

TECH INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 0261)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

CHAIRMAN'S LETTER

On behalf of the board of directors (the “Board”) of CCT Tech International Limited (the “Company”), I am pleased to announce the annual results of the Company and its subsidiaries (together the “Group”) for the year ended 31 December 2006.

During the year of 2006, the Group's turnover set a new record and reached HK\$3,858 million, representing an increase of approximately 1.7% as compared to the previous year. The Group's profit performance was, however, affected by a difficult business environment which resulted in a decrease of the Group's net profit by approximately 11.5% from HK\$113 million to HK\$100 million.

The year 2006 has been a year of opportunity and challenges for the Group. In 2006, the Group's manufacturing business continued to face various challenges in a business environment that was even more difficult than that of 2005. Market competition, high materials costs and rising labor costs and overheads in China imposed pressure on our costs and margins, resulting in a fall in the operating profits of the manufacturing business in the year.

Despite a difficult environment in 2006, the Group maintained its position as the worldwide leading ODM manufacturer of cordless phones and hi-tech electronic products. Our market diversification strategy has been successful. We have gained new customers and have expanded both our customer base and market demography. We have also made significant progress in growing our revenue outside the United States of America (“US”). Turnover from the markets outside the US increased by 21.2% and reached HK\$1,818 million, representing 47% of the total turnover.

Technology remains our core strength. In 2006, we launched a wide range of premium quality cordless phone products to meet market demand. In a swift response to the Federal Communications Commission's approval on DECT standard for communications in the US, we became the world's first manufacturer to launch DECT 6.0 cordless phones in the US market in the second half of 2006 giving us a decisive lead over our competitors. Our achievement in this regard is a clear testament to our ability to stay closely in tune with the ever-changing demands of our markets and our ability to react swiftly to such changes.

CONVERSION OF CONVERTIBLE NOTES AND RESTORATION OF PUBLIC FLOAT

In 2006, important strategic moves were taken by CCT Telecom Holdings Limited (“CCT Telecom”) to improve the capital structure and restore the public float of the Company following its unsuccessful attempts to privatize the Company. The conversion of all the outstanding convertible bonds and the subsequent sale of 13.8 billion shares in the Company by CCT Telecom to Deutsche Bank and three other independent institutional investors was completed in May 2006 and the Company's public float has since been restored. The transaction has substantially broadened the Company's capital base and has enhanced the shareholders mix to include major institutional investors. The conversion of the convertible notes has also greatly improved the Company's financial position as it has relieved the Company's financial burden in respect of the substantial annual interest payments and the principal repayment that would have otherwise arisen on the maturity date.

OUTLOOK

Looking into the future, we are cautiously optimistic about the outlooks of the financial year 2007.

On the negative side, high oil prices, increased interest rates and the downturn of the US property market have dampened the US economy. Market competition continues to be keen. The acute shortage of labour in the Pearl River Region continues to affect our production in Guangdong factories and raise our labor costs. Furthermore, any further appreciation of Renminbi will no doubt further increase our production costs. On the positive side, oil prices have dropped by more than 15% from its peak level and the prices of raw materials and components are stabilizing. Consumer spending in the US remains strong and all indications seem to suggest that the US housing market appears to be near bottom. Many are of the view that the rising trend of US interest rates has ended and it is widely expected that interest rates will go down in the second half of 2007. The demand of telecom products from our markets in Europe and the emerging markets remains strong and we believe that this will be crucial driving force to our growth in revenue and profit in 2007.

Our product roadmap holds great potential. We believe that the broadband cordless phones, WiFi cordless phones and VoIP cordless phones that we intend to launch in 2007 will provide momentum for growth and will improve profitability as these new products have higher price points giving better margins. We also expect that our inroads into the commercial telecommunication market by the introduction of SOHO telecom products, multi-lines cordless phones and cordless conference boxes will provide us with a new platform for growth in business.

To deal with the production issues, we have decided to establish a new plant in the Chaoyang City, Liaoning Province, in north-eastern China. The first phase of the new factory in Chaoyang is expected to commence mass production in the second half of 2007. The new factory in Chaoyang will enable us to tap into the abundant supply of low-cost labor in the region and help us resolve the labor shortage problem in our existing Guangdong factories. We believe the new plant in Chaoyang will deliver significant cost savings and will further strengthen our competitiveness which will improve the profitability of the Group.

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

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to take this opportunity to express our appreciation and gratitude to the senior management and all staff for their support, hard work and dedication over the years. We would also like to express our sincere thanks to our shareholders, bankers, customers and suppliers for their continued encouragement and strong support to the Group.

Mak Shiu Tong, Clement
Chairman

Hong Kong, 18 April 2007

REVIEW OF OPERATIONS

The year of 2006 has been a year of opportunity and challenges for the Group.

In 2006, we managed to maintain our leading position in the production of cordless phones and advance hi-tech electronic products on an ODM and contract manufacturing basis. We are the world's largest ODM manufacturer of cordless phones in terms of volume. Our market diversification strategy has proven to be successful. We continue to gain new customers and have broadened our customer base to include many of the global leading distributors and renown brands.

During the year under review, the Group's turnover set a new record of HK\$3,858 million. Affected by the slow down of the US market and the shortage of workers in our Guangdong factories, sales to the US market dropped by 11% to HK\$2,040 million, yet still contributing 53% of the Group's total revenue. However, the strong demand of our telecom products in Europe and the Asia Pacific region has brought about significant growth of revenue from these markets which has more than offset the decline in sales in the US market, resulting in an overall increase in the Group's revenue by 1.7%.

In 2006, our key products of 2.4GHz and 5.8GHz cordless phones and DECT cordless phones continued to sell well. The trend of global standardization of communication protocol has provided us with significant business opportunities. The DECT standard as adopted by most European countries for the past two decades appears to have become the universal standard. This development is particularly beneficial to us as we are strong in DECT technology. In 2006, shortly after the approval of the DECT standard by the US Federal Communications Commission, we were the world's first manufacturer to launch DECT 6.0 cordless phones in the US market, thereby, giving us a decisive lead over our competitors. These new products have been well received by our US customers and consumers. Up to now, we have already sold approximately 1 million DECT 6.0 cordless phones to date. We believe that DECT 6.0 cordless phones will become the mainstay product in the US market.

Technology continues to be our core strength. We have committed to R&D development and have built up strong R&D teams in Hong Kong, Shenzhen and Singapore. This network allows us to keep abreast of the latest technology and enables us to launch many new products with premium quality each year to meet customers' needs and expectations. During the year under review, our R&D teams developed many advance products including VoIP cordless phones, WiFi cordless phones, cordless phones with Skype feature and broadband cordless phones which we intend to launch in various markets in 2007. We believe these new products will generate significant revenue for years to come as the demand for broadband and internet cordless phones is high. So far, we have focused on the residential communication market. We intend to penetrate the commercial communication market. We have already developed SOHO products, multi-line cordless phones and cordless conference boxes during 2006 in preparation of their launch in 2007. We believe our product diversification and our inroads into the commercial market will provide us with a new platform for future growth and increased profitability.

In 2006, we continued to face the same operating challenges that we encountered in 2005. Market competition remained keen and drove the average selling prices of certain product models down. High oil prices and the buoyant economy in China and the emerging markets pushed up the prices of plastic raw materials and copper, which are some of the key materials for production of our cordless products. Furthermore, the shortage of labor and electricity in the Pearl River Region continued to affect our factories in the Guangdong Province and the costs of labor wages and overheads increased substantially. These issues exerted considerable pressure on the production costs and profit margin of the Group. We have already taken initiatives to improve efficiency, enhance automation and control costs and these measures have partly mitigated the impact of the aforementioned adverse factors. Nevertheless, the operating profit of our manufacturing business suffered and recorded a drop of 30.8% in 2006.

In order to reduce production costs and resolve the issues of labor and power shortage in our Guangdong factories on a long-term basis, in 2006, we made an important move to establish a new plant in Chaoyang City, Liaoning Province, in north-eastern China. The new plant in Chaoyang will enable us to tap into the abundant supply of low-cost labor in the region. The project is fully supported by the municipal and provincial governments and will offer us preferential treatments in terms of costs and fees which are not available in the Guangdong Province. The construction of the first phase of the new plant will be completed in the first half of 2007 and mass production will commence in the second half of 2007. We believe that the new factory will deliver significant costs savings to the Group and will further strengthen the competitiveness and improve the profitability of the Group.

ANNUAL RESULTS

The Board of Directors of the Company (the “Board”) is pleased to announce the results of the Group for the year ended 31 December 2006 together with the comparative figures for the previous year as follows:

Condensed Consolidated Income Statement

For the year ended 31 December 2006

HK\$ million	Notes	2006	2005
REVENUE	4	3,858	3,795
Cost of sales		<u>(3,579)</u>	<u>(3,438)</u>
Gross profit		279	357
Other income and gains		83	46
Selling and distribution costs		(53)	(52)
Administrative expenses		(138)	(142)
Other expenses		(22)	(24)
Finance costs, net	6	<u>(33)</u>	<u>(54)</u>
PROFIT BEFORE TAX	5	116	131
Tax	7	<u>(16)</u>	<u>(18)</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		<u>100</u>	<u>113</u>
DIVIDENDS	8	<u>—</u>	<u>—</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		<u>0.21 cents</u>	<u>0.71 cents</u>
Diluted		<u>0.16 cents</u>	<u>0.25 cents</u>

Condensed consolidated balance sheet
31 December 2006

HK\$ million	<i>Notes</i>	2006	2005
NON-CURRENT ASSETS			
Property, plant and equipment		556	559
Investment properties		178	178
Prepaid land lease payments		50	51
Goodwill		22	22
Other intangible assets		36	44
Deferred tax assets		2	2
Total non-current assets		844	856
CURRENT ASSETS			
Inventories		191	267
Trade and bills receivables	10	822	805
Prepayment, deposits and other receivables		25	46
Pledged time deposits		83	71
Cash and cash equivalents		470	419
Total current assets		1,591	1,608
CURRENT LIABILITIES			
Trade and bills payables	11	929	1,047
Tax payable		9	14
Other payables and accruals		110	107
Interest-bearing bank loans and other borrowings		172	135
Total current liabilities		1,220	1,303
NET CURRENT ASSETS		371	305
TOTAL ASSETS LESS CURRENT LIABILITIES		1,215	1,161
NON-CURRENT LIABILITIES			
Interest-bearing bank loans, secured		29	76
Finance lease payables		—	1
Convertible notes		—	655
Deferred tax liabilities		4	3
Total non-current liabilities		33	735
Net assets		1,182	426
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		644	159
Reserves		538	267
Total equity		1,182	426

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA that are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has no material effect on how the results for the current or prior accounting years have been prepared and presented.

3. SEGMENT INFORMATION

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

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

- (a) the telecom and electronic products segment engages in the manufacture and sale of telecom and electronic products and accessories; and
- (b) the corporate and others segment comprises corporate income and expense items.

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

(a) Business segments

The following table presents revenue and profit/(loss) for the Group’s business segments for the years ended 31 December 2006 and 2005.

Group HK\$ million	Telecom and electronic products		Corporate and others		Total	
	2006	2005	2006	2005	2006	2005
Segment revenue:						
Sales to external customers	3,848	3,789	—	—	3,848	3,789
Other revenue	59	45	—	1	59	46
Total	<u>3,907</u>	<u>3,834</u>	<u>—</u>	<u>1</u>	<u>3,907</u>	<u>3,835</u>
Segment results	<u>128</u>	<u>185</u>	<u>(13)</u>	<u>(6)</u>	<u>115</u>	<u>179</u>
Interest income					10	6
Unallocated gains					24	—
Finance costs, net					<u>(33)</u>	<u>(54)</u>
Profit before tax					116	131
Tax					<u>(16)</u>	<u>(18)</u>
Profit for the year					<u>100</u>	<u>113</u>

(b) **Geographical segments**

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

Group HK\$' million	United States of America		Asia Pacific		Europe		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
Segment revenue:								
Sales to external customers	2,040	2,295	1,187	1,038	621	456	3,848	3,789
Other revenue	—	—	59	46	—	—	59	46
Total	<u>2,040</u>	<u>2,295</u>	<u>1,246</u>	<u>1,084</u>	<u>621</u>	<u>456</u>	<u>3,907</u>	<u>3,835</u>

4. REVENUE

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

Revenue from the following activities has been included in turnover:

HK\$ million	2006	2005
Revenue		
Manufacture and sale of telecom and electronic products	3,848	3,789
Bank interest income	<u>10</u>	<u>6</u>
	<u>3,858</u>	<u>3,795</u>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

HK\$ million	2006	2005
Cost of inventories sold	3,579	3,438
Depreciation	93	77
Less: Amount capitalised in deferred development costs	<u>(2)</u>	<u>—</u>
	<u>91</u>	<u>77</u>
Amortisation		
— Prepaid land lease payments	1	1
— Deferred development expenditure	<u>46</u>	<u>30</u>

6. FINANCE COST, NET

HK\$ million	2006	2005
Interest on bank loans and other borrowings wholly repayable within five years	12	8
Interest on convertible notes	21	52
Decrease in fair value of the 2007 Convertible Note	<u>—</u>	<u>(6)</u>
	<u>33</u>	<u>54</u>

7. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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 in the PRC income tax for the next three consecutive years.

HK\$ million	2006	2005
Group:		
Current — Hong Kong:		
Charge for the year	7	10
Overprovision in prior years	—	(1)
Current — Elsewhere		
Charge for the year	8	5
Underprovision in prior years	—	1
Deferred	<u>1</u>	<u>3</u>
	<u>16</u>	<u>18</u>

8. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2006. (2005: Nil)

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on convertible notes, waiver of interest on the 2008 Convertible Note and decrease in fair value of the 2007 Convertible Note, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

HK\$ million	2006	2005
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	100	113
Interest on convertible notes	21	52
Waiver of interest on the 2008 Convertible Note	(20)	—
Decrease in fair value of the 2007 Convertible Notes	<u>—</u>	<u>(6)</u>
Profit attributable to ordinary equity holders of the parent before interest on convertible notes, waiver of interest on the 2008 Convertible Note and decrease in fair value of the 2007 Convertible Notes	<u>101</u>	<u>159</u>
	Number of shares	
	2006	2005
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	47,383,823,736	15,938,422,562
Effect of dilution-weighted average number of ordinary shares:		
Share options	—	123,609,641
Convertible notes	<u>16,983,170,254</u>	<u>48,428,571,429</u>
	<u>64,366,993,990</u>	<u>64,490,603,632</u>

Both the 2007 Convertible Note and the 2008 Convertible Note due to CCT Telecom were fully converted into ordinary shares of the Company during the year.

10. TRADE AND BILLS RECEIVABLES

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

HK\$ million	Group			
	2006		2005	
	Balance	Percentage	Balance	Percentage
Current to 30 days	303	37	271	34
31 to 60 days	234	28	251	31
61 to 90 days	239	29	231	29
Over 90 days	46	6	52	6
	<u>822</u>	<u>100</u>	<u>805</u>	<u>100</u>

11. TRADE AND BILLS PAYABLES

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

HK\$ million	Group			
	2006		2005	
	Balance	Percentage	Balance	Percentage
Current to 30 days	245	26	300	29
31 to 60 days	234	25	249	24
61 to 90 days	186	20	188	18
Over 90 days	264	29	310	29
	<u>929</u>	<u>100</u>	<u>1,047</u>	<u>100</u>

FINANCIAL REVIEW

Highlights on Financial Results

HK\$ million	2006	2005	% Increase/ (decrease)
Turnover	<u>3,858</u>	<u>3,795</u>	1.7%
Profit before finance costs and tax	149	185	(19.5%)
Finance costs, net	<u>(33)</u>	<u>(54)</u>	(38.9%)
Profit before tax	116	131	(11.5%)
Tax	<u>(16)</u>	<u>(18)</u>	(11.1%)
Profit attributable to shareholders of the Company	100	113	(11.5%)

Discussion on Financial Results

Turnover of the Group for the year ended 31 December 2006 rose 1.7% to HK\$3,858 million. The growth was contributed from our excellent performance in Europe and the emerging markets during the year.

Profit before finance cost and tax decreased by 19.5% from HK\$185 million to HK\$149 million. The decrease was attributable to the reduction of average selling prices of certain product models and the substantial increase in the operating costs due to the rising costs of certain materials and components and salaries and wages and overheads.

Decrease in finance costs was attributable to the reduction of our finance cost on the convertible notes due by the Company to CCT Telecom, which were fully converted into shares during the first half of the year.

Profit attributable to shareholders of the Company for the year amounted to HK\$100 million, representing a decrease of approximately 11.5% as compared to that of 2005, attributable mainly to the decrease in operating profit, partly offset by the decrease in finance cost as mentioned above.

Analysis by Business Segment

HK\$ million	Revenue (excluding other revenue)		Operating profit before corporate and others, finance costs and tax	
	2006	2005	2006	2005
Telecom and electronic products	<u>3,858</u>	<u>3,795</u>	<u>128</u>	<u>185</u>

During the year under review, the Group continued to focus on the manufacturing and sale of telecom and hi-tech electronic products as its core business which accounted for 100% of the turnover of the Group.

During the year under review, the Group faced various adverse factors including: (i) the reduction in average selling price of certain products due to market competition; (ii) the increase in the cost of certain materials and components; (iii) the rising costs of salaries and wages due to shortage of labor in our PRC factories; and (iv) the appreciation of the Renminbi. The operating profits of the telecom product business decreased by 30.8% from HK\$185 million in the financial year of 2005 to HK\$128 million in the financial year of 2006.

Analysis by Geographical Segment

HK\$ million	Turnover				
	2006		2005		% change
	Amount	Relative %	Amount	Relative %	
US	2,040	53%	2,295	60%	(11%)
Asia Pacific Region	1,197	31%	1,044	28%	15%
Europe	<u>621</u>	<u>16%</u>	<u>456</u>	<u>12%</u>	36%
Total	<u>3,858</u>	<u>100%</u>	<u>3,795</u>	<u>100%</u>	

Our sales to the US market decreased by 11% to HK\$2,040 million, affected by the slow down of the US economy and the shortage of workers in our factories. The reliance on the US market for generating revenue has gradually been reduced and now contributes approximately 53% (as opposed to 60% in 2005) of the Group's turnover for the year under review. The performance of our business in the Asia Pacific regions and Europe was remarkable. Sales to markets in the Asia Pacific region and Europe accounted for approximately 31% (2005: 28%) and approximately 16% (2005: 12%) respectively, representing increases of 15% and 36% respectively from 2005.

Highlights on Financial Position

HK\$ million	2006	2005	% increase/ (decrease)
Non-current assets	844	856	(1.4%)
Inventories	191	267	(28.5%)
Trade and bill receivables	822	805	2.1%
Cash and cash equivalents	470	419	12.2%
Non-current liabilities	33	735	(95.5%)
Shareholders' funds	1,182	426	177.5%

Discussion on Financial Position

The decrease in non-current assets by approximately 1.4% was attributable mainly to the additions of machinery, toolings, moulds and the capitalization of deferred development costs during the year offset by the annual depreciation of fixed assets and amortisation of the deferred development costs.

Inventories decreased significantly by 28.5% mainly due to improved inventory management. Trade and bill receivables increased in line with the increase in sales. Increase in cash and cash equivalents was mainly attributable to cash generated from operations.

Non-current liabilities decreased by approximately 95.5% to HK\$33 million. The significant decrease was mainly due to the full conversion of all the convertible notes by CCT Telecom during the year.

Shareholders' funds increased from HK\$426 million to HK\$1,182 million as at 31 December 2006 as a result of full conversion of all convertible notes due by the Company to CCT Telecom into shares of the Company and the carried forward of the net profits earned by the Group for the year.

Capital Structure and Gearing Ratio

HK\$ million	31 December 2006		31 December 2005	
	Amount	Relative %	Amount	Relative %
Bank loans	200	15%	209	16%
Convertible notes	—	—	655	51%
Finance lease payables	1	—	3	—
Total borrowings	201	15%	867	67%
Equity	1,182	85%	426	33%
Total capital employed	1,383	100%	1,293	100%

The Group's gearing ratio substantially improved from 67% in 2005 to 15% as at 31 December 2006 as a result of the increase in shareholders' equity due to the full conversion of all the convertible notes and the carried forward of the net profit during the year. After taking into account the cash on hand, the Group did not have any net borrowings and in fact had a positive net cash balance.

The Group's outstanding bank borrowings amounted to approximately HK\$200 million as at 31 December 2006 (31 December 2005: HK\$209 million). Among the total outstanding bank borrowings of HK\$200 million, HK\$29 million is repayable within the second year. The balance of HK\$171 million was arranged on a short-term basis for ordinary business operations and is repayable within one year.

Following the full conversion of all the outstanding convertible notes of the Company by CCT Telecom in May 2006, there are no more convertible notes outstanding as at 31 December, 2006.

Acquisition of certain of the Group's assets were financed by way of finance leases and the total outstanding finance lease payables for the Group as at 31 December 2006 amounted to approximately HK\$1 million (31 December 2005: HK\$3 million).

As at 31 December 2006, the maturity profile of the bank and other borrowings of the Group falling due within one year and in the second year amounted to HK\$172 million and HK\$29 million, respectively (31 December 2005: HK\$135 million (within one year) and HK\$732 million (within two to five years)). There is no material effect of seasonality on the Group's borrowing requirements.

Liquidity and Financial Resources

HK\$ million	31 December 2006	31 December 2005
Current assets	1,591	1,608
Current liabilities	1,220	1,303
Current ratio	130%	123%

Current ratio as at 31 December 2006 maintained at a healthy level of 130% (31 December 2005: 123%). As at 31 December 2006, the Group's cash balance increased to HK\$553 million (31 December 2005: HK\$490 million), of which HK\$83 million (31 December 2005: HK\$71 million) was pledged for general banking facilities. Almost all of the Group's cash was placed on deposits with licensed banks in Hong Kong. The strong cash balance plus the strong cash flow generated from the Group's operations and funds available from the bank facilities are expected to be sufficient to cover all cash requirements, including working capital and capital expenditure needs.

Capital Expenditures and Commitments

During the year, the Group incurred capital expenditure amounting to approximately HK\$91 million, including the expenditure of approximately HK\$19 million for expansion of production facilities in the PRC and approximately HK\$72 million for purchase of tools, moulds, plant and machinery and furniture and office equipment of the Group.

As at 31 December 2006, there were outstanding capital commitment contracted by the Group but not yet provided for in the accounts amounted to approximately HK\$33 million (31 December 2005: HK\$7 million), which was mainly related to the capital expenditure in relation to the new factory in the Liaoning Province and the additions for machinery and toolings for the Group's existing production facilities in the PRC. The capital commitment 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 some in Hong Kong dollars and the Euro. Payments were mainly made in Hong Kong dollars, US dollars and Renminbi and some made in Euros. Cash was generally placed in short-term deposits denominated in Hong Kong dollars and US dollars. The Group's borrowings were principally made on a floating rate basis.

The objective of the Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. The Group does not have any significant interest rate risk, as both the borrowings of the Group and the interest rates currently remain at low levels. In terms of foreign exchange exposures, the Group is principally exposed to two major currencies, namely the US dollar in terms of receipts and the Renminbi in terms of the production costs (including mainly wages and overhead) in China. For US dollar exposure, since the Hong Kong dollar remains pegged to the US dollar, the exchange fluctuation is not expected to be significant. In addition, as most of the Group's purchases are also made in US dollars, which are to be paid out of our sales receipts in US dollars, the management considers that the foreign exchange exposure risk for the US dollar is not material.

For Renminbi exposure, the Group entered into forward exchange contracts with banks in China to cover a significant part of our Renminbi expenses for the period up to mid 2006. The Company also entered into non-deliverable forward contracts with CCT Telecom for the six months ended 31 December 2006, which have partially hedged the Group's exposure to Renminbi appreciation during the second half of year 2006. The Group does not speculate in currencies and forward contracts were only entered, where appropriate, to hedge some of the Group's foreign currency exposure.

Our future production costs will no doubt be increased by the possible further appreciation of Renminbi. Any further appreciation of the Renminbi in future will be of concern to all manufacturers with manufacturing facilities in China and to their respective customers. The Group will continue to explore ways and methods to hedge future appreciation of Renminbi and will only consider to enter into any forward contracts at appropriate costs and pricing.

Acquisitions and Disposals of Material Subsidiaries and Associates

The Group did not acquire or dispose of any material subsidiaries and associates during the year.

Significant Investment

The Group did not hold any significant investment as at 31 December 2006 (31 December 2005: Nil).

Pledge of Assets

As at 31 December 2006, certain of the Group's assets with net book value of HK\$516 million (31 December 2005: HK\$535 million) and time deposits of approximately HK\$83 million (31 December 2005: HK\$71 million) were pledged to secure general banking facilities granted to the Group.

Contingent Liabilities

As at 31 December 2006, corporate guarantees of HK\$754 million (31 December 2005: HK\$499 million) were given by the Company to banks in connection with facilities granted to subsidiaries of the Company, of which approximately HK\$327 million (31 December 2005: HK\$304 million) were utilised.

As at 31 December 2006, the Group had contingent liability in respect of possible future long service payments to employees amounted to approximately HK\$0.3 million (31 December 2005: HK\$1.0 million). Save as aforesaid, the Group did not have any other significant contingent liabilities as at 31 December 2006.

Employees and Remuneration Policy

The total number of employees of the Group as at 31 December 2006 was 14,380 (31 December 2005: 14,091). 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. During the year, there were no outstanding share options (31 December 2005: Nil) issued by the Company as at 31 December 2006.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions under the Code on Corporate Governance Practices (the “CG Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the financial year under review, except for the following deviations from the code provisions:

- (1) A.2.1: the roles of chairman and chief executive officer should be separate;
- (2) A.4.1: non-executive directors should be appointed for a specific term; and
- (3) A.4.2: all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director should be subject to retirement by rotation at least once every three years.

Detailed information of such deviations and their respective considered reasons as well as other information on the corporate governance practices of the Company have been disclosed in the interim report of the Company for the six months ended 30 June 2006 and will be disclosed in the corporate governance report contained in the 2006 annual report of the Company, which will be despatched to the shareholders of the Company on or before 30 April 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted its code of conduct regarding the securities transactions by the directors of the Company on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors of the Company, they confirmed that they have complied with the required standard set out in the Model Code adopted by the Company throughout the financial year under review.

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) with specific written terms of reference formulated in accordance with the requirements of the Listing Rules. The Audit Committee consists of three members comprising the three independent non-executive directors of the Company (“INED(s)”), namely Messrs. Chow Siu Ngor, Lau Ho Kit, Ivan and Chen Li, one of whom is a qualified accountant and has extensive experience in accounting and financial matters. The Audit Committee is chaired by an INED who is subject to rotation each year.

The Audit Committee has reviewed the adopted accounting principles and practices and discussed the auditing, internal control and financial reporting matters. The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2006 with the management and the external auditors of the Company. Regular meetings have been held by the Audit Committee since its establishment and the Audit Committee held three meetings in 2006.

Further information of the Audit Committee will be disclosed in the corporate governance report contained in the 2006 annual report of the Company, which will be despatched to the shareholders of the Company on or before 30 April 2007.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the “Remuneration Committee”) with specific written terms of reference in line with the code provisions under the CG Code. The Remuneration Committee consists of five members comprising the three INEDs, namely Messrs. Chow Siu Ngor, Lau Ho Kit, Ivan and Chen Li, and two executive directors of the Company, namely Messrs. Mak Shiu Tong, Clement and Tam Ngai Hung, Terry. The Remuneration Committee held two meetings in 2006. The Remuneration Committee is chaired by an INED who is subject to rotation each year.

Further information of the Remuneration Committee will be disclosed in the corporate governance report contained in the 2006 annual report of the Company, which will be despatched to the shareholders of the Company on or before 30 April 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of a sufficient number of the INEDs and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise throughout the financial year under review. The Board comprises the three INEDs, one of whom has accounting and financial expertise and brings strong independent judgement, knowledge and experience to the Board.

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

The results announcement of the Company for the year ended 31 December 2006 is published on the website of each of the Company at www.cct-tech.com.hk and The Stock Exchange of Hong Kong Limited at www.hkex.com.hk. The annual report, corporate governance report and notice of the annual general meeting of the Company will be despatched to the shareholders of the Company and made available on the website of each of the Company and The Stock Exchange of Hong Kong Limited on or before 30 April 2007.

ANNUAL GENERAL MEETING

The 2007 annual general meeting of the shareholders of the Company will be held at 2208, 22/F., St. George’s Building, 2 Ice House Street, Central, Hong Kong on Wednesday, 23 May 2007 at 10:00 a.m. and the notice of the annual general meeting of the Company will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 21 May 2007 to Wednesday, 23 May 2007 (both days inclusive), during which period, no transfer of share(s) will be effected. In order to determine the entitlement to attend and vote at the forthcoming annual general meeting of the Company, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer

form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Friday, 18 May 2007.

BOARD OF DIRECTORS

As at the date of this announcement, the executive directors of the Company are Mr. Mak Shiu Tong, Clement, Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora, Mr. Li Man To, Feynman and Dr. William Donald Putt and the INEDs are Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Chen Li.

By Order of the Board
Mak Shiu Tong, Clement
Chairman

Hong Kong, 18 April 2007

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