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chairman's letter

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

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

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

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

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

CCT TECH GROUP

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



CCT INDUSTRIAL GROUP

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

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

HAIER ELECTRONICS

We are pleased to report that the acquisition of the washing machine business from Haier Group Corporation (together with its subsidiaries and associates, the "Haier Group") and the exercise of the call option to acquire the 35.5% of the mobile handset business (the "Asset Injection") by Haier Electronics were successfully completed on 28 January 2005. Immediate upon completion of the Asset Injection and the placing of shares to restore public float, the shareholding of the Haier Group in Haier Electronics has increased to 50.3% and the equity interests of the Group in Haier Electronics was diluted from 43.6% to 24.0%. Since the Group is no longer the single largest shareholder of Haier Electronics, all the directors as nominated by the Group to the board of Haier Electronics were resigned as directors of Haier Electronics upon completion of the Asset Injection. Furthermore, as the Group does not exercise any management control or significant influence over Haier Electronics since then, Haier Electronics will not be treated as an associate of the Group in the Group's result effective therefrom.

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

PROPOSED VOLUNTARY OFFERS TO BE MADE TO ACQUIRE THE MINORITY INTERESTS IN CCT TECH

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

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

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

OUTLOOK

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

Despite the uncertainties ahead, the Company is well positioned to continue its financial success and achieve further growth given its strong R&D capabilities, efficient productivity and economies of scale. The board is optimistic about the future of the telecom product business given the strong support from the existing customers and the positive response and interest from the potential customers. We will continue to maintain our strong and long-term partnership with our customers, thus enhance future collaboration. It is believed that with the strong R&D team, healthy growth prospect and outstanding management team, along with our high quality products and advance production facilities, the Group will achieve new heights in the future.

ACKNOWLEDGEMENTS

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

Mak Shiu Tong, Clement

Chairman

Hong Kong, 25 April 2005

review of operations

CCT TECH GROUP

Telecom product business

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

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

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

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



2004, all of which were well-received by customers for their excellent qualities and innovative designs as well as stimulated sales of the Group as a whole. Due to the above factors, coupled with the benefit from the Group's economies of scale in materials procurement, the competitive edge of CCT Tech in the industry is further strengthened and, thus, managed to report growths both in terms of revenue and profit in the year of 2004.

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

CCT INDUSTRIAL GROUP

Plastic product business

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

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



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

Electronic component business

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

Baby and health care product business

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







CCT Technology Park, our principal manufacturing base in Huiyang, Guangdong Province, the PRC







Our factory complex in Dongguan, Guangdong Province, the PRC



directors and senior management

EXECUTIVE DIRECTORS

Mr. MAK Shiu Tong, Clement, aged 51, has served as Chairman, Chief Executive Officer (“CEO”) and an Executive Director of the Company since January 1994. Mr. Mak is a substantial shareholder of the Company. Mr. Mak is responsible for the corporate planning, overall strategic direction of the Group and takes a leading role in managing the business. He has over 28 years of experience in the electronics manufacturing and distribution industry, specialising in telephone and telecom products. He holds a Diploma in Electrical Engineering.

Mr. TAM Ngai Hung, Terry, aged 51, has served as an Executive Director and Group Finance Director of the Company since March 2001. Mr. Tam is mainly responsible for the corporate finance and accounting function of the Group. Mr. Tam has more than 27 years of experience in finance and accounting management, and also has extensive experience in mergers and acquisitions. Mr. Tam is a fellow of the Association of Chartered Certified Accountants and an associate of both the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Secretaries and Administrators. Mr. Tam has previously held a number of senior positions in several listed companies. Mr. Tam is also an executive director of the Company’s subsidiary, CCT Tech International Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited.

Ms. CHENG Yuk Ching, Flora, aged 51, has served as an Executive Director of the Company since February 1998. Ms. Cheng assists the Chairman/CEO in overseeing the day-to-day management of the telecom product business, component and industrial product business of the Group. Ms. Cheng has over 25 years of experience in the electronics industry and has held senior positions in various well-known electronics companies. She holds a Diploma in Business Administration.

Dr. William Donald PUTT, aged 68, has served as an Executive Director of the Company since January 1997. Dr. Putt is responsible for the worldwide business development and also assists the Chairman/CEO in setting the overall strategic direction of the Group. Dr. Putt obtained his PhD in Management from the Massachusetts Institute of Technology in the United States. Dr. Putt has over 32 years of experience in the telecom industry, and was the president and co-founder of TeleConcepts Corporation, which specialised in the design, production and distribution of telecom products. Dr. Putt is also an executive director of the Company’s subsidiary, CCT Tech International Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Samuel OLENICK, aged 77, has served as an Independent Non-executive Director and a member of the Audit Committee of the Company since November 1997. He is a certified public accountant in the United States, and has many years of experience in the US telecommunications field.

Mr. TAM King Ching, Kenny**, aged 55, has served as an Independent Non-executive Director and a member of the Audit Committee of the Company since December 1999, and is a practising Certified Public Accountant in Hong Kong. He holds a Bachelor's Degree in Commerce and is a fellow of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada. He is serving as a member of the Insolvency Practitioners Committee, Professional Risk Management Committee and Small and Medium Practitioners Committee in the Hong Kong Institute of Certified Public Accountants. Mr. Tam is a Past President of The Society of Chinese Accountants and Auditors. In the past three years, Mr. Tam also serves as an independent non-executive director of four other listed companies on the main board of The Stock Exchange of Hong Kong Limited, namely, Starlite Holdings Limited, Van Shung Chong Holdings Limited, Kingmaker Footwear Holdings Limited and Shougang Concord Grand (Group) Limited, and a listed company on the GEM board of The Stock Exchange of Hong Kong Limited, namely, iSteelAsia Holdings Limited. Mr. Tam was an independent non-executive director of Tradeeasy Holdings Limited, a company listed on the GEM board of The Stock Exchange of Hong Kong Limited, until his resignation on 1 April 2003.

Save as disclosed above and apart from being an Independent Non-executive Director of the Company, Mr. Tam did not hold any directorship in any listed public company in the past three years and does not hold any other positions with the Company and any of its subsidiaries.

There is no service contract entered into between Mr. Tam and the Company or any of its subsidiaries. Mr. Tam's directorship is subject to retirement by rotation and re-election at the annual general meeting of the Company. Mr. Tam will receive a director's fee of HK\$20,000 per month which is determined by the Board with reference to his duties, responsibilities and is in line with that payable to other independent non-executive directors of the Company.

Mr. Tam does not have any relationship with any director, senior management or substantial or controlling shareholder of the Company.

As at the date of this report, Mr. Tam had interest in 420,000 share options of the Company. Save as disclosed above, as at the date of this report, Mr. Tam had no other interests (within the meaning of Part XV of the Securities and Futures Ordinance) in any shares, underlying shares or debentures of the Company and/or its associated corporations.

The Company confirms that it is not aware of any other matters that need to be brought to the attention of the shareholders.

*** Being the directors proposed to be rotated and re-elected by the shareholders at the forthcoming annual general meeting of the Company.*

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. LAU Ho Man, Edward**, aged 50, has served as an Independent Non-executive Director and a member of the Audit Committee of the Company since February 2000. Mr. Lau has more than 28 years of experience in finance, accounting management and administration, and also has extensive experience in taxation and corporate finance matters. He is a Certified Public Accountant (Practising), a fellow of the Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Chartered Accountants in England and Wales and the American Institute of Certified Public Accountants. Mr. Lau also serves as an independent non-executive director of Tradeeasy Holdings Limited, a company listed on the GEM board of The Stock Exchange of Hong Kong Limited.

Save as disclosed above and apart from being an Independent Non-executive Director of the Company, Mr. Lau did not hold any directorship in any listed public company in the past three years and does not hold any other positions with the Company and any of its subsidiaries.

There is no service contract entered into between Mr. Lau and the Company or any of its subsidiaries. Mr. Lau's directorship is subject to retirement by rotation and re-election at the annual general meeting of the Company. Mr. Lau will receive a director's fee of HK\$20,000 per month which is determined by the Board with reference to his duties, responsibilities and is in line with that payable to other independent non-executive directors of the Company.

Mr. Lau is the brother of Mr. Lau Ho Kit, Ivan, an independent non-executive director of CCT Tech International Limited, a listed non wholly-owned subsidiary of the Company, and Mr. Lau Ho Wai, Lucas, an independent non-executive director of Haier Electronics Group Co., Ltd. (formerly known as Haier-CCT Holdings Limited), a company in which the Company has 24.0% interest. Save as disclosed herein, Mr. Lau does not have any relationship with any director, senior management or substantial or controlling shareholder of the Company.

As at the date of this report, Mr. Lau had interest in 420,000 share options of the Company. Save as disclosed above, as at the date of this report, Mr. Lau had no other interests (within the meaning of Part XV of the Securities and Futures Ordinance) in any shares, underlying shares or debentures of the Company and/or its associated corporations.

The Company confirms that it is not aware of any other matters that need to be brought to the attention of the shareholders.

** *Being the directors proposed to be rotated and re-elected by the shareholders at the forthcoming annual general meeting of the Company.*

SENIOR MANAGEMENT

Mr. TONG Chi Hoi, aged 39, joined the Group in November 1997. He is an executive director of CCT Tech International Limited, a listed subsidiary of the Company and the Managing Director of a principal subsidiary of the Company. Mr. Tong serves as a key management person for the telecom and electronic product business of the Group and is responsible for the day-to-day management of the business. Mr. Tong has a First Class Honours Degree in Electrical and Electronics Engineering from the University of London. He has over 18 years of experience in the electronics manufacturing industry.

Mr. MAN Chin Keung, Daniel, aged 41, joined the Group in November 2002. Mr. Man currently holds the position of Deputy Managing Director in a principal subsidiary of the Company engaged in manufacturing of plastic component and products. He has a Bachelor's Degree in Mechanical Engineering and a Master's Degree in Business Administration. He has more than 13 years of experience in the plastic injection industry.

Mr. TUNG Shuk Lun, Maximilian, aged 36, has been the General Counsel of the Company since December 1999 and is responsible for advising on all legal matters of the Company. Mr. Tung graduated from the University of London with an LL.B. Degree and is a practising solicitor qualified to practise in Hong Kong and the United Kingdom.

Mr. LAW Hing Lam, Andy, aged 41, currently holds the position of Financial Controller in three principal subsidiaries of the Company and is responsible for the finance and accounting functions of the electronic component division, the plastic product division and the baby and health care product division of the Group. Mr. Law has extensive accounting and auditing experience and has worked for various renowned companies prior to joining the Company. He graduated with an Honours Degree in Accountancy and Economics from the City University of London, England in July 1992. He is an associate member of both the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. CHEUNG Chi Wah, Patrick, aged 34, joined the Company in October 1999. He currently holds the position of Group Financial Controller and is responsible for finance and accounting management of the Company. Mr. Cheung graduated from the Hong Kong Polytechnic University with an Honours Degree in Accountancy. He holds a Master's Degree in Information Technology Management from the Chinese University of Hong Kong. He is an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

Ms. LOW Pui Man, Jaime, aged 36, joined the Company in August 1999. She currently holds the position of Company Secretary of the Company. She has extensive experience in company secretarial practice. She is a fellow of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries.

financial highlights of the year

HK\$ million	2004	2003	% Change
Operating Results			
Turnover	4,057	3,441	18%
Net Profit/(Loss)	56	(118)	N/A
Per Share Data			
Earnings/(Loss) Per share — Basic	HK\$0.13	(HK\$0.28)	N/A
Dividend Per Share			
— Paid Interim Dividend	HK\$0.010	HK\$0.015	
— Proposed Final Dividend	HK\$0.020	HK\$0.015	
	HK\$0.030	HK\$0.030	—
Paid Special Interim Dividend Per Share	HK\$0.100	—	
Net Asset Value Per Share	HK\$5.441	HK\$5.437	—
Financial Position			
Total assets	3,977	3,740	6%
Net current assets	694	670	4%
Current Ratio	154%	156%	
Gearing Ratio	14%	11%	

financial review

FINANCIAL RESULTS

Summary of Results

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

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

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

Dividends

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

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

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

Analysis by Business Segment

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

FINANCIAL RESULTS (Continued)**Analysis by Business Segment** (Continued)

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

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

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

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

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

Analysis by Geographical Segment

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

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

FINANCIAL RESULTS (Continued)**Analysis by Geographical Segment** (Continued)

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

FINANCIAL POSITION**Consolidated Balance Sheet Summary**

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

Non-current Assets

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

Current Assets

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

Current Liabilities

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

Non-current Liabilities

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

FINANCIAL POSITION (Continued)**Capital Structure and Gearing Ratio**

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

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

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

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

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

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

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

FINANCIAL POSITION (Continued)**Liquidity and Financial Resources**

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

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

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

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

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

Capital Commitments

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

Treasury Management

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

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

OTHER INFORMATION

Employees and Remuneration Policy

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

Significant Investment

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

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

Acquisition and Disposal of Material Subsidiaries and Associates

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

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

Pledge of Assets

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

Contingent Liabilities

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

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

corporate information

COMPANY NAME

CCT Telecom Holdings Limited

BOARD OF DIRECTORS

Executive Directors

Mak Shiu Tong, Clement (*Chairman and CEO*)

Tam Ngai Hung, Terry

Cheng Yuk Ching, Flora

William Donald Putt

Independent Non-executive Directors

Samuel Olenick

Tam King Ching, Kenny

Lau Ho Man, Edward

COMPANY SECRETARY

Low Pui Man, Jaime

QUALIFIED ACCOUNTANT

Cheung Chi Wah, Patrick

PRINCIPAL BANKERS

Standard Chartered Bank

Nanyang Commercial Bank, Ltd

SOLICITORS

Sidley Austin Brown & Wood

AUDITORS

Ernst & Young Certified Public Accountants

FINANCIAL YEAR END

31 December

REGISTERED OFFICE

The offices of The Harbour Trust Co. Ltd.

P. O. Box 1787 GT

One Capital Place

Grand Cayman

Cayman Islands

British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Shun Tak Centre

168–200 Connaught Road Central

Hong Kong

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tengis Limited

G/F Bank of East Asia Harbour View Centre

56 Gloucester Road

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TELEPHONE NUMBER

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FAX NUMBER

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COMPANY WEBSITE

www.cct.com.hk

STOCK CODE

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report of the directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the manufacture and sale of telecom products and accessories, the manufacture and sale of baby and health care products. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 41 to 90.

A special interim dividend of HK\$0.10 per ordinary share was paid on 18 June 2004.

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

The directors recommend the payment of a final dividend of HK\$0.020 (2003: HK\$0.015) per ordinary share in respect of the year to shareholders on the register of members of the Company on 26 May 2005 subject to the approval of the shareholders of the Company at the forthcoming annual general meeting. This recommendation has been incorporated in the financial statements as an allocation of capital reserve within the capital and reserves section of the balance sheet.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 91. This summary does not form part of the audited financial statements.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and the investment properties of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised share capital during the year. Details of movements in the Company's issued share capital and share options during the year are set out in notes 32 and 33 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the Companies Law (2002 Revision) Chapter 22 of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

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

In accordance with the Company's Articles of Association, dividends can only be distributed out of profits and reserves available for distribution including the share premium and capital reserve account of the Company. As at 31 December 2004, the Company had a net credit balance of approximately HK\$2,216 million (2003: HK\$2,176 million) of which HK\$8 million has been proposed as a final dividend for the year maintained in the reserve accounts which would be available for distribution.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$3 million (2003: HK\$2 million).

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers, respectively, during the financial year is as follows:

	Percentage of the Group's total			
	Sales		Purchases	
	2004	2003	2004	2003
Largest customer	44%	51%		
Five largest customers in aggregate	76%	80%		
Five largest suppliers in aggregate			<30%	<30%

None of the directors of the Company or any of their associates or shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were as follows:

Executive directors:

Mak Shiu Tong, Clement
Tam Ngai Hung, Terry
Cheng Yuk Ching, Flora
William Donald Putt

Independent non-executive directors:

Samuel Olenick
Tam King Ching, Kenny
Lau Ho Man, Edward

In accordance with the articles of association of the Company, Messrs. Tam King Ching, Kenny and Lau Ho Man, Edward will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

The independent non-executive directors of the Company are not appointed for any specific terms and 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.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and, as at the date of this report, still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 16 to 19 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

During the year, no director had a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

SHARE OPTION SCHEME

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

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

Pursuant to the Share Option Scheme, the maximum number of shares in respect of which share options may be granted under the Share Option Scheme is such number of shares, when aggregated with shares subject to any other share option scheme(s) of the Company, must not exceed 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme or 30% of the issued share capital of the Company from time to time.

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

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

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

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

SHARE OPTION SCHEME (Continued)

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

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

Notes:

- 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 price of the shares of the Company as at the date of exercise of the share options is the weighted average of the closing price of the shares of the Company as listed on the Stock Exchange on the trading date immediately before the date on which the share options were exercised.

SHARE OPTION SCHEME *(Continued)*

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

DIRECTORS' INTERESTS

As at 31 December 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 pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") adopted by the Company:

(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			Total	Approximate percentage of total shareholding (%)
		Personal	Family	Corporate		
Mak Shiu Tong, Clement	(a)	—	—	86,261,941	86,261,941	20.42
Cheng Yuk Ching, Flora	(b)	9,876,713	100,000	—	9,976,713	2.36
William Donald Putt		171,500	—	—	171,500	0.04
Samuel Olenick	(c)	—	—	125,000	125,000	0.03

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 have also been disclosed under the section headed "Substantial Shareholders' Interests" below.
- (b) The family interest of Ms. Cheng Yuk Ching, Flora in 100,000 shares was held by her spouse, Mr. Po Pui Lam, and she was deemed to be interested in the same under the provisions of Part XV of the SFO.
- (c) Mr. Samuel Olenick was deemed to be interested in 125,000 shares under the provisions of Part XV of the SFO.

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

The Company has granted to certain directors of the Company the rights to subscribe for shares in the share capital of the Company. Details of the interests in the share options granted under the Share Option Scheme to the directors of the Company are disclosed under the section headed "Share Option Scheme" above.

DIRECTORS' INTERESTS (Continued)**(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 (renamed to Haier Electronics Group Co., Ltd. on 31 January 2005) ("Haier"):*

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.

- (ii) *Long positions in the underlying shares of equity derivatives of Haier — 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

DIRECTORS' INTERESTS (Continued)**(b) Interests and short positions in the shares, underlying shares and debentures of associated corporations** (Continued)

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

(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	0.63
Cheng Yuk Ching, Flora	30/4/2003	30/4/2003 – 29/4/2008	0.014	100,000,000*	100,000,000	0.63
Tam Ngai Hung, Terry	30/4/2003	30/4/2003 – 29/4/2008	0.014	100,000,000*	100,000,000	0.63

* According to the composite offer and response document dated 31 March 2005 (the "Composite Offer Document") jointly issued by the Company and CCT Tech, Jade Assets Company Limited (the "Offeror"), a wholly-owned subsidiary of the Company, made the voluntary conditional cash offers to acquire all the issued shares from the independent shareholders of CCT Tech and to acquire the convertible note due 2005 of CCT Tech and to cancel all the outstanding share options of CCT Tech (the "Offers"). All directors have accepted the Offers in respect of their entire holding of the share options at the consideration of HK\$0.009 per share option. The Offers have become unconditional in all respects as to acceptances on 21 April 2005 and all such outstanding share options under the share option scheme of CCT Tech will be cancelled in accordance with the terms of the Offers.

(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	28.23

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

* Pursuant to the Offers as detailed in the Composite Offer Document, New Capital Industrial Limited has accepted the Offers in respect of its entire holding of the convertible note due 2005 and opted for the convertible bonds due 2010 to be issued by the Company. The Offers have become unconditional in all respects as to acceptances on 21 April 2005 and the convertible note due 2005 will be transferred to the Offeror in accordance with the terms of the Offers.

Save as disclosed above, as at 31 December 2004, none of the directors and the chief executive of the Company and/or any of their respective associates had any interest and short position 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the section headed "Share Option Scheme" above in respect of the share options granted to the directors by the Company under the Share Option Scheme and the section headed "Directors' Interests — Interests and short positions in the shares, underlying shares and debentures of associated corporations" above in respect of the share options granted by the associated corporations to the directors of the Company, at no time during the year were rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) granted to any director of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, or any of its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2004, the following persons (other than the directors or the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were 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	13.46
Capital Interest Limited (Note)	29,411,848	6.96
	86,261,941	20.42

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

Save as disclosed above, as at 31 December 2004, there was no other person (other than the directors or the chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following connected and continuing connected transactions, certain details of which are disclosed in accordance with the requirements of Chapter 14A of the Listing Rules.

- (1) On 2 March 2004, the Company entered into a sale and purchase agreement with New Capital Industrial Limited, a company controlled by Mr. Mak Shiu Tong, Clement and his family members to dispose of the HK\$45 million zero coupon convertible notes issued to the Company by CCT Tech for a cash consideration of HK\$45 million.

The transaction was completed on 15 April 2004.

- (2) On 2 June 2004, the Company and CCT Tech (an indirect non wholly-owned listed subsidiary of the Company) entered into a conditional agreement pursuant to which the Company agreed (i) to acquire the entire interest in First Precision Holdings Limited ("First Precision") and CCT Investment Limited ("CCT Investment"), both are the then indirect wholly-owned subsidiaries of CCT Tech, from CCT Tech; and (ii) to assign their interest-free shareholders' loans due from First Precision and CCT Investment to the Company as at the completion date of this transaction, at a total consideration of HK\$139 million. The consideration was satisfied by cancellation of the convertible note in the same amount which was issued by CCT Tech to an indirect wholly-owned subsidiary of the Company on 30 June 2003.

The transaction was completed on 13 September 2004 and further details of the acquisition of First Precision and CCT Investment by CCT Telecom from CCT Tech are set out in the Company's circular dated 20 August 2004.

- (3) During the year, certain indirect wholly-owned subsidiaries of the Company had the following material transactions with CCT Tech (the "Continuing Connected Transactions").

HK\$ million	Notes	2004	2003
Factory rental expenses	(a)	6	3
Factory rental income	(b)	5	1
Office rental income	(c)	3	1
Management information system service fee	(d)	3	1

Notes:

- (a) The factory rental expenses were charged to Shine Best Developments Limited ("Shine Best"), an indirect wholly-owned subsidiary of the Company, by CCT Enterprise Limited ("CCT Ent"), an indirect wholly-owned subsidiary of CCT Tech, for the provision of factory space in Huiyang, the PRC, at a rate determined in accordance with the terms and conditions set out in a tenancy agreement entered into between Shine Best and CCT Ent on 15 May 2003.
- (b) The factory rental income was charged to CCT Investment, an indirect wholly-owned subsidiary of CCT Tech, by CCT Properties (Dongguan) Limited ("CCT Prop"), an indirect wholly-owned subsidiary of the Company, for the provision of factory space in Dongguan, the PRC, at a rate determined in accordance with the terms and conditions set out in a tenancy agreement entered into between CCT Investment and CCT Prop on 15 May 2003 ("First Tenancy Agreement"). Both parties agreed to have an early termination of the First Tenancy Agreement in accordance with the provisions of the agreement and entered into two new tenancy agreements with CCT Investment and Electronic Sales Limited ("ESL", a subsidiary of First Precision) with a greater floor area (the "Dongguan Tenancy Agreement"). Upon completion of transaction as mentioned in (2) above, CCT Investment and ESL have ceased to be subsidiaries of CCT Tech and have become indirect wholly-owned subsidiaries of the Company.
- (c) The office rental income was charged to CCT Telecom (HK) Limited ("CCT HK") and CCT Telecom R&D Limited ("CCT R&D"), indirect wholly-owned subsidiaries of CCT Tech, by Goldbay Investments Limited ("Goldbay"), an indirect wholly-owned subsidiary of the Company, for the provision of office space in Hong Kong, at a rate determined in accordance with the terms and conditions set out in three tenancy agreements entered into between CCT HK and Goldbay on 15 September 2003 and 17 September 2004, and between CCT R&D and Goldbay on 23 December 2003.
- (d) The management information system service fee was charged to the Company and its wholly-owned subsidiaries by CCT HK for the provision of general management information system support, network and software consultation and hardware maintenance services. The rate was determined in accordance with the terms and conditions set out in an agreement entered into between the Company and CCT HK on 15 May 2003.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(Continued)*

For transactions under (a), (c) and (d), the Stock Exchange has granted conditional waivers to the Company from strict compliance with the connected transactions requirements as set out in the Listing Rules for the three financial years ending 31 December 2005. The Continuing Connected Transactions have obtained the approval of the independent non-executive directors of the Company.

The independent non-executive directors of the Company have reviewed and confirmed that:

- (i) the consideration receivable from/payable to the Group for the year ended 31 December 2004 did not exceed the higher of HK\$10 million or 3% of the net tangible asset value of the Company;
- (ii) the Continuing Connected Transactions were conducted on normal commercial terms; and
- (iii) the Continuing Connected Transactions were conducted in accordance with the terms of the agreements governing such transactions.

For transactions under (b), the Stock Exchange has granted conditional waivers to the Company from strict compliance with the connected transactions requirements as set out in the Listing Rules for the three financial years ending 31 December 2006. The Continuing Connected Transactions have obtained the approval of the independent non-executive directors of the Company.

The independent non-executive directors of the Company have reviewed and confirmed that:

- (i) the consideration receivable from the CCT Tech Group for the year ended 31 December 2004 did not exceed the higher of HK\$10 million or 3% of the net tangible asset value of the Company;
- (ii) the Continuing Connected Transactions were conducted either (A) on normal commercial terms; or (B) if there is no available comparison, on terms that are fair and reasonable; and
- (iii) the Continuing Connected Transactions were conducted in accordance with the terms of the agreements governing such transactions.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 41 to the financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules. Having made specific enquiries with all directors of the Company, they confirmed that they have complied with the required standard set out in the Model Code adopted by the Company throughout the financial year covered by this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained a sufficient public float of not less than 25% of the Company's total issued share capital as required under the Listing Rules throughout the financial year covered by this report.

AUDIT COMMITTEE

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

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

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

Mak Shiu Tong, Clement

Chairman

Hong Kong, 25 April 2005

report of the auditors



To the members

CCT Telecom Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 41 to 90 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Hong Kong, 25 April 2005

consolidated profit and loss account

Year ended 31 December 2004

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

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

consolidated balance sheet

31 December 2004

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

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

consolidated statement of changes in equity

Year ended 31 December 2004

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

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

consolidated cash flow statement

Year ended 31 December 2004

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

Year ended 31 December 2004

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

balance sheet

31 December 2004

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

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

notes to financial statements

31 December 2004

1. CORPORATE INFORMATION

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

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

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

Subsidiaries

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

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

Joint venture companies

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

31 December 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint venture companies *(Continued)*

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

A joint venture company is treated as:

- (a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture company;
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;
- (c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or
- (d) a long term investment, if the Group holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Associates

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

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

Goodwill

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

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 20 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than a separately identified asset on the consolidated balance sheet.

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

31 December 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

On disposal of subsidiaries and associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

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

Impairment of assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

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

31 December 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Fixed assets and depreciation** *(Continued)*

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

Leasehold land	2% – 6%
Buildings	2.5% – 6%
Plant and machinery	10% – 30%
Tools, moulds and equipment	10% – 20%
Furniture and office equipment	10% – 20%
Motor vehicles	15% – 30%

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

Construction in progress

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

Investment properties

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

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

Intangible assets*Publishing rights*

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

31 December 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Deferred development costs

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

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

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

Club memberships

Club memberships are intended to be held for long term purposes. They are stated at cost less any impairment losses, on an individual membership basis.

Long term investments

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

Short term investments

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

Inventories

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

Income tax

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

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

31 December 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Leased assets

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Leased assets** *(Continued)*

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Employee benefits*Paid leave carried forward*

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

Employment Ordinance long service payments

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

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

Share option scheme

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Pension scheme

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

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

Foreign currencies

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

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

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

Cash and cash equivalents

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

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) rental income, on a time proportion basis over the lease terms;
- (c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (d) dividend income, when the shareholders' right to receive payment has been established.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits or capital reserve within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Related parties

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

4. SEGMENT INFORMATION

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

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

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

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4. SEGMENT INFORMATION (Continued)

- (b) the baby and health care products segment engages in the manufacture and sale of baby and health care products; and
- (c) the corporate and others segment comprises corporate income and expense items and the publishing of magazines (disposed of in the prior year).

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

(a) Business segments

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

Group

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

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4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Group

HK\$ million	Telecom products		Baby and health care products		Corporate and others		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
Segment assets	2,499	2,335	99	98	1,082	1,001	3,680	3,434
Interest in an associate	—	—	—	—	293	297	293	297
Unallocated assets							4	9
Total assets							3,977	3,740
Segment liabilities	982	940	43	37	50	62	1,075	1,039
Unallocated liabilities							407	305
Total liabilities							1,482	1,344
Other segment information:								
Capital expenditure	229	149	20	6	142	137	391	292
Depreciation	102	92	3	3	22	27	127	122
Amortisation	30	30	—	—	1	1	31	31
Impairment losses recognised directly in the profit and loss account	—	—	—	—	—	2	—	2
Other non-cash expenses	87	42	2	—	3	16	92	58

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4. SEGMENT INFORMATION (Continued)

(b) Geographical segments

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

Group

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

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

5. TURNOVER

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

Revenue from the following activities has been included in turnover:

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

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6. PROFIT FROM OPERATING ACTIVITIES

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

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

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

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

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

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7. FINANCE COSTS

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

8. DIRECTORS' REMUNERATION

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

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

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8. DIRECTORS' REMUNERATION *(Continued)*

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

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

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

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

9. FIVE HIGHEST PAID EMPLOYEES

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

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

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9. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

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

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

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

10. TAX

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

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

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10. TAX (Continued)

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

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

Group — 2004

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

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10. TAX (Continued)

Group — 2003

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

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

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

12. DIVIDENDS

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

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

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13. EARNINGS/(LOSS) PER SHARE

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

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

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

14. FIXED ASSETS**Group**

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

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14. FIXED ASSETS (Continued)

Company

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

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

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

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

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

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

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15. INTANGIBLE ASSETS**Group**

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

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16. GOODWILL

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

Group

HK\$ million

Cost:

At 1 January 2004	27
Acquisition of minority interests in subsidiaries	14
Disposal of subsidiaries (note 35(b))	(11)

At 31 December 2004	<u>30</u>
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Accumulated amortisation:

At 1 January 2004	1
Amortisation provided during the year	1

At 31 December 2004	<u>2</u>
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Net book value:

At 31 December 2004	<u>28</u>
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At 31 December 2003	<u>26</u>
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As detailed in note 3 to the financial statements, on the adoption of SSAP 30 in 2001, the Group applied the transitional provision of SSAP 30 that permitted goodwill in respect of acquisitions which occurred prior to the adoption of the SSAP, to remain eliminated against consolidated reserves.

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

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17. INTERESTS IN SUBSIDIARIES

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

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

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
CCT Marketing Limited	British Virgin Islands/ Hong Kong	US\$1 Ordinary	—	34.5 [#]	Trading of telecom products
CCT Telecom (HK) Limited	Hong Kong	HK\$2,600,000 Ordinary	—	34.5 [#]	Sourcing of telecom products
CCT Tech International Limited ("CCT Tech")@	Bermuda/ Hong Kong	HK\$159,384,226 Ordinary	—	34.5 [#]	Investment holding
Electronic Sales Limited	Hong Kong	HK\$5,948,000 Ordinary	—	100	Sale of telecom products
Goldbay Investments Limited	Hong Kong	HK\$2 Ordinary	—	100	Property holding
Huge Partner Limited	Hong Kong	HK\$10,000 Ordinary	—	100	Property holding

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17. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows (Continued):

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Neptune Holding Limited	Hong Kong	HK\$10,000,000 Non-voting* class 'A' shares HK\$1,000,000 Voting class 'B' shares	—	100	Trading of plastic casings and parts
Wiltec Industries Limited	Hong Kong	HK\$100 Ordinary HK\$1,000,000 Deferred**	—	100	Sale of baby care products
Huiyang CCT Telecommunications Products Co., Ltd.	People's Republic of China	HK\$80,000,000 Registered^	—	34.5#	Manufacturing of telecom products
Huiyang CCT Plastic Products Co., Ltd.	People's Republic of China	HK\$48,600,000 Registered^	—	100	Manufacturing of plastic casings and parts

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

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

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

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

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

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

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18. INTEREST IN AN ASSOCIATE

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

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

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

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

* Listed on the Stock Exchange.

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18. INTEREST IN AN ASSOCIATE *(Continued)*

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

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

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

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

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19. OTHER ASSETS

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

20. INVESTMENTS

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

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

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

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

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21. INVENTORIES

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

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

22. TRADE AND BILLS RECEIVABLES

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

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

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

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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24. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

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

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

25. TRADE AND BILLS PAYABLES

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

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

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26. OTHER PAYABLES AND ACCRUALS

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

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

28. INTEREST-BEARING BANK LOANS, SECURED

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

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29. FINANCE LEASE PAYABLES

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

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

Group

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

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30. CONVERTIBLE NOTES

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

Notes:

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

The principal amounts of the convertible notes bear interest at 5% per annum and the convertible notes will mature on the second anniversary of the date of their issue.

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

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

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

The principal amounts of the convertible notes bear interest at 2% per annum and the convertible notes will mature on the second anniversary of the date of their issue.

In June 2003, the convertible notes with a principal amount of HK\$11 million were converted into 1,100,000,000 shares of CCT Tech of HK\$0.01 each at a conversion price of HK\$0.01 per share.

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

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

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

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31. DEFERRED TAX

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

Deferred tax liabilities

Group

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

Deferred tax assets

Group

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

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31. DEFERRED TAX (Continued)**Deferred tax liabilities**

Group

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

Deferred tax assets

Group

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

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

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

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

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32. SHARE CAPITAL**Shares**

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

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

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

Share options

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

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33. SHARE OPTION SCHEME

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

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

Pursuant to the Share Option Scheme, the maximum number of shares in respect of which share options may be granted under the Share Option Scheme is such number of shares, when aggregated with shares subject to any other share option scheme(s) of the Company, must not exceed 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme or 30% of the issued share capital of the Company from time to time.

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

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

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

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

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33. SHARE OPTION SCHEME (Continued)

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

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

Notes:

- 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 price of the shares of the Company as at the date of exercise of the share options is the weighted average of the closing price of the shares of the Company as listed on the Stock Exchange on the trading day immediately before the date on which the share options were exercised.

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

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33. SHARE OPTION SCHEME *(Continued)*

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

34. RESERVES**(a) Group**

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

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

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

(b) Company

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

Note:

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

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34. RESERVES (Continued)**(b) Company** (Continued)

Note: (Continued)

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

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

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**(a) Major non-cash transactions**

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

(b) Disposal of subsidiaries

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

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35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Disposal of subsidiaries *(Continued)*

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

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

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

(c) Acquisition of subsidiaries

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

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35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)**(c) Acquisition of subsidiaries** (Continued)

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

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

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

36. CONTINGENT LIABILITIES

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

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

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

(b) The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK\$9 million as at 31 December 2004 (2003: HK\$8 million), as further explained in note 3 to the financial statements. The contingent liability has arisen as a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

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37. PLEDGE OF ASSETS

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

- (i) Pledges of the Group's fixed deposits amounting to approximately HK\$117 million (2003: HK\$100 million); and
- (ii) Fixed charges over certain of the Group's leasehold land and buildings and investment properties with an aggregate net book value amounting to approximately HK\$254 million (2003: HK\$255 million).

38. OPERATING LEASE COMMITMENTS

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

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

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

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

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

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39. COMMITMENTS

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

Capital commitments

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

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

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

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

40. RELATED PARTY TRANSACTIONS

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

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

31 December 2004

41. POST BALANCE SHEET EVENTS

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

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

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

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

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

42. APPROVAL OF THE FINANCIAL STATEMENTS

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

five year financial summary

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below.

RESULTS

HK\$ million	Year ended 31 December				
	2004	2003	2002	2001	2000
TURNOVER	4,057	3,441	3,130	3,106	2,190
OPERATING PROFIT/(LOSS)	159	141	(228)	(666)	(238)
Share of profits and losses of jointly-controlled entities	—	—	5	9	5
Share of profits and losses of associates	(2)	(200)	(33)	(9)	1
PROFIT/(LOSS) BEFORE TAX	157	(59)	(256)	(666)	(232)
Tax	(20)	(12)	(9)	(11)	(6)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	137	(71)	(265)	(677)	(238)
Minority interests	(81)	(47)	6	(13)	40
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	56	(118)	(259)	(690)	(198)

ASSETS, LIABILITIES AND MINORITY INTERESTS

HK\$ million	As at 31 December				
	2004	2003	2002	2001	2000
TOTAL ASSETS	3,977	3,740	3,636	4,648	4,551
TOTAL LIABILITIES	(1,482)	(1,344)	(1,181)	(1,300)	(1,514)
MINORITY INTERESTS	(196)	(101)	(28)	(827)	(95)
	2,299	2,295	2,427	2,521	2,942

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of the shareholders of CCT TELECOM HOLDINGS LIMITED (the “Company”) will be held at 32/F., China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Thursday, 26 May 2005 at 9:30 a.m. for the following purposes:

As Ordinary Business

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 2004.
2. To declare a final dividend.
3. To re-elect the retiring directors, Mr. Tam King Ching, Kenny and Mr. Lau Ho Man, Edward, as independent non-executive directors of the Company, and to authorise the board of directors to fix the remuneration of the directors.
4. To re-appoint auditors and to authorise the board of directors to fix the remuneration of the auditors.

As Special Business

5. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution of the Company:

“THAT:

- (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares in the capital of the Company subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or of any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors on behalf of the Company during the Relevant Period (as hereinafter defined) to procure the Company to repurchase its shares at a price determined by the directors;
- (c) the aggregate nominal amount of the shares of the Company be repurchased by the directors of the Company pursuant to the approval in paragraph (a) above during the Relevant Period (as hereinafter defined) shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution, and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by applicable laws or the Company’s articles of association to be held; and
- (iii) the date upon which the authority set out in this resolution is revoked or varied by way of an ordinary resolution of the shareholders of the Company in general meeting.”

6. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution of the Company:

“THAT:

- (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional new shares in the share capital of the Company and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors on behalf of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements, options and rights of exchange or conversion which would or might require the exercise of such powers after the end of the Relevant Period (as hereinafter defined);
- (c) the aggregate nominal amount of share capital allotted or issued or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval granted in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the share option scheme of the Company approved by The Stock Exchange of Hong Kong Limited; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company from time to time, shall not exceed 20 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this resolution, and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

“Relevant Period” shall have the same meaning as that ascribed to it under resolution no. 5 as set out in the notice convening the meeting of which this resolution forms part; and

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to the holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange, in any territory outside Hong Kong).”

7. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution of the Company:

“THAT conditional upon the passing of the resolutions nos. 5 and 6 as set out in the notice convening the meeting of which this resolution forms part, the general mandate granted to the directors of the Company pursuant to the resolution no. 6 as set out in the notice convening the meeting of which this resolution forms part be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to the resolution no. 5 as set out in the notice convening the meeting of which this resolution forms part, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this resolution.”

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

Hong Kong, 29 April 2005

Notes:

- (1) The register of members of the Company will be closed from Monday, 23 May 2005 to Thursday, 26 May 2005 (both days inclusive) during which period no transfer of share(s) will be effected. In order to qualify for the proposed final dividend and to determine the entitlement to attend and vote at the annual general meeting of the Company, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tengis Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 20 May 2005.
- (2) Any shareholder entitled to attend and vote at the meeting is entitled to appoint not more than two proxies (who must be an individual or individuals) to attend and vote instead of him/her on the same occasion. A proxy need not be a shareholder of the Company.
- (3) In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged 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 not less than 48 hours before the time fixed for holding the annual general meeting. Such prescribed form of proxy for use at the annual general meeting is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk).
- (4) With respect to the resolution set out in resolution no. 3 of this notice, Messrs. Tam King Ching, Kenny and Lau Ho Man, Edward will retire by rotation and, being eligible, offer themselves for re-election at the annual general meeting. Biographical details of the above directors are set out in the 2004 annual report of the Company.
- (5) With respect to the resolution set out in resolution no. 5 of this notice, approval is being sought from the shareholders for a general mandate to be given to the directors to repurchase shares of the Company. An explanatory statement containing further information with respect to such resolution will be sent to the shareholders together with the 2004 annual report of the Company.
- (6) With respect to the resolutions set out in resolutions nos. 6 and 7 of this notice, approval is being sought from the shareholders for general mandates to be given to the directors to allot, issue and deal with new shares of the Company in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.