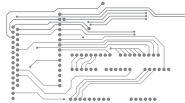




CCT



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 2005.

During 2005, the Company achieved turnover of HK\$3,795 million, a slight decrease of approximately 1.4% as compared to the previous year. Gross profit increased from HK\$336 million to HK\$357 million, up 6.3%. Net profit after tax, however, decreased by 8.1% from HK\$123 million to HK\$113 million due to the absence of a one-off gain of HK\$20 million that arose in 2004 but not in 2005 from the disposal of the power supply component business and an industrial property to the Company's controlling shareholder, CCT Telecom Holdings Limited ("CCT Telecom"). If one isolates the impact caused by the absence of this one-off gain, the net profit of the Group in 2005 in fact increased by 9.7%.

The business environment in 2005 was, however, challenging. Increase in oil prices and material costs, pricing demands from our customers, shortage of labour in the Pearl River Delta region of the PRC as well as the appreciation of the Renminbi were all factors that affected our performance. As a result, the Group's turnover decreased slightly. Despite such adverse factors, we still managed to achieve growth in both gross profit and net operating profit due to improved production efficiency, and the streamlining and control of costs. The Group was also able to maintain its leading position in the consumer telecom product manufacturing industry and to expand its customer base to include a number of worldwide renowned brand name distributors. The business of the Group in the United States ("U.S."), our largest market, performed well and achieved an increase in both sales orders and volume. We also made excellent progress in developing our business in countries outside the U.S., especially Europe and the Asian Pacific regions. Growth in these regions was encouraging as we secured more business from existing and new customers.

PROPOSED PRIVATISATION OF THE COMPANY

The Company was unsuccessful in obtaining approval at the court meeting held on 13 February 2006 for the scheme to privatize the Company by CCT Telecom. Accordingly, the proposed privatization has now been set aside and the Company will remain listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In order to restore the public float of the Company, CCT Telecom entered into a conditional agreement with Deutsche Bank on 17 March 2006 under which CCT Telecom agreed to sell in total 13,800,000,000 shares (the "Sale Shares") in the Company to Deutsche Bank and at least two other independent institutional investors, upon the full conversion of the two convertible notes due by the Company to CCT Telecom. At the same time, CCT Telecom also entered into a put agreement with Deutsche Bank granting the bank a right to put back the Sale Shares to CCT Telecom pursuant to the terms of the put agreement. Upon completion of the sale of the Sale Shares, CCT Telecom Group's interest in the Company will decrease from 84.12% to 74.62% and Deutsche Bank and the independent institutional investors together will hold in total approximately 21.4% of the then total issued share capital of the Company.



PROPOSED PRIVATISATION OF THE COMPANY *(Continued)*

The sale of the Sale Shares and the execution of the put agreement is subject to various conditions including the approval of the transactions at a special general meeting of CCT Telecom. The transactions have a number of advantages to the Group. First of all, the conversion of the convertible notes will relieve the Company from the substantial financial burden of the interest cost payable in the amount of approximately HK\$60 million per annum and the principal repayment in the amount of HK\$660 million on the convertible notes. This will further strengthen the financial position of the Group. Secondly, the transactions will restore the public float of the Company on one hand and will increase the liquidity of shares of the Company and broaden its shareholder base on the other. With Deutsche Bank and at least two other independent institutional investors as our substantial shareholders, the quality of our investor profile and we believe will add considerable appeal to other major investment funds looking to invest in our shares.

OUTLOOK

We are optimistic about the outlook of the financial year 2006, but there are certain challenges that we have to face.

The business environment in 2006 is likely to be just as demanding. The outlook for material prices is still uncertain. The shortage of labour in the Pearl River Delta Region will likely continue and petroleum prices, labour and energy costs will continue to rise. All these factors combined with the possible further appreciation of the Renminbi will continue to place pressure on our profit margin.

Nevertheless, we are confident towards the prospect of our core manufacturing business. We will continue to benefit from the robust economy in the U.S. and we expect our revenue in the U.S. will regain its momentum for growth. We are optimistic about our business in the markets outside the U.S. We expect our business to expand further in other markets especially Europe where we will gain more market share and our customers are positioning themselves to increase sourcing from Asia.

Our competitive edge in product research and development as well as production quality and efficiency will continue to enable us to maintain our market leading position. We will continue to launch new and technologically advanced products in order to stimulate demand and improve our profit margin. In this regard, we are particularly optimistic about the future of our VoIP (Voice over Internet Protocol) cordless phones, and wireless broadband products which we believe will provide a good platform for growth. In order to deal with the operating challenges, the Group will continue to implement cost cutting and control measures. We will also continue to invest in research and development and the upgrading of our production facilities so as to enhance efficiency and competitiveness. To address the labour shortage issue, we will explore the possibility of establishing additional manufacturing facilities in locations beyond Guangdong Province or even outside of China.

The Group also has an efficient cost structure, effective production and a broad range of innovative, excellent quality and competitive products. The management is therefore 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 Group's 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, investors, customers and suppliers for their continued encouragement and support to the Group.

Mak Shiu Tong, Clement

Chairman

Hong Kong, 19 April 2006