

CHAIRMAN'S LETTER

FINANCIAL HIGHLIGHTS

HK\$'million	Six months ended 30 June		Increase
	2004 (Unaudited)	2003 (Unaudited)	
Operating Results			
Turnover	1,880	1,424	32%
Net profit	56	8	600%
Per Share Data			
Earnings per share	HK\$0.133	HK\$0.019	600%
Dividend per share			
— Paid special interim	HK\$0.100	—	
— Proposed interim	HK\$0.010	HK\$0.015	
	HK\$0.110	HK\$0.015	633%
Financial Position			
	30 June 2004 (Unaudited)	31 December 2003 (Audited)	
Total assets	3,878	3,740	4%
Net current assets	718	670	7%
Cash and bank balance	1,007	973	3%

CHAIRMAN'S LETTER

I am pleased to report that CCT Telecom Holdings Limited (the "Company") and its subsidiaries (together the "Group") recorded a turnover of approximately HK\$1,880 million for the six months ended 30 June 2004, a 32% growth in comparing corresponding period last year.

Net profit attributable to shareholders for the period climbed 600% to HK\$56 million. Earnings per share raised 600% to HK\$0.133 per share reflected a sound improvement in return to shareholders.

CHAIRMAN'S LETTER

INTERIM DIVIDEND

For the period ended 30 June 2004, a special interim dividend of HK\$0.10 each, amounted to approximately HK\$42 million, was declared and funded by the net sale proceeds of the disposal of convertible note. For details of the disposal of convertible note, please refer to the announcement dated 4 March 2004. The special interim dividend was approved in the board meeting of the Company held on 28 April 2004. The special interim dividend was paid on 18 June 2004.

The board of directors has further declared an interim dividend for 2004 of HK\$0.01 per share (30 June 2003: HK\$0.015 per share) to be payable from the Company's capital reserve. The special interim dividend of HK\$0.10 per share paid in June 2004 together with the proposed interim dividend of HK\$0.01 per share, amounted to HK\$0.11 per share in total. The interim dividend of HK\$0.01 per share will be payable on 19 October 2004 to shareholders whose names appear on the register of members of the Company on 8 October 2004.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6 October 2004 to 8 October 2004 (both dates inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend of HK\$0.01 per share, all transfers, accompanied by the relevant share certificates, 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 5 October 2004.

REVIEW OF OPERATIONS

Cordless Phone Manufacturing Business

Our cordless phone manufacturing business is operated through CCT Tech International Limited ("CCT Tech"), the Company's 35.4%-owned listed subsidiary. It continued to be our principal operation and accounted for over 90% of the Group's total turnover.

We are proud of our achievements made during the first half of 2004. Our sales figures in each of the months under the reporting period had well exceeded those of the corresponding months last year. Our outstanding performance resulted from a combination of factors, namely, our decision to diversify into new geographic regions, the development and launch of a new innovative product range (in particular, the 5.8 GHz cordless phones and a number of newly launched Digital Enhanced Cordless Telephone

("DECT") phone models). These factors were, in turn, boosted by our ability to benefit from the economies of scale in our materials procurement supply chain, thereby, further strengthening our competitive edge in the industry.

As one of the world's largest cordless phone manufacturers, we currently acts as an Original Design Manufacturer ("ODM") and Original Equipment Manufacturer ("OEM") partner for a number of leading internationally renowned brands such as GE, Alcatel and others. Recognising the need to reduce our dependence on the North American markets and to maintain our leading market position in the cordless phone industry, we have made significant in-roads into the European and Asia Pacific markets to achieve a more balanced geographic sales mix. Owing to the increase in sales to Europe and Asia Pacific, we have reduced our dependence on the North American market, with the sales contribution from the North American market dropping from 66% of total sales last period to 58% this period.

We remain committed to research and development and maintain a world class R&D team specialising in the development of high radio frequency products. We have a strong R&D team of over 500 engineers in our Hong Kong and Shenzhen offices. Capitalising on our research and development strengths, we launched our first 5.8GHz digital cordless phone and a number of new models for DECT phones in 2004. In the first half of 2004, we launched over 90 new products models. These new products were all well-received by the markets, thereby pushing up our interim period sales to a new height.

To cater for the significant expansion in the Group's selling volume, we have invested heavily in production machinery and equipment during the first half of 2004 and restructured the set-up of our production and casing lines. The results so far have been encouraging with an increase in the total number of Surface Mount Technology ("SMT") lines since the beginning of this year which increase monthly production capacity by more than 50%. To further enhance our competitive edge and to meet the rapidly changing and stringent demands of our customers, we actively pursue ways to improve and upgrade our manufacturing facilities and manufacturing standards. In January 2004, our manufacturing complex in Huiyang was awarded ISO14001 certification in acknowledgement of our efforts in upholding environmental protection. This represents a significant step forward in meeting the expectations and requirements of our multi-national customers.

CHAIRMAN'S LETTER

Components Business

The Group procures and consumes a large amount of different components for its cordless phone manufacturing business. The Group already manufactures a majority of electric and plastic components in-house and continues to further vertically integrate its operations by developing in-house upstream production.

(i) *Electric component business*

The electric component business is carried out through CCT Tech, the Company's 35.4% listed subsidiary. It is engaged in, among other businesses, the manufacture of power supply components including linear and switching power supplies and transformers with our cordless phone manufacturing business being one of its main customers. With the ongoing improvement in its product quality, it provided a stable, high quality and continuous support to the cordless phone manufacturing business.

On 2 June 2004, the Company announced its decision to acquire the entire interest of the electric component business from CCT Tech. The Group believes that such group realignment will achieve a clearer corporate identity for the Company, would enable a clearer evaluation of its businesses. The transaction was approved by the shareholders in an extraordinary general meeting held on 8 September 2004. For further details of the transaction, please refer to the announcement dated 2 June 2004.

(ii) *Plastic product business*

The plastic product business continues to contribute a stable revenue to the Group, which has seen a steady growth in line with the growth of the cordless phone manufacturing business as the majority of its products are supplied internally to our cordless phone business.

The recent worldwide unstable supply and rising demand of oil has placed pressure on the supply of the raw materials for our plastic product business. We have, however, managed to overcome such production and management difficulties by taking full advantage of our leverage arising from economies of scale, product quality, cost control and an enlarged product range. We believed that the plastic product business will continue to provide a satisfactory contribution to the Group.

Baby and Health Care Business

Our baby and health care business recorded HK\$71 million in turnover during the period under review. Its operating results recorded HK\$9 million for the period, 29% growth in comparison with the corresponding period last year. North America was still its major market. During the period, new production orders were received from newly-introduced well-known customers based in North America and Europe. Many new products, such as child care metal gates with electronic sensors, soft toys and newly designed plastic furniture and stationery were launched during the period. These newly-launched products have been well-received by our customers and have provided satisfactory contribution to the Group.

During the period, we increased capital expenditure for such business which signifies our confidence towards the baby and health care business and its contribution to the Group as a whole.

Mobile Handset Business

The Group's mobile handset business, conducted in cooperation with Haier Group Corporation and its associates ("Haier Group") is operated through Haier-CCT Holdings Limited ("Haier-CCT"), the Company's listed associate. Haier is the largest white goods manufacturer in China.

Though the mobile handset market is subject to fierce competition, turnover of the mobile handset business during the period under review reached HK\$1,660 million, representing a significant increase of 124% over the corresponding period for last year.

Although the operating environment in the mobile handset industry has been difficult in recent years, we have a positive view over the long-term prospects of the mobile handset business. We are of the view that Haier-CCT has accumulated significant experience over the years and believe that the mobile handset business has the potential to grow given that it has the expertise and capability to manufacture and sell mobile handsets in the PRC as well as in overseas markets.

On 5 March 2004, Haier-CCT entered into a conditional agreement with the Haier Group to acquire from the Haier Group its washing machine business. The acquisition, once completed, is expected to provide a major boost to the business of Haier-CCT in that it will broaden Haier-CCT's revenue and profit base and result in Haier-CCT's diversification into the white goods business. The acquisition is, however, subject to, among other things, the satisfactory completion of due diligence on their financial and business operation, the receipt of all applicable governmental, regulatory and shareholders' approvals in Hong Kong and the PRC.

CHAIRMAN'S LETTER

Mobile Handset Business (Continued)

As a major shareholder of Haier-CCT, we are very pleased and excited about the acquisition which, when completed, will enlarge the asset and revenue bases of Haier-CCT.

OUTLOOK

In the first half of 2004, we improved our competitiveness by realizing our planned marketing efforts, capitalizing on our strong R&D capabilities, improving productivity efficiency, leveraging on economies of scale and taking advantage of our paramount procurement volume. In the near future, the unstable supply and rising demand of the raw materials will incorporate pressure to our operation cost, we will work hard to tackle the challenges and maintain a healthy financial position. On a final note, I would like to take this opportunity to express my gratitude to the management team for their sound 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, 10 September 2004

FINANCIAL REVIEW

RESULTS SUMMARY

The Group recorded a turnover of approximately HK\$1,880 million, an increase of approximately 32% due to the robust growth in our telecom product manufacturing business. Gross profit also showed an encouraging improvement amounted to HK\$254 million, a 28% growth over the corresponding period in last year. Net profit attributable to shareholders raised from HK\$8 million in last period to HK\$56 million in this period.

Analysis by Business Segment

The manufacturing and sale of telecom products remains the principal business of the Group. This business segment accounted for 96% (last period: 93%) of the Group's turnover for the current period. The baby and health care products business segment contributed to the remaining 4% of the turnover.

The telecom products business continued to perform well in the current period, recording an operating profit of HK\$127 million (last period: profit of HK\$83 million), up 53% from the last period. Our major success in the telecom product segment was primarily due to the outstanding performance of our cordless phone products, our strong research and development capability together with effective cost control.

Analysis by Geographical Segment

North America continued to be the major market for the Group accounting for 58% (last period: 66%) of the total turnover. PRC (including Hong Kong) and Europe continued to be the second and third business market, respectively, of the Group which accounted for 20% (last period: 19%) and 5% (last period: 5%), respectively, of the Group's total turnover.

CAPITAL STRUCTURE AND GEARING RATIO

The financial position of the group remains strong, with a low gearing ratio (total borrowings over total capital employed) of only 12% at 30 June 2004 (31 December 2003: 11%), reflecting a healthy financial position and the prudent financial policy of the Group.

As at 30 June 2004, total borrowings (including bank borrowings, finance lease payables and convertible notes) of the Group was approximately HK\$312 million (31 December 2003: HK\$273 million).

FINANCIAL REVIEW

CAPITAL STRUCTURE AND GEARING RATIO (Continued)

Outstanding bank loans at the period end date amounted to HK\$250 million (31 December 2003: HK\$253 million). 59% of these bank loans were arranged on a short-term basis for ordinary business and were repayable within one year and the remaining were of a long-term nature, which principally comprised of mortgage loans on properties used by the Group.

Certain assets of the Group were financed by way of finance leases and the total outstanding finance lease payables at the period end date amounted to HK\$5 million (31 December 2003: HK\$2 million).

During the period, the Company entered into a sale and purchase agreement with a company controlled by Mr. Mak Shiu Tong, Clement, the Chairman of the Company, and his associates to dispose of the HK\$45 million zero coupon convertible notes that were issued to the Company by CCT Tech for a cash consideration of HK\$45 million. The transaction was approved by the independent shareholders of the Company on 15 April 2004.

At period end, the total outstanding convertible notes issued by the Company's listed subsidiary, CCT Tech, amounted to HK\$57 million which comprised of:

- (i) HK\$8 million at 5% per annum convertible notes due 2004 with a conversion price of HK\$0.01 per CCT Tech's shares;
- (ii) HK\$4 million at 2% per annum convertible notes due 2005 with a conversion price of HK\$0.01 per CCT Tech's shares; and
- (iii) HK\$45 million at zero coupon rate convertible note due 2005 with a conversion price of HK\$0.01 per CCT Tech's shares.

At the period end date, the maturity profile of the bank loans and other borrowings and convertible debt falling within one year, in the second to the fifth year and in the sixth to the tenth year amounted to HK\$205 million, HK\$61 million and HK\$46 million, respectively (31 December 2003: HK\$138 million, HK\$73 million and HK\$62 million, respectively). There was no material effect of seasonality on the Group's borrowings requirements.

Liquidity and Financial Resources

Current ratio (a ratio of current assets over current liabilities) as at 30 June 2004 was 154% (31 December 2003: 156%). Our strong liquid position demonstrates our concrete financial position based on strong cash flow from our operations and our prudent investment strategy and effective financial management.

At 30 June 2004, the Group maintained a cash balance of HK\$1,007 million (31 December 2003: HK\$973 million). Among the total cash balance of HK\$1,007 million, approximately HK\$100 million (31 December 2003: HK\$100 million) was pledged for general banking facilities.

At 30 June 2004, the Group had banking facilities of HK\$512 million (31 December 2003: HK\$584 million), of which HK\$265 million (31 December 2003: HK\$327 million) had been utilized.

Capital Commitments

The Group had authorised and contracted capital commitments of approximately HK\$42 million (31 December 2003: HK\$62 million) at the period end date. These commitments mainly relate to capital expenditure for the manufacturing operation of the Group and will be funded by internal resources.

In addition, the Group's share of the associates' own authorised and contracted capital commitments was approximately HK\$5 million (31 December 2003: HK\$8 million) at the period end date. These commitments mainly relate to capital expenditure for the manufacturing operation of Haier-CCT and will be funded by internal sources by Haier-CCT.

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 period, the Group's receipts were mainly denominated in United States dollars, with a small portion of the receipts denominated in Hong Kong dollars and Euros. Payments were mainly made in Hong Kong dollars and United States dollars, with some in Renminbi and Euros. Cash was generally placed in short-term deposits denominated in Hong Kong dollars and United States dollars. Other than the fixed or zero rate convertible notes of HK\$57 million in principal amount, the Group's borrowings were principally made on a floating rate basis.

FINANCIAL REVIEW

Treasury Management (Continued)

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 any substantial risk or exposure from having the majority of its receipts and payments in United States dollars. The Group's exposure to foreign exchange risk is not substantial and forward exchange contracts will be entered into to minimize such risks when necessary and appropriate.

OTHER INFORMATION

Employees and Remuneration Policy

The total number of employees in the Group at 30 June 2004 was approximately 22,362. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund, medical insurance and performance related bonuses. Share options may also be granted to eligible employees of the Group. At the period end date, there were approximately 42 million share options outstanding.

Significant Investment

There was no significant investment unrelated to our core ODM and OEM manufacturing business during the period. The Group continues to focus on the ODM and OEM manufacturing business of cordless telecom products and its related products. During the period, approximately HK\$105 million was used for capital expenditure, mainly related to the Group's core manufacturing business.

Acquisition and Disposal of Material Subsidiaries and Associates

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

Pledge of Assets

At 30 June 2004, certain of the Group's assets with net book value of HK\$165 million (31 December 2003: HK\$255 million) and time deposits of HK\$100 million (31 December 2003: HK\$100 million) were pledged to secure general banking facilities granted to the Group.

Contingent Liabilities

Apart from guarantee in lieu of property rental of HK\$45 million (31 December 2003: HK\$45 million) and possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK\$9 million (31 December 2003: HK\$8 million), the Group did not have any other significant contingent liabilities at 30 June 2004.

INTERIM RESULTS

The Board of Directors of CCT Telecom Holdings Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2004 together with the comparative figures for the corresponding period in 2003 are as follows:—

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2004

HK\$million	Notes	Six months ended 30 June	
		2004 (Unaudited)	2003 (Unaudited)
TURNOVER		1,880	1,424
Cost of sales		(1,626)	(1,225)
Gross profit		254	199
Other revenue		12	14
Selling and distribution costs		(24)	(21)
Administrative expenses		(129)	(126)
Other operating expenses		(9)	(29)
PROFIT FROM OPERATING ACTIVITIES	2	104	37
Finance costs		(3)	(5)
Share of profits and losses of associates [#]		—	(25)
PROFIT BEFORE TAX		101	7
Tax	4	(7)	2
PROFIT BEFORE MINORITY INTERESTS		94	9
Minority interests		(38)	(1)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		56	8
INTERIM DIVIDEND	5		
— Paid special interim		42	—
— Proposed interim		4	6
		46	6
EARNINGS PER SHARE	6		
— Basic		HK\$0.133	HK\$0.019
— Diluted		HK\$0.128	HK\$0.019
INTERIM DIVIDEND PER SHARE	5		
— Paid special interim		HK\$0.100	—
— Proposed interim		HK\$0.010	HK\$0.015
		HK\$0.110	HK\$0.015

[#] Including a realization of the relevant portion of the unrealised profits of approximately HK\$7 million (last period: HK\$12 million) arising from the deemed disposal of subsidiaries to an associate in 2002.

INTERIM RESULTS

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2004

HK\$'million	<i>Notes</i>	30 June 2004 (Unaudited)	31 December 2003 (Audited)
NON-CURRENT ASSETS			
Fixed assets	7	1,476	1,497
Intangible assets		26	23
Goodwill		14	26
Interests in associates		297	297
Other assets		12	12
Long term investments		4	4
Deferred tax assets		7	9
		1,836	1,868
CURRENT ASSETS			
Short term investments		3	3
Inventories		267	178
Trade and bills receivables	8	696	655
Prepayment, deposits and other receivables		69	63
Pledged time deposits		100	100
Cash and cash equivalents		907	873
		2,042	1,872
CURRENT LIABILITIES			
Trade and bills payables	9	910	841
Tax payable		27	25
Other payables and accruals		182	198
Interest-bearing bank loans and other borrowings		148	130
Convertible notes		57	8
		1,324	1,202
NET CURRENT ASSETS		718	670
TOTAL ASSETS LESS CURRENT LIABILITIES		2,554	2,538

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

30 June 2004

HK\$'million	<i>Notes</i>	30 June 2004 (Unaudited)	31 December 2003 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		103	124
Finance lease payables		4	1
Convertible notes		—	10
Deferred tax liabilities		6	7
		113	142
MINORITY INTERESTS			
		138	101
		2,303	2,295
CAPITAL AND RESERVES			
Issued capital	10	42	42
Reserves		2,257	2,247
Proposed interim/final dividend		4	6
		2,303	2,295

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2004

HK\$million	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital reserve (Unaudited)	Retained profits/ accumulated losses (Unaudited)	Proposed interim/final dividend (Unaudited)	Total (Unaudited)
At 1 January 2004:	42	1,250	1,114	(117)	6	2,295
Net profit for the period	—	—	—	56	—	56
2003 final dividend	—	—	—	—	(6)	(6)
Special interim dividend paid during the period	—	—	(42)	—	—	(42)
Proposed interim dividend	—	—	(4)	—	4	—
At 30 June 2004	42	1,250	1,068	(61)	4	2,303
At 1 January 2003	42	1,250	1,126	1	8	2,427
Net profit for the period	—	—	—	8	—	8
Dividend paid during the period	—	—	—	—	(8)	(8)
Proposed interim dividend	—	—	(6)	—	6	—
At 30 June 2003	42	1,250	1,120	9	6	2,427

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2004

HK\$'million	Six months ended 30 June	
	2004 (Unaudited)	2003 (Unaudited)
		(Restated)
NET CASH INFLOW FROM OPERATING ACTIVITIES	90	21
INVESTING ACTIVITIES	(61)	(148)
FINANCING ACTIVITIES	5	2
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	34	(125)
Cash and cash equivalents at beginning of period	873	781
CASH AND CASH EQUIVALENTS AT END OF PERIOD	907	656
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	482	261
Non-pledged time deposits with original maturity of less than three months when acquired	425	397
Bank overdrafts	907 —	658 (2)
	907	656

INTERIM RESULTS

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and with the Hong Kong Statement of Standard Accounting Practice ("SSAP") No.25 "Interim Financial Reporting" and the presentation and accounting policies used are consistent with those used in the Group's annual financial statements for the year ended 31 December 2003.

2. SEGMENT INFORMATION

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

- (a) the telecom products segment engages in the manufacture and sale of telecom products and accessories and components;
- (b) the baby and health care product segment manufactures and sells baby and health care products;
- (c) the corporate and others segment comprises of corporate income and administrative and corporate expenses items and the publishing of magazines (which was disposed in 2003).

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

(a) Business segments

The following tables present revenue and profit information regarding the Group's business segments for the period ended 30 June 2004 and 2003.

2004	Telecom products (Unaudited)	Baby and health care products (Unaudited)	Corporate and others (Unaudited)	Consolidated (Unaudited)
HK\$ million				
Segment revenue:				
Sales to external customers	1,806	71	—	1,877
Other revenue	10	—	2	12
Total revenue	1,816	71	2	1,889
Segment results	127	9	(35)	101
Interest income				3
Finance costs				(3)
Share of profits and losses of associates	—	—	—	—
Profit before tax				101
Tax				(7)
Profit before minority interests				94
Minority interests				(38)
Net profit from ordinary activities attributable to shareholders				56

INTERIM RESULTS

(a) Business segments (Continued)

2003	Telecom products (Unaudited)	Baby and health care products (Unaudited)	Corporate and others (Unaudited)	Consolidated (Unaudited)
HK\$million				
Segment revenue:				
Sales to external customers	1,318	71	31	1,420
Other revenue	12	—	2	14
Total revenue	1,330	71	33	1,434
Segment results	83	7	(57)	33
Interest income				4
Finance costs				(5)
Share of profits and losses of associates	—	—	(25)	(25)
Profit before tax				7
Tax				2
Profit before minority Interests				9
Minority interests				(1)
Net profit from ordinary activities attributable to shareholders				8

(b) Geographical segments

The following table presents revenue and results regarding the Group's geographical segments for the period ended 30 June 2004 and 2003.

2004	United States of America	PRC, including HK	Europe	Others	Consolidated
HK\$'million	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:					
Sales to external customers	1,097	376	88	316	1,877
Other revenue	—	—	—	12	12
Total revenue	1,097	376	88	328	1,889

2003	United States of America	PRC, including HK	Europe	Others	Consolidated
HK\$'million	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:					
Sales to external customers	932	274	64	150	1,420
Other revenue	—	—	—	14	14
Total revenue	932	274	64	164	1,434

3. DEPRECIATION AND AMORTISATION

During the period, depreciation of HK\$61 million (six months ended 30 June 2003: HK\$58 million) and amortisation of HK\$14 million (six months ended 30 June 2003: HK\$10 million) were charged in respect of the Group's fixed assets and intangible assets, respectively. Amortisation of goodwill of HK\$1 million (six months ended 30 June 2003: HK\$1 million) was charged during the period.

INTERIM RESULTS

4. TAX

HK\$'million	For the six months ended 30 June	
	2004 (Unaudited)	2003 (Unaudited)
Current — Hong Kong:		
Charge for the period	7	6
Overprovision in prior years	(2)	—
Current — Elsewhere	1	—
Deferred	1	(7)
	7	(1)
Share of tax attributable to associates	—	(1)
Tax (credit)/charge for the period	7	(2)

The Company is exempted from tax in the Cayman Islands until 2010. Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 June 2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. Certain PRC subsidiaries of the Group, which are categorised as wholly foreign owned enterprises, are entitled to preferential tax treatments including full exemption from the PRC income tax for two years starting from their first profit-making year following by a 50% reduction for the next three consecutive years.

5. DIVIDEND

For the period ended 30 June 2004, a special interim dividend of HK\$0.10 each, amounting to approximately HK\$42 million, was declared and funded by the net sale proceeds of the disposal of convertible note. For details of the disposal of convertible note, please refer to the announcement dated 4 March 2004. The special interim dividend was approved in the board meeting of the Company held on 28 April 2004. The special interim dividend was paid on 18 June 2004.

The board of directors has further declared an interim dividend for 2004 of HK\$0.01 per share (30 June 2003: HK\$0.015 per share) to be payable from the Company's capital reserve. The interim dividend will be payable on 19 October 2004 to shareholders whose names appear on the register of members of the Company on 8 October 2004. The register of members of the Company will be closed from 6 October 2004 to 8 October 2004 (both days inclusive).

6. EARNINGS PER SHARE

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

HK\$'million	Six months ended 30 June	
	2004 (Unaudited)	2003 (Unaudited)
Profit for the purposes of basic and diluted earnings per share	56	8
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	422,105,230	422,105,230
Effect of dilutive share options	16,299,836	1,573,539
Weighted average number of ordinary shares for the purpose of diluted earnings per share	438,405,066	423,678,769

INTERIM RESULTS

7. FIXED ASSETS

During the six months ended 30 June 2004, the Group acquired fixed assets of HK\$128 million (six months ended 30 June 2003: HK\$158 million), disposed fixed assets of HK\$84 million (six months ended 30 June 2003: HK\$1 million) and impairment loss on fixed assets of nil (six months ended 30 June 2003: 4 million).

8. TRADE AND BILLS RECEIVABLES

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

HK\$'million	30 June 2004 (Unaudited)		31 December 2003 (Audited)	
	Balance	Percentage	Balance	Percentage
Current to 30 days	321	46	274	42
31 to 60 days	234	34	199	30
61 to 90 days	123	18	164	25
Over 90 days	18	2	18	3
	696	100	655	100

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

9. TRADE AND BILLS PAYABLES

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

HK\$'million	30 June 2004 (Unaudited)		31 December 2003 (Audited)	
	Balance	Percentage	Balance	Percentage
Current to 30 days	323	36	212	25
31 to 60 days	221	24	227	27
61 to 90 days	172	19	164	20
Over 91 days	194	21	238	28
	910	100	841	100

10. SHARE CAPITAL

HK\$'million	30 June 2004 (Unaudited)	31 December 2003 (Audited)
Authorised:		
2,000,000,000 (31 December 2003: 2,000,000,000) ordinary shares of HK\$0.10 (31 December 2003: HK\$0.10) each	200	200
Issued and fully paid:		
422,105,230 (31 December 2003: 422,105,230) ordinary shares of HK\$0.10 (31 December 2003: HK\$0.10) each	42	42

There were no changes to the carrying amount or the number of ordinary shares in issue during the six months ended 30 June 2004.

11. CONTINGENT LIABILITIES

As at 30 June 2004, the Group has given guarantee to an independent third party in respect of a rental agreement amounting to approximately HK\$45 million (31 December 2003: HK\$45 million).

The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK\$9 million as at 30 June 2004 (31 December 2003: HK\$8 million). The contingent liability has arisen as a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

12. PLEDGE OF ASSETS

At 30 June 2004, the Group's bank borrowings were secured by:

- (i) pledge of the Group's fixed deposits amounting to approximately HK\$100 million (31 December 2003: HK\$100 million); and

INTERIM RESULTS

12. PLEDGE OF ASSETS (Continued)

- (ii) fixed charges over certain of the Group's leasehold land and buildings with an aggregate net book value amounting to approximately HK\$165 million (31 December 2003: HK\$255 million).

13. OPERATING LEASE ARRANGEMENT

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

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

HK\$'million	30 June 2004	31 December 2003
Within one year	3	2
In the second to fifth years, inclusive	1	2
	4	4

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

HK\$'million	30 June 2004	31 December 2003
Within one year	1	1
In the second to fifth years, inclusive	9	8
After five years	115	117
	125	126

14. COMMITMENTS

In addition to the operating lease commitments detailed in note 13, the Group had the following commitments at the balance sheet date:

HK\$million	30 June 2004 (Unaudited)	31 December 2003 (Audited)
Contracted, but not provided for:		
Construction in progress	26	60
Plant and machinery and equipment	13	2
Leasehold improvement	3	—
	42	62

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

HK\$million	30 June 2004 (Unaudited)	31 December 2003 (Audited)
Contracted, but not provided for	5	8
Authorised, but not contracted for	—	—
	5	8

15. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the current period's presentation.

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS

As at 30 June 2004, the directors and the chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

(a) **Interests and short positions in the shares, underlying shares and debentures of the Company**

(i) Long positions in the shares of the Company:

Name of director	Notes	Number of shares beneficially held and nature of interest		Approximate percentage of total shareholding (%)
		Personal	Corporate	
Mak Shiu Tong, Clement	(a)	—	86,261,941	20.44
Cheng Yuk Ching, Flora		9,876,713	—	2.34
William Donald Putt		171,500	—	0.04
Samuel Olenick	(b)	—	125,000	0.03

DISCLOSURE OF INTERESTS

Notes:

- (a) The shares were held by Capital Force International Limited and Capital Interest Limited, which are corporations controlled by Mr. Mak Shiu Tong, Clement. These interests in the shares of the Company have also been disclosed under the section headed "Substantial Shareholders' Interests" below.
- (b) Mr. Samuel Olenick was deemed to be interested in 125,000 shares in the Company under the provisions of Part XV of the SFO.
- (ii) Long positions in the underlying shares of equity derivatives of the Company — Share options:

Name of director	Date of grant of share options	Exercise period of share options	Exercise price per share HK\$	Number of share options outstanding	Number of total underlying shares	Approximate percentage of total shareholding (%)
Mak Shiu Tong, Clement	17/3/2003	17/3/2003 – 16/3/2008	0.750	420,000	420,000	0.10
Cheng Yuk Ching, Flora	17/3/2003	17/3/2003 – 16/3/2008	0.750	4,200,000	4,200,000	1.00
Tam Ngai Hung, Terry	17/3/2003	17/3/2003 – 16/3/2008	0.750	4,200,000	4,200,000	1.00
William Donald Putt	17/3/2003	17/3/2003 – 16/3/2008	0.750	420,000	420,000	0.10
Samuel Olenick	17/3/2003	17/3/2003 – 16/3/2008	0.750	420,000	420,000	0.10
Tam King Ching, Kenny	17/3/2003	17/3/2003 – 16/3/2008	0.750	420,000	420,000	0.10
Lau Ho Man, Edward	17/3/2003	17/3/2003 – 16/3/2008	0.750	420,000	420,000	0.10

DISCLOSURE OF INTERESTS

(b) Interests and short positions in the shares, underlying shares and debentures of associated corporations

(i) Long positions in the shares of Haier-CCT Holdings Limited ("Haier-CCT"):

Name of director	Notes	Number of shares beneficially held and nature of interest		Approximate percentage of total shareholding (%)
		Personal	Corporate	
Mak Shiu Tong, Clement	(a)	—	107,219,667	1.076
Cheng Yuk Ching, Flora		19,312,498	—	0.194
Tam Ngai Hung, Terry		10,000,000	—	0.100
William Donald Putt		179,112	—	0.002
Samuel Olenick	(b)	—	130,548	0.001

Notes:

- (a) The shares were held by Capital Winner Investments Limited and Capital Interest Limited, which are corporations controlled by Mr. Mak Shiu Tong, Clement.
- (b) Mr. Samuel Olenick was deemed to be interested in 130,548 shares under the provisions of Part XV of the SFO.

DISCLOSURE OF INTERESTS

- (ii) Long positions in the underlying shares of equity derivatives of Haier-CCT —
Share options:

Name of director	Date of grant of share options	Exercise period of share options	Exercise price per share HK\$	Number of share options outstanding	Number of total underlying shares	Approximate percentage of total shareholding (%)
Mak Shiu Tong, Clement	16/8/2002	16/8/2003 – 15/8/2007	0.156	89,000,000	89,000,000	0.89
Cheng Yuk Ching, Flora	16/8/2002	16/8/2003 – 15/8/2007	0.156	89,000,000	89,000,000	0.89
Tam Ngai Hung, Terry	16/8/2002	16/8/2003 – 15/8/2007	0.156	89,000,000	89,000,000	0.89
William Donald Putt	16/8/2002	16/8/2003 – 15/8/2007	0.156	5,000,000	5,000,000	0.05

- (iii) Long positions in the underlying shares of equity derivatives of CCT Tech International Limited:

- (1) Share options:

Name of director	Date of grant of share options	Exercise period of share options	Exercise price per share HK\$	Number of share options outstanding	Number of total underlying shares	Approximate percentage of total shareholding (%)
Mak Shiu Tong, Clement	30/4/2003	30/4/2003 – 29/4/2008	0.014	100,000,000	100,000,000	0.71
Cheng Yuk Ching, Flora	30/4/2003	30/4/2003 – 29/4/2008	0.014	100,000,000	100,000,000	0.71
Tam Ngai Hung, Terry	30/4/2003	30/4/2003 – 29/4/2008	0.014	100,000,000	100,000,000	0.71

DISCLOSURE OF INTERESTS

(2) Convertible note:

Name of director	Description of equity derivatives	Number of total underlying shares	Approximate percentage of total shareholding (%)
Mak Shiu Tong, Clement (Note)	HK\$45 million zero coupon convertible note due 2005	4,500,000,000	31.83

Note: The HK\$45 million zero coupon convertible note due 2005 was held by New Capital Industrial Limited, which is a corporation controlled by Mr. Mak Shiu Tong, Clement.

Save as disclosed above, as at 30 June 2004, none of the directors and the chief executive of the Company and/or any of their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2004, the following persons (other than the directors or the chief executive of the Company) had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the shares of the Company:

Name of shareholder	Number of shares held	Approximate percentage of total shareholding (%)
Capital Force International Limited (Note)	56,850,093	13.47
Capital Interest Limited (Note)	29,411,848	6.97
	86,261,941	20.44

Note: Capital Force International Limited and Capital Interest Limited are corporations controlled by Mr. Mak Shiu Tong, Clement. These interests in the shares of the Company have also been disclosed under the section headed "Directors' Interests" above.

Save as disclosed above, as at 30 June 2004, no other person (other than the directors or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

A share option scheme (the “Share Option Scheme”) was adopted by the Company on 28 February 2002 to comply with the new amendments to the Listing Rules in respect of the share option schemes of a listed company. As at 30 June 2004, there were 42,200,000 share options outstanding under the Share Option Scheme. Based on these outstanding share options, the total number of shares available for issue is 42,200,000, which represents approximately 10% of the issued share capital of the Company as at the date of this report.

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

Name or category of participant	Outstanding as at 1 January 2004	Number of share options			Outstanding as at 30 June 2004	Date of grant of share options	Exercise period of share options	Exercise price per share (Note) HK\$
		Granted during the period	Exercised during the period	Lapsed/Cancelled during the period				
Executive directors								
Mak Shiu Tong, Clement	420,000	—	—	—	420,000	17/3/2003	17/3/2003 – 16/3/2008	0.750
Cheng Yuk Ching, Flora	4,200,000	—	—	—	4,200,000	17/3/2003	17/3/2003 – 16/3/2008	0.750
Tam Ngai Hung, Terry	4,200,000	—	—	—	4,200,000	17/3/2003	17/3/2003 – 16/3/2008	0.750
William Donald Putt	420,000	—	—	—	420,000	17/3/2003	17/3/2003 – 16/3/2008	0.750
	9,240,000	—	—	—	9,240,000			
Independent non-executive directors								
Samuel Olenick	420,000	—	—	—	420,000	17/3/2003	17/3/2003 – 16/3/2008	0.750
Tam King Ching, Kenny	420,000	—	—	—	420,000	17/3/2003	17/3/2003 – 16/3/2008	0.750
Lau Ho Man, Edward	420,000	—	—	—	420,000	17/3/2003	17/3/2003 – 16/3/2008	0.750
	1,260,000	—	—	—	1,260,000			
Other employees								
In aggregate	31,700,000	—	—	—	31,700,000	17/3/2003	17/3/2003 – 16/3/2008	0.750
	31,700,000	—	—	—	31,700,000			
	42,200,000	—	—	—	42,200,000			

SHARE OPTION SCHEME

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

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

OTHER INFORMATION

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 (whether on the Stock Exchange or otherwise) of the Company during the six months ended 30 June 2004.

AUDIT COMMITTEE

The Company has established an audit committee comprising three independent non-executive directors of the Company. A set of written terms of reference which describes the authorities and duties of the audit committee, was adopted by the board of directors of the Company.

The audit committee had reviewed with the management the accounting principles and practices adopted by the Group and discussed financial and accounting matters including the review of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2004.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2004, in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 to the Listing Rules 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.

BOARD OF DIRECTORS

As at the date of this report, the executive directors of the Company are Mr. Mak Shiu Tong, Clement, Ms. Cheng Yuk Ching, Flora, Mr. Tam Ngai Hung, Terry and Mr. 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, 10 September 2004

