CCT TELECOM HOLDINGS LIMITED

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

(Stock Code: 138)

ANNOUNCEMENT OF ANNUAL AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

HK$ million	2005	2004 *(Restated)*	% increase/ (decrease)
Key Financial Results Highlights			
Turnover	**3,980**	4,057	(1.9%)
Profit for the year attributable to shareholders of the Company	**225**	107	110.3%
Per Share Data			
Earnings per share	**HK$0.44**	HK$0.25	76.0%
Dividend per share			
— Paid interim dividend	**—**	HK$0.01	
— Paid special interim dividend	**HK$0.68**	HK$0.10	
— Proposed final dividend	**HK$0.02**	HK$0.02	
Total dividend per share	**HK$0.70**	HK$0.13	

CHAIRMAN'S LETTER

On behalf of the Board of Directors, I am pleased to announce the annual results of CCT Telecom Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2005.

During the year under review, the Company recorded a turnover of HK$3,980 million, a slight decrease of approximately 1.9% compared to previous year. Profit for the year attributable to shareholders of the Company, including other income and gains of HK$175 million, rose to HK$225 million, an increase of approximately 110.3%.

The financial year 2005 was a difficult and challenging year for our manufacturing business, attributable to several unfavorable factors. Keen market competition in our major markets led to increasing price pressure from our customers. Coupled with the labour shortage problem in the Pearl River Delta region, the People's Republic of China (the "PRC"), this resulted in a slight decrease of 1.9% in turnover during the year under review as compared to that of 2004. Operating profit dropped due to price reduction and increase in operating costs including the rising costs of certain materials, salaries and wages of staff and workers, increase in overheads and appreciation in Renminbi.

Despite a difficult environment in the financial year of 2005, we maintained our leading position in the cordless phone manufacturing sector. The business of the Group in the United States ("U.S."), our largest market, performed well and achieved an increase in both sales orders and volume. We have also made excellent progress in developing our business in countries outside the U.S., especially Europe and the Asian Pacific regions. Growth in these regions was encouraging as we secured increased business from existing and new customers.

We are extremely pleased with the performance of the Group's business of investments in properties and securities which bore fruitful results during the year. The disposal and dilution of our interest in Haier Electronics Group Co., Ltd ("Haier Electronics") in January 2005 generated a realized gain of HK$109 million and the recovery of the commercial property market in Hong Kong resulted in the reversal of previous impairment loss of an investment property of our Group in the amount of HK$64 million. These investment gains are the main factors that contributed to the significant increase in net profit.

The Board recommends the payment of a final dividend of HK$0.02 per share for the year 2005 to the shareholders whose names appear on the register of members of the Company on Tuesday, 23 May 2006, 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 Tuesday, 13 June 2006 following the shareholders' approval at the forthcoming annual general meeting of the Company. Taking into account the HK$0.68 special interim dividend per ordinary share paid in August 2005, the total dividend per ordinary share amounted to HK$0.70 for this financial year, compared with the total dividend of HK$0.13 per ordinary share (including the special interim dividend of HK$0.10 per share paid in 2004) distributed in respect of the financial year 2004. The increase in total dividend distributed this financial year is a sign of our gratitude towards the support of our shareholders throughout the past years.

PROPOSED PRIVATISATION OF CCT TECH INTERNATIONAL LIMITED

The Group's attempt to gain approval of the scheme in relation to the privatisation of CCT Tech at the court meeting of CCT Tech held on 13 February 2006 was unsuccessful and, accordingly, the privatisation of CCT Tech will not proceed. The shares of CCT Tech remain listed on the Stock Exchange. CCT Tech and its subsidiaries will continue to be engaged in the manufacturing and sale of telecom and electronic products.

In order to restore the public float of CCT Tech, the Company entered into a conditional agreement with Deutsche Bank on 17 March 2006 under which the Company agreed to sell in total 13,800,000,000 shares ("Sale Shares") in CCT Tech to Deutsche Bank and at least two other independent institutional investors for a total consideration of approximately HK$303.6 million upon the full conversion of the two convertible notes due by CCT Tech to the Group. At the same time, the Company also entered into a put agreement with Deutsche Bank granting the bank a right to put back the Sale Shares to the Company pursuant to the terms of the put agreement. The consideration for the sale of the Sale Shares will be paid to Deutsche Bank as an effective collateral to secure the Company's obligations under the put agreement. If the put options are not exercised pursuant to the terms of the put agreement, the consideration will be refunded back to the Company upon the early unwind of the put options or upon the expiration date of the put options. Upon completion of the sale of the Sale Shares, the Group's interest in CCT Tech will decrease from 84.12% to 74.62% and Deutsche Bank and the independent institutional investors together will hold in total approximately 21.4% of the then total issued share capital of CCT Tech.

The sale of the Sale Shares and the execution of the put agreement is subject to various conditions including the approval of the transactions at a special general meeting of CCT Telecom. The transactions have a number of advantages to the Group. First of all, the transactions will restore the public float of the CCT Tech on one hand and will increase the liquidity of shares of CCT Tech and broaden its shareholders base on the other. If the put options can be unwound and the consideration is refunded to the Company by Deutsche Bank, the Company would be able realise part of our investments in CCT Tech at a consideration of HK$303.6 million and yet maintain CCT Tech as our major subsidiary.

OUTLOOK

We are optimistic towards the outlook of the financial year of 2006 although we expect 2006 to be a challenging year for our manufacturing business. Keen market competition will continue to impose pressure on sale prices. The outlook for the prices of raw materials and components remain uncertain and we expect the prices to continue its upward trend or stabilize at a high level. The rising wages of workers due to continuing labour shortage and potential further appreciation of Renminbi will continue to affect our profit margin. To combat such issues, the Group has implemented various cost reduction and cost control measures. We have also invested in more automated production facilities and equipment and redesigned certain production processes in order to improve labour efficiency and reduce our reliance on manual labour. All these measures have produced encouraging results and the costs saved will partly compensate for the increase in operating costs. To further combat the difficulties caused by labour shortages, we will explore the possibility of establishing additional manufacturing facilities in locations outside the Guangdong Province in the northern part of China or even outside of China.

We will continue to benefit from the continuing robust economy in the U.S. and we expect revenue from our largest market will rise again. We are optimistic about our business in the markets outside the U.S., in the rest of the world. We expect the business in these non-U.S. markets to expand further especially Europe as the market in this region continues to grow and our customers increase sourcing from Asia.

Our strength in the telecom product business will continue to enable us to lead the market in the cordless telecom products industry. We will maintain our strong market position and will continue to diversify our customer and product base. We expect that the new advanced wireless and broadband telecom and electronic products will generate a lot of interest from the market. Our order books remain strong and continue to gain momentum. With an exciting product roadmap ahead of us, we are optimistic about the potential of the telecom and electronic product businesses.

As for our investment business, we are confident of its potential. We are very pleased that in January 2006, the Group further disposed of its approximately 24% remaining interest in Haier Electronics to Deutsche Bank generating approximately HK$551 million in cash and approximately HK$316 million unaudited profit which will be booked in the financial year 2006. We will continue to look for opportunities for new investment that will generate satisfactory returns. We will also closely monitor the property and investment market and will seize any opportunity to realize our investments for gains.

On the basis of the abovementioned measures and potential business opportunities, the management is optimistic about the Group's continuous growth in the years ahead.

ACKNOWLEDGEMENTS

The year's results could not have been achieved without the dedication and commitment of many individuals and groups. 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 and the Group's entire staff for their hard work. Finally, I would also like to thank our customers, suppliers, business partners, bankers and associates for their continued support and confidence in the Group. I am confident to say that we are well-placed to continue creating even greater value to our shareholders in the foreseeable future.

Mak Shiu Tong, Clement
Chairman

Hong Kong, 19 April 2006

REVIEW OF OPERATIONS

The Group is engaged in the (i) manufacturing and sale of telecom and electronic products (ii) manufacturing and sale of plastic and electronic components, (iii) manufacturing and sale of baby products, and (iv) investments in properties and securities.

Telecom and Electronic Products

The principal businesses of the Group remain the manufacture and sale of telecom and electronic products through our listed subsidiary, CCT Tech International Limited ("CCT Tech").

Despite a challenging operating landscape in the global market, the Group was still able to expand its customer base to a number of worldwide distributors of telecom products, thereby, broadening our customer base and facilitating future growth. Our customers are mostly well-known multinational companies and owners of renowned global household brands. During the year under review, both of sales orders and sales volume increased.

We continued to benefit from robust consumer spending in the U.S. market in 2005, thus, enabling us to achieve growth in sales orders and volume from our U.S. customers. Revenue, however, decreased slightly due to the reduction in the average selling price of our products. Our business in the markets outside the U.S., especially Europe and the Asian Pacific regions, performed well as the markets in these regions continued to grow. The increase in revenue from these regions has been encouraging to say the least.

Turnover, however, decreased due to the reduction of prices for some of our products and shortage of workers. Competition in the consumer telecom products industry continued to be fierce and the Group faced tremendous pressure from our customers on pricing. Labour shortage in the Guangdong Province became more apparent and this has caused delay of certain shipments during the year under review.

The operating profit of our telecom product business dropped partly due to price reduction and partly due to escalating operating costs and overheads.

Rising interest rates and oil prices began to affect global economic growth during the year under review. The costs of certain raw materials and other components, in particular, plastic resin and copper, increased significantly. The shortage of electricity and labour in the Pearl River Delta region and the rising cost of wages for staff and workers in Hong Kong and the PRC is another major operating issue that increased our operating costs. In order to alleviate such pressures, the Group has actively and continuously invested in new technologies and highly automated procedures and equipment to enhance product quality and efficiency on one hand and to reduce over-reliance on labour on the other. We also implemented cost cutting and control measures and improved our operational efficiencies in all respects.

The Group's core strength and competitive edge continue to be our strong research and development ("R&D") capabilities, efficient production management, advanced production facilities and our economies of scale. To expand our R&D capabilities, during the year of 2005, we have established a new R&D center in Singapore and have already recruited over 40 highly qualified engineers and research staff in Singapore. We believe the Singapore R&D center will become an important contributor to our product development roadmap. We will continue to increase the number of engineers in Singapore and Shenzhen. Together with our strong team of engineers in Hong Kong, we have been able to launch new and innovative products to stimulate demands as evidenced by the encouraging reaction we have received from our customers so far on the launch of our new products during the year under review (such as 5.8 GHz digital cordless phones, cordless phones with multi-handsets, colour LCD display, camera and short message features and DECT phones with advanced features).

We have developed advanced consumer wireless electronic products such as VoIP (Voice over Internet Protocol) cordless phones, cordless phones with Skype and wireless broadband products and these new products have attracted significant market interest. We expect these new products to generate substantial business in the years ahead.

We have continued to utilize advanced machinery and equipment as well as information technology to manufacture our telecom products at our facilities in Huiyang and Dongguan, the PRC. During the year, we continued to invest considerably in our production machinery and equipment. We now have a total number of 61 surface mount technology ("SMT") manufacturing lines and 132 bonding machines to support our increasing ODM and contract manufacturing orders. We also have advanced testing equipment such as automatic PCBA testers and automatic casing testers in order to ensure that only products with the best quality are delivered to our customers.

Our high volume of production and scale of operation places us in a position to benefit from various economies of scale, such as, our ability to command various sourcing and procurement advantages within the industry. We have established long-term relationship and continue to enhance our strategic alliance with key component and chipset suppliers for worldwide market. We have taken initiatives to minimize component lead-time and improve supplier chain management through e-procurement and ERP system of SAP.

Manufacturing of Plastic and Electronics Components

We manufacture components mainly for internal use in our telecom and electronics product business. We manufacture plastic and power supply components mainly for our own use. Our production base is located within the Group's production plants in Huiyang and Dongguan, the PRC and are some of the largest plastic injection manufacturing facilities in the district. We currently have a total of over 354 advance mould injection machines, including 45 automatic robotic plastic moulding machines. We are also engaged in other plastic products-related activities such as auto-spraying, silk-screening and UV printing, hot-stamping, laser marking, tempo-printing, assembly and ultrasonic welding. Furthermore, we have the capability to manufacture moulds ourselves. We possess the most advanced mould building equipment including digital milling machines, wire-cutting machines, electrical discharge machines and computer numerical control processing centers.

During the year, the performance of our component business was affected by the increase in the price of raw materials especially plastic and copper. In order to counter-balance such difficulties, we have actively implemented cost control and cutting measures and continued to improve our operational efficiencies.

Baby Product Business

The baby product segment is engaged in the production of a variety of traditional plastic baby products, baby toys and other accessories, with its principal market in the US. Like other manufacturing businesses, the baby product business during the year under review was affected by keen price competition and increase in operating costs. Both gross profit and operating margin of the business have decreased due to the increasing cost of raw materials. Further cost control measures have already been implemented to tackle the difficult business environment in this sector.

Our major customers are multinational distributors of baby products with renowned household brands. The business from these customers has been stable. We have made efforts to develop new products with a view to stimulate growth and attract new business.

Investment Business

The Group has engaged in the business of investments in properties and securities. This sector performed extremely well during the year.

During the year, the Group derived a realized gain of HK$109 million arising from the disposal and deemed disposal of the 19.6% interest in Haier Electronics. One of the properties that we invested has appreciated in value resulting in the reversal of previous impairment loss in the amount of HK$64 million. The investment properties also generate recurrent rental income. We will continue to look for investment opportunities on a prudent basis in order to maximize the returns to our shareholders.

ANNUAL AUDITED RESULTS

The Board of Directors of the Company (the "Board") is pleased to announce the audited results of the Group for the year ended 31 December 2005 together with the comparative figures for the previous year as follows:

Consolidated Income Statement
For the year ended 31 December 2005

HK$ million	*Notes*	**2005**	2004 (Restated)
REVENUE	6	**3,980**	4,057
Cost of sales		**(3,526)**	(3,593)
Gross profit		**454**	464
Other income and gains		**175**	53
Selling and distribution costs		**(59)**	(53)
Administrative expenses		**(257)**	(243)
Other expenses, net		**(19)**	(59)
Finance costs	8	**(23)**	(6)
Share of profit of an associate		**—**	49
PROFIT BEFORE TAX		**271**	205
Tax	9	**(18)**	(18)
PROFIT FOR THE YEAR		**253**	187
ATTRIBUTABLE TO:			
Equity holders of the parent		**225**	107
Minority interests		**28**	80
		253	187
DIVIDENDS	10		
Paid special interim		**319**	42
Paid interim dividend		**—**	4
Proposed final dividend		**13**	8
		13	12
Total		**332**	54
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic		**HK$0.44**	HK$0.25
Diluted		**HK$0.37**	HK$0.24

Consolidated Balance Sheet
31 December 2005

HK$ million	*Notes*	**2005**	2004 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,253**	1,273
Investment properties		**257**	101
Prepaid land lease payments		**220**	225
Intangible assets		**45**	28
Goodwill		**110**	28
Interest in an associate		**—**	222
Available-for-sale financial assets/other assets/long term investments		**18**	16
Held-to-maturity financial assets		**18**	—
Financial assets at fair value through profit or loss		**37**	—
Deferred tax assets		**3**	4
		1,961	1,897
CURRENT ASSETS			
Inventories		**294**	215
Trade and bills receivables	12	**838**	794
Prepayment, deposits and other receivables		**50**	31
Available-for-sale financial assets		**551**	—
Financial assets at fair value through profit or loss/short term investments		**24**	3
Forward currency contracts		**1**	—
Pledged time deposits		**71**	117
Cash and cash equivalents		**528**	832
		2,357	1,992
CURRENT LIABILITIES			
Trade and bills payables	13	**988**	897
Tax payable		**26**	23
Other payables and accruals		**139**	178
Forward currency contracts		**1**	—
Interest-bearing bank loans and other borrowings		**158**	150
Convertible note		**—**	45
		1,312	1,293
NET CURRENT ASSETS		**1,045**	699
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,006**	2,596
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**216**	184
Convertible bonds		**77**	—
Deferred tax liabilities		**3**	5
		296	189
		2,710	2,407
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**65**	42
Reserves		**2,564**	2,160
Proposed final dividend		**13**	8
		2,642	2,210
Minority interests		**68**	197
		2,710	2,407

NOTES

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and certain equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest million except when otherwise indicated.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK(SIC)-Int 21	Income Taxes — Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 20, 23, 27, 28, 31, 33, 37 and 38, HKFRS 5, HK(SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior periods, the Group's share of tax attributable to associates was presented as a component of the Group's total tax charge/(credit) in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of associates is presented net of the Group's share of tax attributable to associates.

HKAS 21 had no material impact on the Group. As permitted by the transitional provisions of HKAS 21, goodwill arising in a business combination prior to 1 January 2005 and fair value adjustments arising on that acquisition are deemed to be in the currency of the Company. In respect of acquisitions subsequent to 1 January 2005, any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of the assets and liabilities are treated as assets and liabilities of the foreign operation and are translated at the closing rate in accordance with HKAS 21.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 — Leases

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the consolidated income statement and retained profits. The comparative amounts for the year ended 31 December 2004 in the consolidated balance sheet have been restated to reflect the reclassification of the leasehold land.

(b) HKAS 32 and HKAS 39 — Financial Instruments

(i) *Equity securities*

In prior years, the Group classified its investments in equity securities as long term investments, which were held for non-trading purposes and were stated at cost less any impairment losses on an individual basis. Upon the adoption of HKAS 39, these securities held by the Group at 1 January 2005 in the amount of approximately HK$4 million are designated as available-for-sale investments under the transitional provisions of HKAS 39 and are stated at cost less impairment losses.

In prior years, the Group classified its investments in equity securities held for trading purposes as short term investments, and were stated at their fair values on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these securities held by the Group at 1 January 2005 in the amount of approximately HK$3 million are designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

The adoption of HKAS 39 has not resulted in any change in the measurement of these equity securities. Comparative amounts have been reclassified for presentation purposes.

(ii) *Convertible bonds*

In prior years, convertible bonds were stated at amortised cost. Upon the adoption of HKAS 32, convertible bonds are split into liability and equity components. The effects of the above changes are summarized in note 4.

(iii) *Derivative financial instruments — forward currency contracts*

The Group uses forward currency contracts to manage 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 year.

The effects of the above changes are summarized in note 4. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(c) HKAS 40 — Investment Property

In prior years, changes in the fair values of investment properties were dealt with as movements in the asset revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. The adoption of HKAS 40 has had no significant impact on the financial statements.

(d) HKFRS 2 — Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7 November 2002; and (ii) options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

As the Group did not have any employee share options which were granted during the period from 7 November 2002 to 31 December 2004 but had not yet vested as at 1 January 2005, the adoption of HKFRS 2 has had no impact on the retained profits as at 31 December 2003, 2004 and 2005.

(e) HKFRS 3 — Business Combinations and HKAS 36 — Impairment of Assets

In prior years, goodwill arising on acquisitions prior to 1 January 2001 was eliminated against the consolidated retained profits in the year of acquisition and was not recognised in the consolidated income statement until disposal or impairment of the acquired businesses.

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill. Goodwill previously eliminated against the consolidated retained profits remains eliminated against the consolidated retained profits and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarized in note 4. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK (IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK (IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment
HK (IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 — Financial Reporting in Hyperinflationary Economies

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

The HKAS 19 Amendment, HKAS 39 Amendment regarding cash flow hedge accounting of forecast intragroup transactions, HKFRSs 1 and 6 Amendments, HKFRS 6, HK(IFRIC)-Int 5 and HK(IFRIC)-Int 6 do not apply to the activities of the Group. HK(IFRIC)-Int 6 shall be applied for annual periods beginning on or after 1 December 2005.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

At 1 January 2005
HK$ million

		Effect of adopting					
Effect of new policies (Increase/(decrease))	Previous accounting policies	HKAS 17* Prepaid land lease payments	HKAS 8* Changes in accounting policy adopted by an associate	HKAS 32* & HKAS 39# Change in classification of financial assets	HKAS 40# Share of surplus on revaluation of investment properties by minority interests	Total effect on adoption of HKFRSs & HKASs	Adoption of HKFRSs & HKASs
Assets:							
Fixed assets	1,621	(1,621)	—	—	—	(1,621)	—
Property, plant and equipment	—	1,273	—	—	—	1,273	1,273
Investment properties	—	101	—	—	—	101	101
Prepaid land lease payments	—	225	—	—	—	225	225
Interests in an associate	293	—	(71)	—	—	(71)	222
Prepayment, deposits and other receivables	26	5	—	—	—	5	31
Cash and cash equivalents	832	—	—	(62)	—	(62)	770
Held-to-maturity financial assets	—	—	—	18	—	18	18
Financial assets at fair value through profit or loss	—	—	—	44	—	44	44
Total equity:							
Issued capital	42	—	—	—	—	—	42
Share premium	1,250	—	—	—	—	—	1,250
Capital reserve	1,060	—	—	—	—	—	1,060
Accumulated losses	(61)	(17)	(71)	(1)	(8)	(97)	(158)
Proposed final dividend	8	—	—	—	—	—	8
Minority interests	196	—	—	1	8	9	205
	2,495	(17)	(71)	—	—	(88)	2,407

At 31 December 2005
HK$ million

		Effect of adopting					
Effect of new policies (Increase/(decrease))	Previous accounting policies	HKAS 17* Prepaid land lease payments	HKAS 32* & HKAS 39# Change in classification of financial assets	HKAS 32* Convertible bonds	HKAS 40# Share of surplus on revaluation of investment properties by minority interests	Total effect on adoption of HKFRSs & HKASs	Adoption of HKFRSs & HKASs
Assets:							
Fixed assets	1,755	(1,755)	—	—	—	(1,755)	—
Property, plant and equipment	—	1,253	—	—	—	1,253	1,253
Investment properties	—	257	—	—	—	257	257
Prepaid land lease payments	—	220	—	—	—	220	220
Other assets	12	—	(12)	—	—	(12)	—
Long term investments	239	—	(239)	—	—	(239)	—
Short term investments	4	—	(4)	—	—	(4)	—
Prepayment, deposits and other receivables	45	5	—	—	—	5	50
Cash and cash equivalents	605	—	(77)	—	—	(77)	528
Held-to-maturity financial assets	—	—	18	—	—	18	18
Available-for-sale financial assets	—	—	569	—	—	569	569
Financial assets at fair value through profit or loss	—	—	61	—	—	61	61
Forward currency contracts	—	—	1	—	—	1	1
Liabilities:							
Convertible bonds	104	—	—	(27)	—	(27)	77
Forward currency contracts	—	—	1	—	—	1	1
Total equity:							
Issued capital	65	—	—	—	—	—	65
Distributable reserve	1,417	—	—	—	—	—	1,417
Capital reserve	741	—	—	—	—	—	741
Investment revaluation reserve	—	—	320	—	—	320	320
Equity component of convertible bonds	—	—	—	31	—	31	31
Exchange fluctuation reserve	1	—	—	—	—	—	1
Retained profits	86	(20)	(4)	(4)	(4)	(32)	54
Proposed final dividend	13	—	—	—	—	—	13
Minority interests	64	—	—	—	4	4	68
	2,387	(20)	316	27	—	323	2,710

* *adjustments which take effect retrospectively*

\# *adjustments which take effect prospectively from 1 January 2005*

(b) Effect on the balances of equity at 1 January 2004 and at 1 January 2005

	Effect of adopting				
Effect of new policies (Increase/(decrease)) HK$ million	HKAS 17* Amortisation of prepaid land lease payment	HKAS 8* Changes in accounting policy adopted by an associate	HKAS 32* Convertible bonds in non-wholly owned subsidiary	HKAS 40# Share of surplus on revaluation of investment properties by minority interests	Total effect on adoption of HKFRSs & HKASs
1 January 2004					
Accumulated losses	(14)	(124)	(2)	—	(140)
Minority interests	—	—	2	—	2
	(14)	(124)	—	—	(138)
1 January 2005					
Accumulated losses	(17)	(71)	(1)	(8)	(97)
Minority interests	—	—	1	8	9
	(17)	(71)	—	—	(88)

(c) Effect on the consolidated income statement for the years ended 31 December 2005 and 2004

HK$ million	Effect of adopting		
	HKAS 17*	HKAS 32* & HKAS 39#	Total effect on adoption of HKFRSs & HKASs
Year ended 31 December 2005			
Decrease in depreciation	2	—	2
Increase in amortisation of prepaid land lease payments	(5)	—	(5)
Increase in finance costs	—	(5)	(5)
Total decrease in profit	(3)	(5)	(8)
Decrease in basic earnings per share *(HK$)*	(0.006)	(0.01)	(0.016)
Decrease in diluted earnings per share *(HK$)*	(0.005)	(0.008)	(0.013)

HK$ million	Effect of adopting		
	HKAS 17*	HKAS 8*	Total effect on adoption of HKFRSs & HKASs
Year ended 31 December 2004			
Decrease in depreciation	2	—	2
Increase in amortisation of prepaid land lease payments	(5)	—	(5)
Increase in share of profit of an associate	—	51	51
Decrease in tax	—	2	2
Total increase/(decrease) in profit	(3)	53	50
Increase/(decrease) in basic earnings per share *(HK$)*	(0.007)	0.126	0.119
Increase/(decrease) in diluted earnings per share *(HK$)*	(0.007)	0.121	0.114

* *adjustments which take effect retrospectively*

\# *adjustments which take effect prospectively from 1 January 2005*

5. 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 and electronic products segment engages in the manufacture and sale of telecom and electronic products, accessories and components;

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

(c) the investment segment engages in investment in securities and properties; and

(d) the corporate and others segment comprises 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.

(a) Business segments

The following tables present revenue and profit/(loss) for the Group's business segments for the years ended 31 December 2005 and 2004.

Group	Telecom and electronic products		Baby products		Investment		Corporate and others		Consolidated	
HK$ million	2005	2004 (Restated)	2005	2004 (Restated)	2005	2004 (Restated)	2005	2004 (Restated)	2005	2004 (Restated)
Segment revenue:										
Sales to external customers	**3,846**	3,906	**124**	146	**2**	—	**—**	—	**3,972**	4,052
Other revenue	**—**	—	**—**	—	**2**	—	**23**	39	**25**	39
Total revenue	**3,846**	3,906	**124**	146	**4**	—	**23**	39	**3,997**	4,091
Segment results	**189**	222	**6**	14	**165**	1	**(74)**	(77)	**286**	160
Interest income									**8**	5
Unallocated expenses									**—**	(3)
Finance costs									**(23)**	(6)
Share of profit of an associate	**—**	—	**—**	—	**—**	—	**—**	49	**—**	49
Profit before tax									**271**	205
Tax									**(18)**	(18)
Profit for the year									**253**	187

(b) Geographical segments

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

Group	United States of America		PRC, including HK		European Union		Others		Consolidated	
HK$ million	2005	2004 (Restated)	2005	2004 (Restated)	2005	2004 (Restated)	2005	2004 (Restated)	2005	2004 (Restated)
Segment revenue:										
Sales to external customers	**2,360**	2,516	**929**	701	**460**	139	**223**	696	**3,972**	4,052
Other revenue	**—**	—	**25**	39	**—**	—	**—**	—	**25**	39
Total revenue	**2,360**	2,516	**954**	740	**460**	139	**223**	696	**3,997**	4,091

6. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and income from investments and rental income from investment properties.

Revenue from the following activities has been included in turnover:

HK$ million	2005	2004
Revenue		
Manufacture and sale of telecom and electronic products	**3,846**	3,906
Manufacture and sale of baby products	**124**	146
Rental income from investment properties	**2**	—
Interest income, including bank interest income and income from held-to-maturity financial assets	**8**	5
	3,980	4,057

7. DEPRECIATION AND AMORTISATION

HK$ million	2005	2004 (Restated)
Depreciation	**122**	125
Amortisation		
— Prepaid land lease payments	**5**	5
— Deferred development expenditure	**30**	30
— Goodwill	**—**	1
	157	161

8. FINANCE COSTS

HK$ million	2005	2004
Interest on bank loans and overdrafts wholly repayable within five years	**7**	3
Interest on bank loans wholly repayable after five years	**6**	3
Interest on convertible bonds	**5**	—
Interest on other liability	**5**	—
	23	6

9. TAX

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 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 following by a 50% reduction for the next three consecutive years.

HK$ million	2005	2004 (Restated)
Group:		
Current — Hong Kong:		
Charge for the year	**12**	14
Overprovision in prior years	**(1)**	(3)
Current — Elsewhere	**8**	4
Deferred	**(1)**	3
	18	18

10. DIVIDENDS

HK$ million	2005	2004
Special interim dividend — HK$0.68 (2004: HK$0.10) per ordinary share	**319**	42
Paid interim dividend — Nil (2004: HK$0.01) per ordinary share	**—**	4
Proposed final dividend — HK$0.020 (2004: HK$0.020) per ordinary share	**13**	8
	13	12
Total	**332**	54

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

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

HK$ million	2005	2004 (Restated)
Earnings		
Net profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**225**	107
Interest on convertible bonds	**5**	—
Net profit attributable to ordinary equity holders of the parent before interest on convertible bonds	**230**	107
Shares	**Number of shares**	
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**512,524,188**	422,149,984
Effect of dilution — weighted average number of ordinary shares:		
— share options	**8,941,582**	14,704,047
— convertible bonds	**102,961,814**	—
	624,427,584	436,854,031

12. TRADE AND BILLS RECEIVABLES

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

	Group			
	2005		2004	
HK$ million	Balance	Percentage	Balance	Percentage
Current to 30 days	**286**	**34**	302	38
31 to 60 days	**259**	**31**	264	33
61 to 90 days	**239**	**29**	216	27
Over 90 days	**54**	**6**	12	2
	838	**100**	794	100

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

13. TRADE AND BILLS PAYABLES

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

	Group			
	2005		2004	
HK$ million	Balance	Percentage	Balance	Percentage
Current to 30 days	**290**	**29**	249	28
31 to 60 days	**243**	**25**	179	20
61 to 90 days	**167**	**17**	196	22
Over 90 days	**288**	**29**	273	30
	988	**100**	897	100

FINANCIAL REVIEW

Summary of Performance

HK$ million	2005	2004 (Restated)	% increase/ (decrease)
Turnover	**3,980**	4,057	(1.9%)
Gross profit	**454**	464	(2.1%)
Other income and gains	**175**	53	230.2%
Finance costs	**(23)**	(6)	283.3%
Share of profit of Haier Electronics as an associate	**—**	49	N/A
Tax	**(18)**	(18)	—
Profit for the year attributable to minority interests	**(28)**	(80)	(65.0%)
Profit for the year attributable to shareholders of the Company	**225**	107	110.3%

Adoption of New Accounting Standards

During the year, the Company has adopted the new financial reporting standards which came into effect on 1 January 2005. The effect of the adoption of these financial reporting standards have been summarized in notes 2, 3 and 4 of the financial statement.

Discussion on Financial Results

The Group recorded a turnover of HK$3,980 million during the year of 2005, which represents a decrease of 1.9% over the corresponding previous year. The decrease is mainly attributable to the price reduction of certain telecom products and delay in shipment of goods of our factories arisen from the continuous labour shortage in the Pearl River Delta region throughout the year 2005.

Gross profit decreased by 2.1% to decrease in turnover.

Operating profit for our manufacturing business dropped due to the decrease in sale price and increase in the operating costs.

Other income and gains amounted to HK$175 million, more than tripled that of previous year mainly due to the realized gain of HK$109 million arising from the disposal and deemed disposal of 19.6% interest in Haier Electronics in January 2005.

Effective from January 2005, Haier Electronics ceased to be an associate of the Group and the Group has since ceased to share any of the results of Haier Electronics. In 2004, the Group's investment in Haier Electronics was classified as an interest in an associate. As a result of the adoption of the reverse acquisition accounting method by Haier Electronics, the results of Haier Electronics in prior years have been restated. The Group's share of result of Haier Electronics for the year ended 31 December 2004 was therefore restated from a loss to a profit of HK$49 million.

Finance costs surged by approximately 283.3% to HK$23 million in 2005. The increase was mainly attributable to the increase in bank loans borrowed for the operations and the increase in interest rates during the year. Also, due to the adoption of the new HKAS 32, a deemed effective interest of approximately HK$5 million was accrued on the zero rate convertible bonds of the Company. Despite the increase in finance costs, the Company maintains a very healthy financial position as its gearing ratio is only 14.6% and interest cover is over 12 times.

Profit shared by minority interest decreased sharply by 65% because the Group increased its shareholding in CCT Tech during the year.

Profit after tax attributable to shareholders of the Company for the year under review amounted to HK$225 million, up 110.3% from that of previous year, attributable mainly to the investment gains from disposal and dilution of our interest in Haier Electronics and the reversal of previous impairment loss of the investment property.

Analysis by Business Segment

	Turnover (excluding other revenue)				
	2005		2004		% increase/
HK$ million	Amount	Relative %	Amount	Relative %	(decrease)
Telecom and electronic products	**3,846**	**96.8%**	3,906	96.4%	(1.5%)
Baby products	**124**	**3.1%**	146	3.6%	(15.0%)
Investments	**2**	**0.1%**	—	—	N/A
Total	**3,972**	**100.0%**	4,052	100.0%	(1.9%)

	Operating profit (before finance costs and tax)		
HK$ million	2005	2004 (Restated)	% increase/ (decrease)
Telecom and electronic products	**189**	222	(14.9%)
Baby products	**6**	14	(57.1%)
Investments	**165**	1	16,400%
Corporate and others	**(74)**	(77)	(3.9%)
Total	**286**	160	78.8%

During the year, telecom and electronic product business continued to be the principal business of the Group, accounting for approximately 96.8% (2004: 96.4%) of the Group's total revenue (excluding other revenue). The baby product business, accounted for approximately 3.1% (2004: 3.6%) and the investment business accounted for approximately 0.1% (2004: nil) of the total revenue.

The telecom and electronic product business contributed HK$189 million in operating profit in the year, represented a decrease of approximately 14.9% as compared with 2004. The decrease was due to the decrease in turnover and the increase in costs. The decrease of the operating profit of the baby product business from HK$14 million in 2004 to HK$6 million in 2005 was attributable to keen competition and rising operating costs.

The investment business contributed HK$165 million profit after related expenses in the year, representing mainly the realized gain on disposal and deemed disposal of the 19.6% interest in Haier Electronics and the reversal of the impairment on the investment property in the year. Corporate segment represented the net amount of the unallocated corporate administrative and other expenses incurred for the year. The net amount of the corporate expenses for 2005 remained the same as 2004.

Analysis by Geographical Segment

	Turnover (excluding other revenue)				
	2005		2004		% increase/
HK$ million	Amount	Relative %	Amount	Relative %	(decrease)
United States of America ("U.S.")	**2,360**	**59.4**	2,516	62.1%	(6.2%)
Rest of the World	**1,612**	**40.6**	1,536	37.9%	4.9%
Total	**3,972**	**100.0%**	4,052	100.0%	

The U.S. remained the major market of the Group accounting for approximately 59.4% (2004: 62.1%) of the total revenue (excluding other revenue) for the year. The decrease in revenue from the US was attributable to decrease in sales as a result of the labor shortage and reduction in sale price. We achieved good progress in developing markets outside the U.S. in the rest of the world include the PRC (including Hong Kong), the Asian Pacific regions and European Union and others. The business in the rest of the world performed well and the revenue from these regions accounted for approximately 40.6% (2004: 37.9%) of the Group's revenue. Our reliance on our major U.S. market has gradually decreased as the sales to the emerging markets have increased.

Financial Position

Highlights on Financial Position and Major Balance Sheet Items

HK$ million	31 December 2005	31 December 2004 (Restated)	% increase/ (decrease)
Property, plant and equipment	**1,253**	1,273	(1.6%)
Investment properties	**257**	101	154.5%
Prepaid land lease payments	**220**	225	(2.2%)
Goodwill	**110**	28	292.9%
Interest in an associate	**—**	222	N/A
Available-for-sale financial assets/other assets/ long-term investments (non-current assets)	**18**	16	12.5%
Held-to-maturity financial assets	**18**	—	N/A
Financial assets at fair value through profit or loss (non-current assets)	**37**	—	N/A
Other non-current assets	**48**	32	50.0%
Total non-current assets	**1,961**	1,897	3.4%
Financial assets at fair value through profit or loss/short term investments (under current assets)	**24**	3	700.0%
Available-for-sale financial assets (under current assets)	**551**	—	N/A
Cash and cash equivalents	**528**	832	(36.5%)
Non-current liabilities	**296**	189	56.6%
Minority interest	**68**	197	(65.5%)
Equity attributable to shareholders of the Company	**2,642**	2,210	19.5%

Discussion on Financial Position and Major Balance Sheet Items

The property, plant and equipment represent fixed assets held by the Group for its own use and were stated at cost less accumulated depreciation and impairment losses. The decrease in their net book value in the year under review was attributable to the net effect of reclassification of a property to investment property and depreciation less additions during the year.

Investment properties in the amount of HK$257 million (31 December 2004: HK$101 million (restated)) represents the fair value of the properties and car parks held by the Group for rental and investment purposes. The increase is mainly attributable to the reclassification of a property from property, plant and equipment to investment property due to a change of use from own use to investment and the reversal of the previous impairment loss of such property during the year.

In prior years, leasehold land and buildings held for own use were classified as properties and were stated at cost less accumulated depreciation and any impairment losses. With effect from 1 January 2005, the Group has adopted the new financial reporting standard HKAS 17 under which interest in leasehold land is reclassified from property, plant and equipment to prepaid land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Land lease payments under operating leases are initially stated at cost and subsequently amortized on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings element, the entire lease payments are included in the properties, plant and equipment. The comparative amounts in the balance sheet as at 31 December 2004 have been restated to reflect the reclassification of the leasehold land in accordance with HKAS 17. The decrease in prepaid land lease payments represents the amortization during the year.

Available-for-sale financial assets/other assets/long term investment in the amount of HK$18 million under non-current assets represent the fair value of certain unlisted equity securities and club debenture held for non-trading purposes.

Goodwill increased by almost 3 times to HK$110 million due to the increase in shareholdings in CCT Tech arising from the general offers made during the year.

Other non-current assets increased by 50.0% to HK$48 million due to the increase in capitalized product development costs attributable to new products developed.

As a result of the adoption of the new financial reporting standards, certain cash deposits previously classified as cash and cash equivalents have been reclassified in the current year and categorised with reference to the purpose and terms for which they were held. These deposits were reclassified in accordance with HKAS 32 and HKAS 39 and accounted for in the balance sheet as at 31 December 2005 separately as held-to-maturity financial assets in the amount of HK$18 million under non-current assets, financial assets at fair value through profit or loss in the amount of HK$37 million under non-current assets and financial assets at fair value through profit or loss in the amount of HK$20 million under current assets. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated and these assets were included as part of the cash and cash equivalents under the current assets in the prior years.

Available-for-sale financial assets classified under the current assets as at 31 December 2005 in the amount of HK$551 million represents the fair value of the Group's interest in Haier Electronics. Upon completion of the asset injection by the Haier Group in January 2005, our interest in Haier Electronics reduced and we ceased to have board representation in Haier Electronics. As such, Haier Electronics ceased to be an associate of the Group in 2005. Accordingly, the Group's interest in Haier Electronics was classified as available-for-sale financial assets in the year in accordance with the new financial reporting standard HKAS 39. The fair value of the Group's interest in Haier Electronics as at 31 December 2005 amounted to HK$551 million, determined with reference to the price for the sale of such interest to Deutsche Bank in January 2006. Such investment was however accounted for as interest in an associate in prior years and was stated in 2004's balance sheet at the Group's share of net assets under the equity method of accounting, as restated by adoption of the new financial reporting standards. An adjustment of HK$316 million was credited to the revaluation reserve during 2005, as a result of the adjustment of the value of the investment in Haier Electronics from book value to its fair value. In January 2006, we disposed all our remaining interest in Haier Electronics and we have ceased to have any interest in that company since then.

Cash and cash equivalents decreased by 36.5%, mainly due to the use of cash for the general offers related to CCT Tech during the year and the special dividend paid in August, which was partially off-set by the proceeds on disposal of interest in Haier Electronics in January 2005 and the cash generated from operations. The decrease in cash and cash equivalents is also attributable to the reclassification of certain deposits in the current year to other assets in accordance with HKAS 39 as elaborated above but comparative amounts have not been restated.

The increase in non-current liabilities of approximately 56.6% was mainly due to the increase in bank loans and other borrowings utilized for the operations of the Group and the issuance of convertible bonds of approximately HK$155 million pursuant to the offers relating to CCT Tech to holders who accepted the offers and elected for convertible bonds, of which HK$103 million remained outstanding as at 31 December 2005. Out of the convertible bonds outstanding as at 31 December 2005, HK$72 million together with deemed effective interest of HK$5 million was accounted for as the non-current liability and HK$31 million was accounted for as the equity component in accordance with HKAS 32. Minority interests decreased sharply by 65.5% due to the reduction of the minority shareholders' interest in CCT Tech as a result of the general offers made on CCT Tech during the year.

The equity attributable to shareholder of the Company increased by of approximately 19.5%, mainly due to the profit for the year, the inclusion of the revaluation reserve attributable to the investment in Haier Electronics, the partial conversion of the convertible bonds and exercise of the share options less the dividend paid in cash and dividend accrued during the year.

Capital Structure and Gearing Ratio

HK$ million	31 December 2005 Amount	31 December 2005 Relative %	31 December 2004 Amount (Restated)	31 December 2004 Relative %
Bank loans	**364**	**11.8%**	321	12.4%
Convertible bonds (liability component)	**77**	**2.5%**	45	1.7%
Finance lease payable	**10**	**0.3%**	13	0.5%
Total borrowings	**451**	**14.6%**	379	14.6%
Equity	**2,642**	**85.4%**	2,210	85.4%
Total capital employed	**3,093**	**100.0%**	2,589	100.0%

The Group's gearing ratio, calculated on the basis of the Group's total borrowings (including bank and other borrowings, convertible notes and finance lease payables) over total capital employed (total shareholders' fund plus total borrowings), was approximately 14.6% as at 31 December 2005 which was the same as that at 31 December 2004. The low gearing ratio reflects a healthy financial position and the prudent financial policy of the Group.

Outstanding bank borrowings amounted to HK$364 million at 31 December 2005 (31 December 2004: HK$321 million). Approximately 41.8% of these bank borrowings was arranged on a short-term basis for the ordinary business of the Group and was repayable within one year. The remaining 58.2% of the bank borrowings was of long-term nature, principally comprised of mortgage loans on properties held by the Group.

As a result of the offers made by the Company relating to CCT Tech during the year, the Company issued convertible bonds in an aggregate principal amount of approximately HK$155 million, among which the convertible bonds with total principal amounts of approximately HK$52 million were converted into shares of the Company during the year. As at the balance sheet date, the total outstanding carrying amount of the convertible bonds amounted to HK$108 million (including HK$77 million accounted for as a liability and HK$31 accounted for as equity in accordance with HKAS 32). The convertible bonds are interest free and will mature in 2010.

Acquisition of certain of the Group's assets were financed by way of finance leases and the total outstanding finance lease payables for the Group as at 31 December 2005 amounted to approximately HK$10 million (31 December 2004: HK$13 million).

As at 31 December 2005, the maturity profile of the bank and other borrowings and the liability component of the convertible notes of the Group falling due within one year, in the second to the fifth year and in the sixth to the tenth year amounted to HK$158 million, HK$240 million and HK$53 million, respectively (31 December 2004: HK$195 million, HK$113 million and HK$71 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

Liquidity and Financial Resources

HK$ million	31 December 2005	31 December 2004
Current assets	**2,357**	1,992
Current liabilities	**1,312**	1,293
Current ratio	**180%**	154%

Current ratio (a ratio of current assets over current liabilities) as at 31 December 2005 was 180% (31 December 2004: 154%). The strong liquid position was attributable to strong cash flow from the operations and the effective financial management of the Group.

As at 31 December 2005, the cash balance (excluding amounts reclassified as other assets under HKAS 39) of the Group amounted to HK$599 million (31 December 2004: HK$949 million), among which HK$71 million (31 December 2004: HK$117 million) was pledged for general banking facilities.

Almost all of the Group's cash was placed on deposits with licensed banks in Hong Kong. The strong cash balance plus the cash generated from the Group's operations and funds available from the bank facilities are expected to be sufficient to cover all cash requirements, including working capital and capital expenditure needs.

Capital Expenditure and Commitments

During the year, the Group incurred capital expenditure amounted to approximately HK$201 million, which was mainly related to the core manufacturing businesses of the Group. The Group also incurred HK$55 million for research and development expenditure which has been capitalized as intangible assets and amortised in accordance with the financial standard.

The Group had authorised and contracted capital commitments of approximately HK$7 million (31 December 2004: HK$33 million) as at 31 December 2005, which was mainly related to capital expenditure for the expansion of the manufacturing business of the Group and all of which will be financed 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 some in Hong Kong dollars and the Euro. Payments were mainly made in Hong Kong dollars, US dollars and Renminbi and some made in Euros. Cash was generally placed in short-term deposits and medium-term deposits denominated in Hong Kong dollars and US dollars and some in European currencies. As at 31 December 2005, the Group's borrowings were mainly denominated in Hong Kong dollars and US dollars. As at 31 December 2005, other than the convertible bonds in an aggregate principal amount of approximately HK$103 million which is interest-free, the Group's borrowings were principally made on a floating rate basis.

The objective of the Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. The Group does not have any significant interest rate risk, as both the borrowings of the Group and the interest rates currently remain at low levels. In terms of foreign exchange exposures, the Group is principally exposed to two major currencies, namely the US dollar in terms of receipts and the Renminbi in terms of the production costs (including mainly wages and overhead) in China.

For US dollar exposure, since the Hong Kong dollar remains pegged to the US dollar, the exchange fluctuation is not expected to be significant. The introduction of the refinements to the operation of the Linked Exchange Rate System by the Hong Kong Monetary Authority in 2005, which limits the fluctuation between the two currencies, further reinforces the stability of exchange rates between Hong Kong dollar and US dollar. Above all, as most of the Group's purchases are also made in US dollars, which are to be paid out of our sales receipts in US dollars, the management considers that the foreign exchange exposure risk for the US dollar is not material.

For Renminbi exposure, the Group entered into forward exchange contracts with banks in China to cover a significant part of our Renminbi expenses for the period up to mid 2006. Our risk to any Renminbi fluctuation has, therefore, been partly hedged for the period up to mid 2006 although the appreciation of the Renminbi has increased forward rates which has made hedging more costly. Our future production costs will no doubt be increased by the Renminbi appreciation. Any further appreciation of Renminbi in the future will be of concern to all manufacturers with manufacturing facilities in China, and to their respective customers.

Acquisition and Disposal of Material Subsidiaries and Associates

The asset injection for Haier Electronics was successfully completed on 28 January 2005. Following the Asset Injection and after the placing of shares to restore the public float of Haier Electronics in January this year, the Company's interest in Haier Electronics was reduced from 43.6% to 24.0% during the year under review. Since then, Haier Electronics ceased to be an associate of the Group and became an investment held by the Group.

The Group further disposed its entire remaining interest of in 3,926,774,819 shares in Haier Electronics to Deutsche Bank on 5 January 2006. Since then, the Group does not own any interest in Haier Electronics.

Significant Investment

There was no significant investment unrelated to the core manufacturing businesses of the Group during the year under review.

Pledge of Assets

As at 31 December 2005, certain of the Group's assets with a net book value of HK$821 million (31 December 2004: HK$254 million) and time deposits of HK$71 million (31 December 2004: HK$117 million) were pledged to secure the general banking facilities granted to the Group.

Contingent Liabilities

As at 31 December 2005, 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$154 million (31 December 2004: HK$173 million).

As at 31 December 2005, 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 (31 December 2004: HK$9 million). Save as aforesaid, the Group did not have any other significant contingent liabilities as at 31 December 2005.

Employees and Remuneration Policy

The total number of employees of the Group as at 31 December 2005 was 17,697 (31 December 2004: 18,477). 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 2005, there were no outstanding share options issued by the Company.

PURCHASE, SALE OR REDEMPTION OF THE 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.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

Corporate Governance Practices

In the opinion of the Board, the Company has complied with the code provisions under the Code on Corporate Governance Practices (the "CG 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") throughout the financial year under review, except for the following deviations from the code provisions:

(1) A.2.1: the role of chairman and chief executive officer should be separate;

(2) A.4.1: non-executive directors should be appointed for a specific term; and

(3) A.4.2: all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director should be subject to retirement by rotation at least once every three years.

Details information of such deviations and their respective considered reasons as well as further information of the corporate governance practices of the Company have been disclosed in the interim report of the Company for the six months ended 30 June 2005 and will be disclosed in the corporate governance report in the 2005 annual report of the Company, which will be despatched to the shareholders of the Company on or before 30 April 2006.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted its code of conduct regarding securities transactions by the directors of the Company on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of 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

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, all of whom are qualified accountants and have extensive experience in accounting and financial matters.

The Audit Committee has reviewed the adopted accounting principles and practices and discussed the auditing, internal control and financial reporting matters. The Audit Committee has reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2005 with the management and the external auditors of the Company. Regular meetings have been held by the Audit Committee since its establishment and the Audit Committee held three meetings in 2005.

Further information of the Audit Committee will be disclosed in the corporate governance report in the 2005 annual report of the Company, which will be despatched to the shareholders of the Company on or before 30 April 2006.

Remuneration Committee

The Company has established a remuneration committee (the "Remuneration Committee") with specific written terms of reference in line with the code provisions in the CG Code. The Remuneration Committee consists of five members comprising the three independent non-executive directors of the Company, namely Messrs. Tam King Ching, Kenny, Lau Ho Man, Edward and Samuel Olenick, and two executive directors of the Company, namely Messrs. Mak Shiu Tong, Clement and Tam Ngai Hung, Terry. The Remuneration Committee held one meeting in 2005. The Remuneration Committee shall be chaired by an independent non-executive director of the Company and the chairman for the year 2005 was Mr. Tam King Ching, Kenny.

Further information of the Remuneration Committee will be disclosed in the corporate governance report in the 2005 annual report of the Company, which will be despatched to the shareholders of the Company on or before 30 April 2006.

PUBLICATION OF THE FINAL RESULTS, ANNUAL REPORT AND CORPORATE GOVERNANCE REPORT

The results announcement of the Company for the year ended 31 December 2005 is published on the website of each of the Company at www.cct.com.hk and The Stock Exchange of Hong Kong Limited at www.hkex.com.hk as at the date of this announcement. The annual report, corporate governance report and the notice of the annual general meeting of the Company will be despatched to the shareholders of the Company and made available on the website of each of the Company and The Stock Exchange of Hong Kong Limited on or before 30 April 2006.

ANNUAL GENERAL MEETING

The 2006 annual general meeting of the shareholders of the Company will be held at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong on Tuesday, 23 May 2006 at 10:30 a.m. and the notice of 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 Friday, 19 May 2006 to Tuesday, 23 May 2006 (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 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Thursday, 18 May 2006.

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, 19 April 2006