

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

