CCT TELECOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(stock code: 138)

ANNOUNCEMENT OF ANNUAL AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

HIGHLIGHTS

Summary Highlights

- Group turnover rose by 18% to HK$4,057 million;
- Net profit of HK$56 million turnaround from net loss of HK$118 million in the previous year; and
- Dividend HK$0.03 (final dividend HK$0.02, interim dividend HK$0.01) per share, dividend yield equal to 2.3% excluding special interim dividend paid.

CHAIRMAN'S LETTER

The fiscal year 2004 was truly a remarkable year for CCT Telecom Holdings Limited (the "Company") and its subsidiaries (together the "Group"). Despite facing the increasing market uncertainty and the competitive business environment, we managed to sustain an encouraging and remarkably strong financial performance.

Group turnover grew 18% to around HK$4 billion. Net profit was recorded at HK$56 million. The results represent a milestone for the Company as it has turnaround from a net loss of HK$118 million in the previous year. Basic earnings per share were HK$0.13 in 2004 as compared to a loss per share of HK$0.28 in 2003. Dividend per share (excluding the special interim dividend of HK$0.10 per share paid in June 2004) amounted to HK$0.03 per share, which is same as in the previous year.

In the year under review, we faced challenges from keen competition in the cordless phone market, which led to price pressure from our customers. The fluctuation of the supply and price of raw materials due to, for instance, the continued rise of price of petroleum, the shortage of electricity and labour in the Guangdong Province where the Group's factories are located have placed pressure on the operating costs of the Group. Despite such factors, we had been able to deliver satisfactory results in the year under review.

Our continued success is mainly attributable to our product diversification strategy of developing and launching new and innovative products and our market diversification strategy of venturing into Europe and the Asia Pacific regions. Our streamlined operating structure and efficient supply chain management have resulted in better and effective control in costs. Our performance was further enhanced by the reduction in the share of loss from our then listed associate, Haier Electronics Group Co., Limited ("Haier Electronics", formerly known as Haier-CCT Holdings Limited) by the Group from approximately HK$200 million in 2003 to approximately HK$2 million in 2004, as a result of the improvement in the operating results of Haier Electronics and that there was no goodwill impairment in Haier Electronics in the year under review.

Financial position of the Group remained strong and healthy. As at 31 December 2004, total assets reached around HK$4 billion with cash and bank balance maintained at approximately HK$1 billion. Net current assets increased by HK$24 million to approximately HK$694 million. The gearing ratio remained at a low level of approximately 14%. All these have signified not only our growth but also our rock-solid and healthy financial position.

CCT Tech Group

The telecom product business of the Group includes the sales and manufacture of cordless phones and advance and hi-tech electronic products on both an original design manufacturing ("ODM") basis and a contract manufacturing basis. This core business is carried out by Company's principal listed subsidiary, CCT Tech International Limited ("CCT Tech") and its subsidiaries (together the "CCT Tech Group"), which has already established itself as one of the largest and leading ODM manufacturers and contract manufacturing providers of telecom products in the world. During the year under review, the telecom product business continued its outstanding performance, with the monthly sales figures well exceeded those recorded in the corresponding months of the previous years, attributable to the successful implementation of the Group's strategies of product differentiation and geographical diversification.

CCT Industrial Group

CCT Industrial Group is engaged in the manufacture of plastic products, electronic components and baby and health care products. The plastic products and electronic components are manufactured primarily for internal supply to the CCT Tech Group for the production of its telecom products. Despite the worldwide unstable supply and rising demand of copper and oil which have placed considerable pressure on both the supply and costs of the raw materials, the turnover of the plastic product and electronic component businesses managed to grow in line with the growth of the telecom product business and continued to contribute stable revenue to the Group during the year under review by taking full advantage of economies of scale of the Group and implementing effective cost control. In particular, we invested considerably in production machineries for the plastic product business during the year under review for its future horizontal expansion to external customers apart from its vertical supply to the CCT Tech Group. We believe that the plastic product business and the electronic component business will continue to provide satisfactory contributions to the Group.

Another product line of the CCT Industrial Group is the baby and health care products, which includes a variety of traditional plastic baby products, baby toys and other accessories. The business represents an insignificant portion of the Group but, nonetheless, contributes steady revenue to the Group.

Haier Electronics

We are pleased to report that the acquisition of the washing machine business from Haier Group Corporation (together with its subsidiaries and associates, the "Haier Group") and the exercise of the call option to acquire the 35.5% of the mobile handset business (the "Asset Injection") by Haier Electronics were successfully completed on 28 January 2005. Immediate upon completion of the Asset Injection and the placing of shares to restore public float, the shareholding of the Haier Group in Haier Electronics has increased to 50.3% and the equity interests of the Group in Haier Electronics was diluted from 43.6% to 24.0%. Since the Group is no longer the single largest shareholder of Haier Electronics, all the directors as nominated by the Group to the board of Haier Electronics were resigned as directors of Haier Electronics upon completion of the Asset Injection.

Furthermore, as the Group does not exercise any management control or significant influence over Haier Electronics since then, Haier Electronics will not be treated as an associate of the Group in the Group's result effective therefrom.

Haier Group is a renowned international white goods manufacturer and distributor based in the People's Republic of China. The Asset Injection marked a new page for Haier Electronics and will no doubt enhance the asset value and earnings of Haier Electronics. The Haier Group has indicated its intention to further inject quality assets into Haier Electronics in order to transform Haier Electronics as the listed flagship of the Haier Group's white goods business. As one of the substantial shareholders of Haier Electronics, we are pleased to witness the broadening and strengthening of Haier Electronics' asset and revenue base and look forward to increasing the value of our investment in Haier Electronics.

Proposed voluntary offers to be made to acquire the minority interests in CCT Tech

The Company and CCT Tech jointly announced on 31 January 2005 that the Company, through Jade Assets Company Limited ("Jade Assets"), a wholly-owned subsidiary of the Company, proposed to make a voluntary conditional cash offer with securities exchange alternative to acquire all the issued shares of CCT Tech (other than those owned by Jade Assets and parties acting in concert with it) and the convertible notes due on 2005 of CCT Tech (which is held by New Capital Industrial Limited, a company wholly owned by me and my family members), and to make a voluntary conditional cash offer to the holders of the share options of CCT Tech to cancel all outstanding share options of CCT Tech. The proposed offers were approved by the independent shareholders of the Company on 18 April 2005.

Although a significant portion of the Group's turnover and profit is contributed by the telecom product business of CCT Tech, as at 31 December 2004, we owned only 34.5% interest in CCT Tech. The purpose of the offers is to increase our shareholding interest in CCT Tech as well as to bring increasing returns from CCT Tech to the Group. The Company also intends to effect the compulsory acquisition and privatisation of CCT Tech, so far as it is permitted to do so under the applicable laws and regulations, and to apply for delisting of CCT Tech.

The offers are subject to various conditions, all of which have been fulfilled on or before 21 April 2005 and as a result, the offers have become unconditional on 21 April 2005. As at 21 April 2005, being the first closing date of the offers, valid acceptances have been received in respect of approximately 7.6 billion shares of CCT Tech, the entire amount of the convertible notes due on 2005 and all the outstanding share options of CCT Tech. Once the transfer of the shares, in which acceptances have been received as at 21 April 2005, is effected, the Company's equity interest in CCT Tech will increase from 34.5% to 82.3%. Pursuant to the Hong Kong Code on Takeovers and Mergers, the offers remain open and the closing date has been extended to Friday, 6 May 2005 (or any subsequent date(s) as may be announced by Jade Assets and approved by Securities and Futures Commission of Hong Kong.) The shareholders will be kept informed of the status and results of the offers.

OUTLOOK

We expect the year 2005 continue to be a challenging year. Price pressure from customers, fluctuation of supply and price of raw materials and electronic components and shortage of labour and electricity, all of these will continue to impose pressure on the costs and margins of the Group.

Despite the uncertainties ahead, the Company is well positioned to continue its financial success and achieve further growth given its strong R&D capabilities, efficient productivity and economies of scale. The board is optimistic about the future of the telecom product business given the strong support from the

existing customers and the positive response and interest from the potential customers. We will continue to maintain our strong and long-term partnership with our customers, thus enhance future collaboration. It is believed that with the strong R&D team, healthy growth prospect and outstanding management team, along with our high quality products and advance production facilities, the Group will achieve new heights in the future.

ACKNOWLEDGEMENTS

I would like to take this opportunity to express my gratitude to the members of the board for their diligent guidance and support, and to thank the Group's management team for their sound leadership and management, the staff for their hard work, and our business partners, bankers and associates for their continuing support.

Mak Shiu Tong, Clement
Chairman

Hong Kong, 25 April 2005

REVIEW OF OPERATIONS

CCT Tech Group

Telecom product business

The telecom product business of the Group includes the sales and manufacture of cordless phones, advance and hi-tech electronic products on both an ODM basis and a contract manufacturing basis. The telecom product business is operated through CCT Tech, the Company's listed subsidiary, of which as at 31 December 2004, the Company held a 34.5% interest in it. This business continued to be our principal business and accounted for over 90% of the Group's total turnover during the year under review.

In the year under review, the CCT Tech Group faced challenges from keen competition in the US market, price pressure from major customers, rise in cost of materials and increase in energy and transportation costs. Nevertheless, the CCT Tech Group achieved encouraging results in the year 2004, which exceeded the financial targets set by the management at the beginning of the financial year. Its outstanding performance was resulted from a combination of factors, including, geographical diversification and product diversification and differentiation.

During the year under review, the CCT Tech Group successfully penetrated into new markets in Europe and the Asia Pacific regions. This has resulted in the reduction in dependence by the Group on the US market.

Furthermore, the Group invested considerably in research and development and production capabilities in order to further improve our technology as well as maintain the Group's leading position in the market of hi-frequency product. In this regard, the CCT Tech Group set up a new R&D centre in Singapore which specialises in the development of new technology, software as well as high radio frequency products. Together with the world-class team of over 500 engineers in the Hong Kong and Shenzhen R&D office, the management believe that the CCT Tech Group is able to deliver right technology ahead of other market players. Capitalising on its R&D strength, the CCT Tech Group developed and launched the first 5.8 GHz digital cordless phone and a number of new DECT (digital enhanced cordless telephone) models in 2004, all of which were well-received by customers for their excellent qualities and innovative designs as well as stimulated sales of the Group as a whole. Due to the above factors, coupled with the benefit from

the Group's economies of scale in materials procurement, the competitive edge of CCT Tech in the industry is further strengthened and, thus, managed to report growths both in terms of revenue and profit in the year of 2004.

As a major shareholder of CCT Tech, the Group will continue to provide full support to the CCT Tech Group, the growth and expansion of which will in turn bring in increasing returns to the Group.

CCT Industrial Group

Plastic product business

During the course of its business, the CCT Tech Group procures and consumes a substantial amount of various kinds of raw materials and components, including plastic components, for the production of its telecom products. The plastic product business of the Group is originally set up to ensure that there is a stable and on-time vertical supply of plastic components to the CCT Tech Group. Throughout the years, apart from supplying its products to the CCT Tech Group, the plastic product business has also set up its own customer base and sells its products to other customers.

The production base of the plastic product business is located in the Group's production plants in Huiyang and Dongguan, Guangdong Province. Both plastic production plants are some of the largest plastic injection manufacturing facilities in the district, currently with a total of over 270 advance mould injection machines, including 35 automatic robot arm plastic moulding machines, and the capability of producing a wide variety of products with capacities from 20 tons to 600 tons. It is also equipped with other advance machineries such as digital milling machines and wire-cutting machines as well as EDM (electrical discharge machine) and CNC (computer numerical control) processing centres. In addition to the manufacturing of plastic products, the plastic product business is also engaged in the secondary operation of plastic products such as auto-spraying, silk-screening and UV printing, hot-stamping, laser marking, tempo-printing, assembly and ultrasonic welding.

During the year under review, the plastic product business was affected by the recent worldwide increase in price of petroleum (since plastic materials are by-products of petroleum) which resulted in substantial pressure on the operating margins and results of this line of business. Despite the adversity, the plastic product business managed to grow steadily by taking full advantage of the Group's economies of scale as well as by broadening the product range and customer base as a result of its improved product quality and advance production techniques. The management is optimistic that the business will continue to provide a satisfactory contribution to the Group.

Electronic component business

The electronic component business of the Group, which is engaged in the manufacture of electronic components including AC/DC adaptors and transformers, is principally responsible for the supply of its products to the CCT Tech Group for the manufacturing of telecom products. To ensure only high quality products are delivered to the CCT Tech Group and other customers, the electronic component business is equipped with advance machineries and testing equipment and has obtained safety approvals for its products from different safety bodies all over the world, including the US, Canada, Europe, the PRC, Mexico, Japan and Australia.

Baby and health care product business

The baby and health care product business of the Group is engaged in the production of a variety of traditional plastic baby products, baby toys and other accessories. The Group continued to place emphasis in its principal US market, with the successful diversification into, and increase in share in, the European market during the year under review.

AUDITED RESULTS

The board of Directors of the Company (the "Board") are pleased to announce the audited results of the Group for the year ended 31 December 2004 together with comparative figures for the previous year as follows:

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

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

NOTES:

1. Impact of recently issued Hong Kong Financial Reporting Standards ("HKFRSs")

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

2. Business Segment Information

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

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

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

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

The following tables present revenue and profit/(loss) for the Group's business segments for the year ended 31 December 2004 and 2003.

Group

	Telecom products		Baby and health care products		Corporate and others		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$million	*HK$million*	***HK$million***	*HK$million*	***HK$million***	*HK$million*	***HK$million***	*HK$million*
Segment revenue:								
Sales to external customers	**3,906**	3,224	**146**	157	**—**	52	**4,052**	3,433
Other revenue	**—**	—	**—**	—	**39**	32	**39**	32
Total revenue	**3,906**	3,224	**146**	157	**39**	84	**4,091**	3,465
Segment results	**225**	215	**14**	19	**(76)**	(86)	**163**	148
Interest income							**5**	8
Unallocated revenue							**—**	5
Unallocated expenses							**(3)**	(12)
Profit from operating activities							**165**	149
Finance costs							**(6)**	(8)
Share of loss of an associate	**—**	—	**—**	—	**(2)**	(200)	**(2)**	(200)
Profit/(loss) before tax							**157**	(59)
Tax							**(20)**	(12)
Profit/(loss) before minority interests							**137**	(71)
Minority interests							**(81)**	(47)
Net profit/(loss) from ordinary activities attributable to shareholders							**56**	(118)

3. Depreciation and Amortisation

HK$million	**2004**	2003
Depreciation	**127**	122
Amortisation		
— Deferred development expenditure	**30**	30
— Goodwill	**1**	1
	158	153

4. Finance Costs

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

5. Tax

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

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

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

6. Dividends

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

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

7. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net profit/(loss) attributable to shareholders for the year of approximately HK$56 million (2003: loss of HK$118 million), and the weighted average number of 422,149,984 (2003: 422,105,230) ordinary shares in issue during the year.

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

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

FINANCIAL REVIEW

Summary of Results

HK$million	**2004**	2003	% Change
Operating Results			
Turnover	**4,057**	3,441	18%
Operating profit	**165**	149	11%
Net profit/(loss)	**56**	(118)	N/A

The Group recorded a turnover of approximately HK$4,057 million, an increase of approximately 18% due to the encouraging growth in our telecom product manufacturing business. Operating profit came in HK$165 million, up 11% from HK$149 million in last year and the net profit recorded HK$56 million, turnaround from a net loss of HK$118 million in last year. The results were driven by the satisfactory performance of the telecom product business.

The net loss in last year was mainly due to the share of loss of approximately HK$200 million from Haier Electronics in relation to the significant amortisation and impairment of goodwill of its mobile handset business.

Dividends

A special interim dividend of HK$0.10 per share, amounted to approximately HK$42 million, was declared and funded by the net sale proceeds of the disposal of CCT Tech's convertible note to New Capital, a company controlled by Mr. Mak, the chairman of the Company. The special interim dividend was approved in the board meeting of the Company held on 28 April 2004 and was paid on 18 June 2004.

An interim dividend of HK$0.010 (2003: HK$0.015) per ordinary share was paid on 19 October 2004.

The Board recommends the payment of a final dividend of HK$0.02 per share for the year 2004 to the shareholders whose names appear on the register of members of the Company on 26 May 2005, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company. The proposed final dividend will be paid on or around 16 June 2005 following the shareholders' approval at the forthcoming annual general meeting of the Company.

Analysis by Business Segment

	Turnover				
HK$million	**2004**	**Relative %**	2003	Relative %	% change
Telecom products	**3,906**	**96%**	3,224	94%	21%
Baby and health care products	**146**	**4%**	157	5%	(7%)
Corporate and others	**5**	**—%**	60	1%	(92%)
Total	**4,057**	**100%**	3,441	100%	18%

	Operating profit		
HK$million	**2004**	2003	% Change
Telecom products	**225**	215	5%
Baby and health care products	**14**	19	(26%)
Corporate and others	**(74)**	(85)	(13%)
Total	**165**	149	11%

In 2004, the telecom products segment continued to dominate the Group's turnover, accounting for 96% of the Group. Although global, and particularly the US consumer markets were clouded by uncertainties brought by rising oil prices and interest rates, our telecom products segment was able to achieve an encouraging growth in revenue. The turnover of telecom products segment increased 21% to HK$3,906 million in 2004. The operating profit of telecom products segment rose 5% to HK$225 million in 2004.

The remaining turnover was contributed by the baby and health care products accounting for 4% (2003: 5%) of the total turnover. Corporate and others items which represented mainly interest income contributed insignificant revenue in 2004 and represented about 1% in 2003.

The change in the turnover and net profit of the baby and health care business was caused by the competitive market condition in the US and increase in costs of plastic raw materials. We expect this situation will continue in the year 2005 and we will manage the issues by diversification of our products range and cost control.

The significant drop in operating loss from corporate and others segment was mainly attributable to our improvement in resources allocation and success of cost control measures.

Analysis by Geographical Segment

	Turnover				
HK$million	**2004**	**Relative%**	2003	Relative %	% change in sales amount
United States of America ("US")	**2,516**	**62%**	2,222	65%	13%
PRC, including Hong Kong	**701**	**17%**	645	19%	9%
European Union and others	**840**	**21%**	574	16%	46%
Total	**4,057**	**100%**	3,441	100%	18%

US continued to be the major market of the Group, accounted for 62% (2003: 65%) of the Group's total turnover for the year. The Group has adopted strategic means in diversify our geographical presence. On the one hand, we have continued to strengthen our leading position in the US market, which grew by 13% in terms of turnover in 2004. On the other hand, through careful product differentiation and diversification, we have extended the breadth and depth of our product coverage in order to capture a wider range of customers and to penetrate further into the reach of distinct new customers groups. Such strategy proved to be success which has boosted our sales in European and Asia Pacific market. Owing to the increase in sales to Europe and Asia Pacific, we have reduced our dependence on the US market.

The PRC (including Hong Kong) and European Union and others, accounted for 17% (2003: 19%) and 21% (2003: 16%), respectively, of the Group's total turnover. The Group has signed up major new customers in the European and Asia Pacific market and continues to view the European and Asia Pacific market as a long-term strategy with great potential.

FINANCIAL POSITION

Consolidated Balance Sheet Summary

HK$million	**As at 31 Dec 2004**	As at 31 Dec 2003	% Change
Non-current assets	**1,990**	1,868	7%
Current assets	**1,987**	1,872	6%
Total assets	**3,977**	3,740	6%
Current liabilities	**1,293**	1,202	8%
Non-current liabilities	**189**	142	33%
Total liabilities	**1,482**	1,344	10%
Total assets less total liabilities	**2,495**	2,396	4%
Minority interests	**196**	101	94%
Net asset values	**2,299**	2,295	0.2%

Non-current Assets

The 7% increase in non-current assets was mainly due to additions of new production facilities in our factories.

Current Assets

The 6% increase in current assets was mainly due to the increase in inventory and trade receivables which is in line with our growth in the Group's business during the year.

Current Liabilities

The rise in current liabilities was partly due to the increase in trade and bills payables and bank financing which is in line with our growth in the Group's business. The increase was also due to the sale of the $45 million convertible notes due by CCT Tech to a company controlled by Mr. Mak which constituted a current liability of the Group.

Non-current Liabilities

The change in non-current liabilities was mainly due to the increase in bank financing in relation to our trading operation and capital expenditure.

Capital Structure and Gearing Ratio

HK$million	**As at 31 Dec 2004 Amount**	**Relative %**	As at 31 Dec 2003 Amount	Relative %
Bank loans	**321**	**12%**	253	10%
Convertible notes	**45**	**2%**	18	1%
Finance lease payable	**13**	**—**	2	—
Total borrowings	**379**	**14%**	273	11%
Equity	**2,299**	**86%**	2,295	89%
Total capital employed	**2,678**	**100%**	2,568	100%

The financial position of the Group remains strong, with a low gearing ratio (total borrowings over total capital employed) of only 14% at 31 December 2004 (31 December 2003: 11%), reflecting a healthy financial position and the prudent financial policy of the Group.

As at 31 December 2004, total borrowings (including bank borrowings, finance lease payables and convertible notes) of the Group was approximately HK$379 million (31 December 2003: 273 million).

Outstanding bank loans amounted to HK$321 million at 31 December 2004 (31 December 2003: HK$253 million). Approximately 45% of these bank loans were arranged on a short-term basis for the ordinary business of the Group and were repayable within one year. The remaining 55% were of long-term nature, principally comprised of mortgage loans on properties used by the Group.

Certain of assets of the Group were financed by finance leases and the total outstanding for finance leases payable at 31 December 2004 amounted to HK$13 million (31 December 2003: HK$2 million).

As at 31 December 2004, the outstanding convertible notes, amounted to HK$45 million were issued by the Company's listed subsidiary, CCT Tech to a company controlled by Mr. Mak, at a conversion price of HK$0.01 per share of CCT Tech, interest free and falling due in May 2005.

As at 31 December 2004, the maturity profile of the bank loans and other borrowings and convertible notes falling due within one year, in the second to the fifth year and in the sixth to the tenth year amounted to HK$195 million, HK$113 million and HK$71 million, respectively (2003: HK$138 million, HK$73 million and HK$62 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

Liquidity and Financial Resources

Current ratio	**As at 31 Dec 2004** ***HK$million***	As at 31 Dec 2003 *HK$million*
Current assets	**1,987**	1,872
Current liabilities	**1,293**	1,202
Current ratio	**154%**	156%

Current ratio (a ratio of current assets over current liabilities) as at 31 December 2004 was 154% (31 December 2003: 156%). The strong liquid position was attributable to strong cash flow from the operations and the prudent investment strategy of management.

At 31 December 2004, the Group maintained a total cash balance of HK$949 million (31 December 2003: HK$973 million), decreased by HK$24 million as compared with 2003 to fund investment in fixed assets.

Among the total cash balance of HK$949 million, approximately HK$117 million (31 December 2003: HK$100 million) was pledged for general banking facilities. Almost all of the Group's cash was placed on deposits with licensed banks in Hong Kong.

At 31 December 2004, the Group had banking facilities of HK$767 million (31 December 2003: HK$584 million), of which HK$395 million (31 December 2003: HK$327 million) had been utilised.

Capital Commitments

The Group had authorised and contracted capital commitments of approximately HK$33 million (31 December 2003: HK$62 million) at 31 December 2004. These capital commitments mainly relate to capital expenditure for the expansion of the manufacturing business of the Group and will be funded by internal resources.

Treasury Management

The Group employs a conservative approach to cash management and risk control. To achieve better risk control and efficient fund management, the Group's treasury activities are centralised. During the year, the Group's receipts were mainly denominated in US dollars, with small portion of the receipts denominated in Hong Kong dollars and Euros. Payments were mainly made in Hong Kong dollars, US dollars and Renminbi with some in Euros. Cash was generally placed in short-term deposits and medium-term deposits denominated in Hong Kong dollars, US dollars and Euros. At 31 December 2004, the Group's outstanding borrowings were mainly denominated in Hong Kong dollars and US dollars and the Group's borrowings were principally made on a floating rate basis.

The Group does not have any significant interest rate risk as the interest rate is stable and remains at low level. The Group does not foresee a substantial risk or exposure from having the majority of its receipts and payments in United States dollar. The Group's exposure to foreign exchange risk is not substantial and forward exchange contracts have been entered into, where appropriate, to minimize such risks when necessary and appropriate.

Employees and Remuneration Policy

The total number of employees of the Group as at 31 December 2004 was 18,477 (31 December 2003: 18,673). Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees and persons of the Group. At 31 December 2004, there were outstanding share options of approximately HK$42 million.

Significant Investment

During the year, the Group acquired a residential property (the "Property") in Repulse Bay for a consideration of approximately HK$91 million. The Property funded by internal resources and a mortgage loan, which is currently being leased to an independent third party. The Group is confidence in the future of the luxurious property market and such acquisition is likely to provide the Group with satisfactory return in the investment.

Besides the Property, there was no significant investment unrelated to the core manufacturing businesses during the year. During the year, HK$391 million was used for capital expenditure, mainly relating to the Group's core manufacturing business.

Acquisition and Disposal of Material Subsidiaries and Associates

During the year, the Group did not have any significant acquisition and disposal of material subsidiaries and associates.

In August 2004, CCT Tech, the listed subsidiary of the Company, sold its entire interests of the electronic component business and the factory property in Tongxia, Dongguan to the Company. The consideration was satisfied by cancellation of part of convertible notes issued by CCT Tech to the Company in the amount of HK$139 million. The internal group restructuring aims at capturing further economies of scale by means of centralising the existing resources on component business within the Group and rationising the business of the respective listed groups.

Pledge of Assets

At 31 December 2004, certain of the Group's assets with a net book value of HK$254 million (31 December 2003: HK$255 million) and time deposits of HK$117 million (31 December 2003: HK$100 million) were pledged to secure the general banking facilities granted to the Group.

Contingent Liabilities

As at 31 December 2004, the banking facilities granted to the subsidiaries subject to the corporate guarantees given to the banks by the Company were utilized to the extent of approximately HK$173 million (2003: HK$142 million).

Apart from guarantees in lieu of property rental of HK$48 million (31 December 2003: HK$45 million) and a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$9 million as at 31 December 2004 (31 December 2003: HK$8 million), the Group did not have any other significant contingent liabilities at 31 December 2004.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company during the year.

CORPORATE GOVERNANCE

Code of Best Practice

In the opinion of the Board, the Company has complied with the code of best practice (the "**Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") which was in force prior to 1 January 2005, throughout the financial year under review, except that the independent non-executive directors of the Company are not appointed for any specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Having made specific enquiries with all directors of the Company, they confirmed that they have complied with the required standard set out in the Model Code adopted by the Company throughout the financial year under review.

Audit Committee

Pursuant to the requirements of the Listing Rules, the Company has established an audit committee (the "**Audit Committee**") with specific written terms of reference which deal clearly with the authorities and duties of the Audit Committee. The Audit Committee consists of three members comprising the three independent non-executive directors of the Company, namely Messrs. Tam King Ching, Kenny, Lau Ho Man, Edward and Samuel Olenick, two of whom are qualified accountants and have extensive experience in accounting and financial matters.

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

PUBLICATION OF DETAILED AUDITED CONSOLIDATED FINAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND ANNUAL REPORT

The detailed audited consolidated final results of the Company for the year ended 31 December 2004 containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules in force prior to 31 March 2004, which remain applicable to results announcements for the financial periods commencing before 1 July 2004 under transitional arrangements, will be subsequently published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) in due course. The annual report of the Company will be despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

ANNUAL GENERAL MEETING

The 2005 annual general meeting of the shareholders of the Company will be held at 32/F., China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Thursday, 26 May 2005 at 9:30 a.m. and the notice convening the annual general meeting of the Company will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

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

BOARD OF DIRECTORS

As at the date of this announcement, the executive directors of the Company are Mr. Mak Shiu Tong, Clement, Ms. Cheng Yuk Ching, Flora, Mr. Tam Ngai Hung, Terry and Dr. William Donald Putt and the independent non-executive directors of the Company are Mr. Samuel Olenick, Mr. Tam King Ching, Kenny and Mr. Lau Ho Man, Edward.

By Order of the Board
Mak Shiu Tong, Clement
Chairman

Hong Kong, 25 April 2005

Please also refer to the published version of this announcement in the ***(The Standard)***