material contract referred to in the paragraph headed "Material Contract" in this appendix;

(j) the composite offer and response document dated 31 March 2005 relating to the Previous Offers; and

(k) the circular in relation to a major transaction dated 18 January 2006 from CCT Telecom in relation to the Proposal.

IN THE SUPREME COURT OF BERMUDA

CIVIL JURISDICTION

2006: NO. 5

IN THE MATTER OF
CCT TECH INTERNATIONAL LIMITED

AND

IN THE MATTER OF SECTION 99 OF
THE COMPANIES ACT 1981

SCHEME OF ARRANGEMENT

BETWEEN

CCT TECH INTERNATIONAL LIMITED

AND

THE HOLDERS OF THE SCHEME SHARES
(AS HEREINAFTER DEFINED)

PRELIMINARY

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall bear the following meanings:

"CCT Telecom" means CCT Telecom Holdings Limited, a company incorporated in the Cayman Islands with limited liability and continued in Bermuda and a substantial shareholder of the Company;

"CCT Telecom Concert Parties" means CCT Telecom, CCT Assets Management Limited, Jade Assets Company Limited, Expert Success International Limited and Noble Team Investments Limited;

"Company" or "CCT Tech" means CCT Tech International Limited, an exempted company incorporated in Bermuda;

"Court" means the Supreme Court of Bermuda;

"Effective Date" means the date on which this Scheme becomes effective in accordance with clause 6 of this Scheme;

"Latest Practicable Date" means 13 January 2006 being the latest practicable date prior to printing of the document sent to, inter alia, holders of the CCT Tech Shares dated 18 January 2006 in which this Scheme is contained;

"Record Date" means 3 March 2006 or such other date as shall have been announced to the CCT Tech Shareholders, the record date for determining entitlements under the Scheme;

"Register" means the register of members of the Company;

"Scheme" means this scheme of arrangement in its present form or with or subject to any modification or addition or condition which the Court may approve or impose;

"Scheme Shares" means the CCT Tech Shares in issue as at the Record Date which are not beneficially owned by CCT Telecom Concert Parties;

"CCT Tech Shareholder" means a registered holder of the CCT Tech Shares;

"CCT Tech Shares" means ordinary shares of HK$0.01 each in the share capital of the Company; and

"HK$" means Hong Kong dollars.

(B) The Company was incorporated on 22 July 2002 with an authorised share capital of HK$100,000 divided into 10,000,000 CCT Tech Shares. On 4 November 2002, the authorised share capital was increased to HK$300,000,000 divided into 30,000,000,000 CCT Tech Shares. On 27 June 2003, the authorised share capital was further increased to HK$1,200,000,000 divided into 120,000,000,000 CCT Tech Shares. As at the date hereof, there are in issue 15,938,422,562 CCT Tech Shares fully paid or credited as fully paid.

(C) On the Latest Practicable Date, CCT Telecom Concert Parties beneficially owned an aggregate of 13,407,179,696 CCT Tech Shares, all credited as fully paid. CCT Telecom has undertaken that in relation to such CCT Tech Shares in which it is beneficially interested, it will remain so beneficially interested until the date on which the Scheme becomes effective, is withdrawn or lapsed.

(D) On the Effective Date, all the Scheme Shares in issue on the Record Date will be cancelled and extinguished.

(E) In consideration of and exchange for the cancellation and extinguishment of each of the Scheme Shares, all holders of the Scheme Shares will be entitled to receive HK$0.023 in cash for every Scheme Share held.

(F) The CCT Telecom Concert Parties have agreed to appear by Counsel at the hearing of the petition to sanction this Scheme and to undertake to the Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by them for the purpose of giving effect to this Scheme.

(G) The primary purpose of this Scheme is that the holders of the Scheme Shares should receive cash, in consideration of the cancellation and extinguishment of the Scheme Shares, on the basis of HK$0.023 in cash for every Scheme Share held by them and that the Company should become wholly-owned by the Company.

The Scheme

Part I — Cancellation and extinguishment of the Scheme Shares

1. (a) On the Effective Date, the share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares.

(b) The Company shall apply the amount of the credit arising in its books of account as a result of the reduction of its share capital referred to in paragraph (a) above to a reserve account in the books of account of the Company.

Part II — Consideration for cancellation of the Scheme Shares

2. In consideration of the cancellation of the Scheme Shares pursuant to paragraph 1(a) of this Scheme, the Company will pay to each Scheme Shareholder, as appearing in the Register at 9:00 a.m. (Hong Kong time) on the Record Date, HK$0.023 in cash for every Scheme Share held.

Part III — General

3. As from the Effective Date, all certificates representing the Scheme Shares shall cease to have effect as documents or evidence of title and every holder thereof shall be bound on the request of the Company to deliver up to the Company the certificates for his or her existing holding.

(a) Not later than ten days after the Effective Date, the Company shall send or cause to be sent to the Scheme Shareholders (as appearing in the Register at 9:00 a.m. (Hong Kong time) on the Record Date) cheques in respect of the sums payable to such Scheme Shareholders.

(b) Unless indicated otherwise in writing to the branch share registrar and transfer office of the Company in Hong Kong, all such cheques shall be sent through the ordinary post (by airmail where appropriate) in pre-paid envelopes addressed to such Scheme Shareholders as follows:

(i) In the case of each sole Scheme Shareholder, to the registered address of such Scheme Shareholders as appearing in the Register as at 9:00 a.m. (Hong Kong time) on the Record Date; or

(ii) In the case of joint Scheme Shareholders, the registered address as appearing in the Register as at 9:00 a.m. (Hong Kong time) on the Record Date of the joint Scheme Shareholder whose name then stands first in the Register in respect of the relevant joint holding.

(c) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of clause 3(b) of this Scheme, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Company for the moneys expressed to be represented thereby.

(d) All cheques shall be posted at the risk of the addressee and other persons entitled thereto and the Company shall not be liable for any loss or delay in transmission.

(e) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph 3(b) of this Scheme, the Company shall have the right to cancel or countermand payment of any such cheque which has not then been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the Company's name with a licensed bank in Hong Kong selected by the Company. The Company shall hold such monies until the expiry of six years from the Effective Date and shall prior to such date make payments thereout of the sums payable pursuant to paragraph 2 of this Scheme to persons who satisfy the Company that they are respectively entitled thereto, provided that the cheques referred to in paragraph 3(b) of this Scheme of which they are payees have not been cashed. Any payments made by the Company hereunder shall include any interest accrued on the sums to which the respective persons are entitled pursuant to paragraph 2 of this Scheme, calculated at the annual rate prevailing from time to time at the licensed bank in which the monies are deposited, subject, if applicable, to the deduction of interest tax or any withholding or other tax or any other deduction required by law. The Company shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Company to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

(f) On the expiry of six years from the Effective Date, the Company shall be released from any further obligation to make any payments under this Scheme and the Company shall thereafter retain the balance (if any) of the sums standing to the credit of the deposit account referred to in paragraph 3(e) of this Scheme including accrued interest subject, if applicable, to the deduction of interest tax or any withholding or other tax or any other deduction required by law and subject to the deduction of any expenses.

(g) The preceding sub-paragraphs of this paragraph 3 shall take effect subject to any prohibition or condition imposed by law.

4. Each instrument of transfer and certificate validly subsisting at the Record Date in respect of a transfer or holding of any number of the Scheme Shares shall, as from the Effective Date, cease to be valid for any purpose as an instrument of transfer or a certificate for the CCT Tech Shares and every Scheme Shareholder thereof shall be bound, on the request of the Company, to deliver up to the Company the certificate(s) for its, his or her existing holding.

5. All mandates or other instructions to the Company in force at the opening of business in Hong Kong on the Effective Date in relation to the Scheme Shares (including elections for the payment of dividends by way of scrip) shall cease to be valid as effective mandates or instructions.

6. This Scheme shall become effective as soon as a copy of the Order of the Court sanctioning this Scheme under section 99 of the Companies Act shall have been duly registered by the Registrar of Companies in Bermuda.

7. The Company may jointly consent for and on behalf of all concerned to any modification(s) of or addition(s) to this Scheme or to any condition(s) which the Court may see fit to approve or impose.

8. The expenses and costs incurred by the Company in connection with the Scheme will be borne by the Company.

Dated this 18th day of January 2006

IN THE SUPREME COURT OF BERMUDA

CIVIL JURISDICTION

2006: NO. 5

IN THE MATTER OF
CCT TECH INTERNATIONAL LIMITED

AND

IN THE MATTER OF
SECTION 99 OF THE COMPANIES ACT 1981

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that, by an order dated 12 January 2006 (the "**Order**") made in the above matter, the Supreme Court of Bermuda ("**Court**") has directed a meeting of the holders of the Scheme Shares (as defined in the Scheme of Arrangement hereinafter mentioned) to be convened, for the purpose of considering and, if thought fit, approving (with or without modification(s)) a Scheme of Arrangement proposed to be made between the above-named company (the "**Company**") and the holders of Scheme Shares on the Record Date (as defined in the said Scheme of Arrangement) and that such meeting will be held at 2208, 22nd Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong on Monday, 13 February 2006 at 10:00 a.m. at which place and time all the holders of the Scheme Shares are requested to attend.

A copy of a printed scheme document (the "**Scheme Document**") of which this notice forms a part, containing the said Scheme of Arrangement and the explanatory statement required to be furnished pursuant to section 100 of the Companies Act 1981 together with a form of proxy have been posted to every shareholder having a registered address in the register of members of the Company and additional copies of the Scheme Document, together with forms of proxy, can be obtained by any person entitled to attend the said meeting during usual business hours on any day prior to the day appointed for the said meeting (other than a Saturday afternoon, a Sunday or a statutory holiday) from (i) the principal place of business of the Company in Hong Kong at 2208, 22nd Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong; and (ii) the office of the branch share registrar and transfer office of the Company in Hong Kong, Tengis Limited, at the 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

The said holders of the Scheme Shares may vote in person at the said meeting or they may appoint another person(s) whether member(s) of the Company or not, as their proxies to attend and vote in their stead.

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint shareholding.

It is requested that yellow forms appointing proxies be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tengis Limited, at the 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 48 hours before the time appointed for the said meeting.

By the Order, the Court has appointed Mr. Tam Ngai Hung, Terry, a director of the Company, or failing him, Mr. Mak Shiu Tong, Clement, also a director of the Company, or failing him, any other person who is a director of the Company as at the date of the Order to act as Chairman of the said meeting and has directed the Chairman to report the result thereof to the Court.

The said Scheme of Arrangement will be subject to the subsequent approval of the Court and to the satisfaction of the conditions set out in the explanatory statement contained in the Scheme Document.

Dated this 18th day of January 2006

CONYERS DILL & PEARMAN
Clarendon House
2 Church Street
Hamilton HM11
Bermuda
Attorneys for the Company

CCT TECH INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 261)

NOTICE IS HEREBY GIVEN that a special general meeting of the shareholders of CCT Tech International 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 10:30 a.m. (or as soon thereafter as the Court Meeting (as defined in the Scheme Document hereinafter defined) convened for the same day and place shall have been concluded or adjourned), for the purpose of considering and, if thought fit, passing with or without modification, the following resolution as a special resolution of the Company:

SPECIAL RESOLUTION

"**THAT**:

(A) for the purposes of giving effect to the Scheme (as defined in the scheme document dated 18 January 2006 (the "**Scheme Document**"), a copy of which is tabled at the meeting and marked "A" and initialed by the chairman of the meeting for identification purpose, on the Effective Date (as defined in the Scheme Document):

(i) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares (as defined in the Scheme Document);

(ii) the Company shall apply the credit arising in its books of account as a result of the said reduction of share capital to the contributed surplus account in the books of account of the Company;

(B) subject to the Scheme (as defined in the Scheme Document) taking effect, the directors of the Company (the "**Director(s)**") be and are hereby authorised to make application to The Stock Exchange of Hong Kong Limited (hereinafter called the "**Stock Exchange**") for withdrawal of the listing of the Company's shares on the Stock Exchange; and

(C) any one Director, or any two Directors if the affixation of the common seal of the Company is necessary, be and is/are hereby authorised to do all other acts and things as considered by them to be necessary or desirable in connection with the implementation of the Scheme (as defined in the Scheme Document), including (without limitation) the giving of consent to any modifications of, or additions to, the Scheme (as defined in the Scheme Document), which the Supreme Court of Bermuda may see fit to impose and to do all other acts and things as considered by them to be necessary or desirable in connection with the implementation of the Scheme (as defined in the Scheme Document) and in relation to the Proposal (as defined in the Scheme Document sent to the holders of the Scheme Shares (as defined in the Scheme Document) of which the notice of this resolution forms part) as a whole."

By Order of the Board of
CCT TECH INTERNATIONAL 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 white form of proxy for use at this meeting is enclosed herewith.*

2. *The register of members of the Company will be closed from Tuesday, 7 February 2006 to Monday, 13 February 2006 (both dates inclusive) during which period no transfer of share(s) will be effected. In order to determine the entitlement to attend and vote at this meeting, all transfer of share(s), accompanied by the relevant share certificate(s) with the completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Monday, 6 February 2006.*

3. *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.*

4. *A member of the Company entitled to attend and vote at this meeting is entitled to appoint not more than two proxies (who must be an individual) to attend and vote instead of him/her on the same occasion. A proxy need not be a member of the Company.*

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

6. *Completion and return of the form of proxy shall not preclude a member from attending and voting in person at this meeting or any adjournment thereof (as the case may be) should they so wish and, in such event, the form of proxy shall be deemed to be revoked.*

7. *Where there are joint holders of any share in the Company, any one of such joint holders may vote at this meeting or any adjournment thereof (as the case may be), either personally or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at this meeting or any adjournment thereof (as the case may be) personally or by proxy, the most senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members of the Company in respect of the relevant joint holding.*

CCT TECH INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 261)

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$0.01 each in the capital of CCT Tech International 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 10:30 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 special 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 hereinunder 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]
Special 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 was 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 on 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.*

10. *A self-addressed and pre-paid envelope is enclosed for your convenience for returning by post (from within Hong Kong only) this completed and signed form of proxy.*

CCT TECH INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 261)

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

Form of proxy for use at the meeting (or at any adjournment thereof) of the Scheme Shareholders (as defined in the scheme document dated 18 January 2006 as referred to in the notice convening the meeting) of shares(s) of HK$0.01 each in the share capital of CCT Tech International Limited (the "**Company**") (defined as "**Scheme Share(s)**") convened by the direction of the Supreme Court of Bermuda (the "**Meeting**").

IN THE SUPREME COURT OF BERMUDA
CIVIL JURISDICTION
2006: NO. 5

IN THE MATTER OF CCT TECH INTERNATIONAL LIMITED
AND
IN THE MATTER OF SECTION 99 OF THE COMPANIES ACT 1981

I/We[1] _____

of _____

being the registered holder(s) of[2] _____ share(s) (the "**Share(s)**") of HK$0.01 each in the capital of 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 Meeting of the holders of the Shares convened by direction of the Supreme Court of Bermuda (or at any adjournment thereof) to be held at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong on Monday, 13 February 2006 at 10:00 a.m. (Hong Kong time) for the purpose of considering and, if thought fit, approving (with or without modification) the Scheme of Arrangement dated 18 January 2006 between the Company and the Scheme Shareholders (the "**Scheme**") as referred to in the notice convening the Meeting and at the Meeting to vote[4] for me/us and in my/our name(s) in respect of the Scheme (with or without modification, as my/our proxy may approve) or against the Scheme 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 fits.

	FOR[5]	**AGAINST[5]**
The Scheme		

Signature[6] _____ Dated _____

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. The resolution as to whether or not to approve the Scheme put to the vote at the Meeting shall, under Section 99 of the Companies Act 1981, be decided on the basis of the majority in number representing three-fourths in value of the Scheme Shares that are voted either in person or by proxy at the Meeting and will therefore be conducted by poll in accordance with the Company's bye-laws.
5. **IMPORTANT: If you wish to vote for the Scheme, please put a tick in the box marked "FOR". If you wish to vote against the Scheme, 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 that referred to in the notice convening the Meeting.**
6. 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.
7. 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.
8. 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, but if this form of proxy is not so lodged, it may be handed to the chairman of the Meeting at the Meeting.
9. A proxy need not be a shareholder of the Company but must attend the Meeting in person to represent you.
10. 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.
11. A self-addressed and pre-paid envelope is enclosed for your convenience for returning by post (from within Hong Kong only) this completed and signed form of proxy.