

chairman's letter

I am very pleased to report that CCT Tech International Limited (the "Company") and its subsidiaries (together the "Group") achieved an encouraging turnover of approximately HK\$3,847 million and net profit of approximately HK\$125 million for the year of 2004, representing an increase of 99.7% and 71.2%, respectively, as compared to that of 2003. Basic earnings per share increased 45% from 0.60 HK cents in the year 2003 to 0.87 HK cents in the year under review while diluted earnings per share increased 13.6% from 0.22 HK cents in the year 2003 to 0.25 HK cents in the year under review.

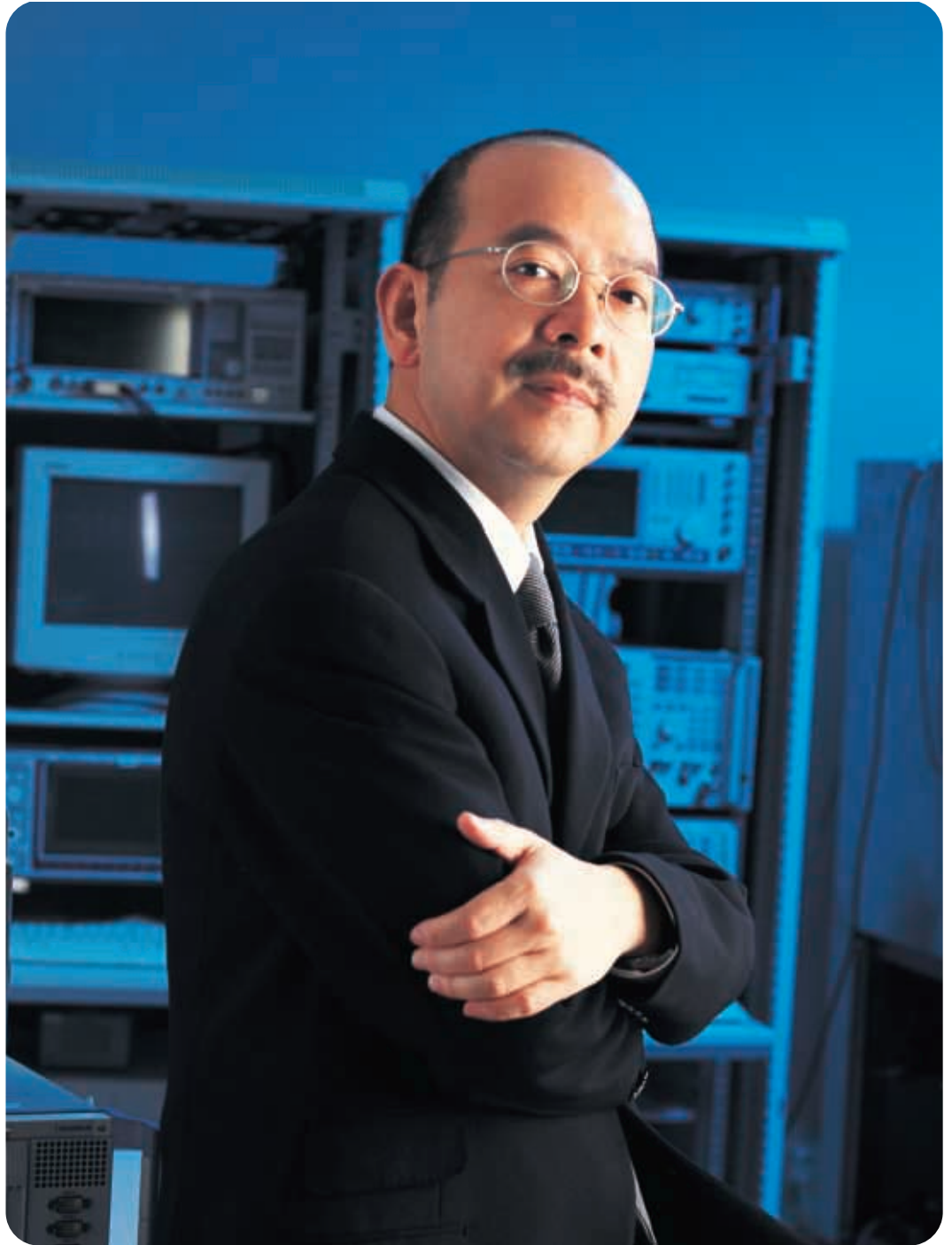
The significant growth in turnover and earnings in the year under review was attributable to the inclusion of the full year's results of the telecom product business of Empire Success Holdings Limited and its subsidiaries ("ESH Group") since our acquisition of the ESH Group from CCT Telecom Holdings Limited ("CCT Telecom"), the ultimate holding company of the Company, in June 2003.

In the year of 2004, we faced challenges from intensifying competition in the cordless phone market, increasing price of raw materials and certain electronic components and shortage of electricity and labour in the Guangdong Province where our factories are located. Despite these adversities, we were able to achieve growth and deliver satisfactory results by cost control and diversification in terms of geographical region and product differentiation.

In the year under review, the United States of America ("US") remained our major market contributing 62% of our total turnover. In addition to maintaining our strong presence and growth in our principal market in the US, we also place considerable efforts to increase our market share in Europe and Asia Pacific. As a result of the inclusion of the full-year contribution of the ESH Group and the encouraging business development in the European Union and the Asia Pacific markets, the turnover, for regions except the US, increased from HK\$682 million in the year 2003 to HK\$1,470 million in the year under review. Other than the diversification of geographic regions, we also continue to place great emphasis on our technological improvement and development. We launched our first 5.8 GHz digital cordless phone and a number of new models for DECT (digital enhanced cordless telephone) during 2004 and these new products have been well-received by the market due to their excellent quality, innovative designs and competitive prices. In early 2005, we set up a new research and development ("R&D") centre in Singapore which specialises in the development of new technology, software as well as high radio frequency products. The continuous development and launch of new and innovative telecom products contributed to our success in the year under review and will continue to do so in the years ahead.

Disposal of subsidiaries

In order to realign and consolidate the Group's resources in the telecom product business, the Company disposed of its power supply component business and an industrial property to CCT Telecom for a consideration of HK\$139 million which was satisfied by the cancellation of part of the convertible notes in the same amount owed to CCT Telecom. The transaction was approved by the independent shareholders in a special general meeting held on 8 September 2004 and was completed on 13 September 2004.



The disposal resulted in a reduction of liabilities for the Group and the related yearly finance cost. As the power supply component business represented only a relatively small percentage to the Group's business, its disposal did not have any significant adverse impact on the earnings of the Group.

Proposed voluntary offers to be made by a major shareholder

CCT Telecom and the Company jointly announced on 31 January 2005 that Jade Assets Company Limited ("Jade Assets"), a wholly-owned subsidiary of CCT Telecom, proposed to make a voluntary conditional cash offer with securities exchange alternative to acquire all the issued shares of the Company (other than those owned by Jade Assets and parties acting in concert with it) and the convertible notes due 2005 of the Company (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 the Company to cancel all outstanding share options of the Company.

CCT Telecom has proposed to make the offers with an aim to increase its shareholding in and simplify the shareholding structure of the Company, as well as to enjoy increasing returns in the Company. CCT Telecom does not intend to make any changes to the current business operations of the Company or introduce any major changes to the business, including any redeployment of the fixed assets of the Group. Furthermore, CCT Telecom does not intend to make any major changes to the continued employment of the management and employees of the Group following the offers.

An independent board committee of the Company has been formed and an independent financial adviser has been appointed to advise the independent shareholders and holders of the share options of the Company. Details of the offers together with recommendation from the independent board committee and the independent financial adviser has been set out in the composite offer and response document of the Company dated 31 March 2005. As the price of the offers is considered fair and reasonable and the offers represent a good opportunity to the independent shareholders of the Company to realise their investment, both the independent board committee and the independent financial adviser recommend the independent shareholders to accept the offers.

CCT Telecom has also indicated that it will effect the compulsory acquisition and privatisation of the Company, so far as it is permitted to do so under the applicable laws and regulations, and to apply for the delisting of the Company.

If CCT Telecom can privatise the Company through the said offers, the Company and its subsidiaries will become wholly-owned subsidiaries of CCT Telecom. Any transactions between the CCT Telecom group and the Group, which were originally regarded as continuing connected transactions between two listed companies under the listing rules, will be excluded from disclosure and/or approval requirements under the listing rules upon privatisation of the Company. Furthermore, as an unlisted private company, the administration costs of the Company will be significantly reduced.

The proposed 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 the Company, the entire amount of the convertible notes due 2005 of the Company and all the

outstanding issued share options of the Company. Once the transfer of the shares of the Company, in which acceptances have been received as at 21 April 2005, is effected, CCT Telecom's equity interest in the Company will increase from 34.51% to 82.30%. The offers remain open and its closing date was extended to Friday, 6 May 2005 (or any subsequent date(s) as may be announced by Jade Assets and approved by the Securities and Futures Commission of the Hong Kong) pursuant to the Hong Kong Code on Takeovers and Mergers. We will keep the shareholders informed of the status and/or results of the offers as and when necessary.

Outlook

Despite the continuous recovery and improvement of the global economy and the satisfactory result of the Group in 2004, the Company is faced with new challenges. Competition in the North American cordless phone market has been keen and the situation is further aggravated by the rise in the cost of raw materials, notably plastics and certain electronic components, as a result of the unstable supply and rising demand of such materials globally and the increase in the price of petroleum (as plastic materials are by-products of petroleum) and an increase in energy and transportation costs of the Group. Shortage of electricity and labour in the Guangdong Province, in which our factories are located, is another operational issue facing the Group. These factors will, in general, impose pressure on the operating costs of the Group and increase uncertainties and risks to the business of the Group.

In order to stay competitive and to achieve further growth under such a competitive environment, we will continue capitalising on our strong R&D capabilities to develop and introduce innovative products with new functions and features to stimulate sales, realise our planned marketing efforts to expand and diversify our geographical markets and also improve our productivity efficiency to control costs in light of the tight supply and rising price of raw materials. We believe that with our sound management team and staff as well as our proven business strategy, we have the ability to deal with the challenges ahead.

Leveraging on the strength of our R&D and production capabilities, we have ventured into a new business area of manufacturing hi-tech electronic products on both an ODM (original design manufacturing) basis and a contract manufacturing basis. We believe the potential of this new business is promising and may become the driver for future growth of the Group.

Appreciation

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. I would also like to express our sincere thanks to our shareholders, bankers, investors and customers for their continued encouragement and strong support to the Group.

Mak Shiu Tong, Clement

Chairman

Hong Kong, 25 April 2005