
TECHNOLOGY

chairman's letter

FINANCIAL HIGHLIGHTS

HK$ million	Six months ended 30 June 2006 (Unaudited)	2005 (Unaudited)	% increase
Key Financial Results Highlights			
Revenue	**1,982**	1,800	10.1%
Profit before tax	**350**	172	103.5%
Net profit attributable to equity holders of the Company	**332**	142	133.8%

CHAIRMAN'S LETTER

I am pleased to announce the interim results of CCT Telecom Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the six months ended 30 June 2006. During the first half of the year, the revenue of the Group increased by approximately 10.1% to HK$1,982 million. Profit attributable to equity holders of the Company, including a realized gain of HK$316 million arising from the disposal of the equity interest in Haier Electronics Group Co., Ltd ("Haier Electronics"), rose to HK$332 million, representing a sharp increase of approximately 133.8% and the highest profit achieved during the operational history of the Group.

During the first half of the year, the manufacturing business encountered several operating challenges as in 2005 which led to a decrease in operating profit. However, the excellent results of the investment business has more than offset the reduction of the manufacturing profits resulting in a significant jump in net profit of the Group.

INTERIM DIVIDEND

The board of directors (the "Board") has declared an interim dividend of HK$0.02 per share for 2006 (30 June 2005: Nil) to be payable from the Company's retained profits. The interim dividend of HK$0.02 per share will be payable on or around Friday, 27 October 2006 to the shareholders whose names appear on the register of members of the Company on Friday, 13 October 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 11 October 2006 to Friday, 13 October 2006 (both days inclusive), during which period no transfer of share(s) will be effected. In order to qualify for the interim dividend of HK$0.02 per share, 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 Tuesday, 10 October 2006.

REVIEW OF OPERATIONS

The principal businesses of the Group are (i) manufacture and sale of telecom and electronic products; (ii) manufacture and sale of plastic and electronic components; (iii) manufacture and sale of baby products; (iv) provision of e-commerce services and (v) investments in properties and securities.

Telecom and electronic products business

The telecom and electronic products business is operated through our listed subsidiary, CCT Tech International Limited ("CCT Tech"). It continued to be our principal operation and accounted for over 90% of the Group's total revenue.

During the period under review, we continued to maintain our leading position as one of the largest ODM manufacturers in the world for production of cordless phones and hi-tech electronic products. The United States of America (U.S.) remained our principal market, accounting for over 55% of the Group's total revenue. Benefit from the robust consumer spending in the U.S. market and the strong growth of European market, we were able to secure growth in both sales volume and revenue. Our performance in Europe was excellent, achieving growth in revenue of approximately 294% during the first half of the year. Our performance in the Asia and the rest of the world was also satisfactory as customers in these markets increased sourcing of their products from China.

Our product strategy has also been successful. Our key products of 2.4 GHz and 5.8 GHz cordless phones and DECT cordless phones continued to sell well. Until recently, DECT phones were only popular in Europe. In the second half of this year, we launched DECT phones in the U.S. and the response has been very positive. We are convinced that DECT phones will be accepted by U.S. consumers and will become mainstay products in the U.S. We have already developed VoIP (voice over Internet protocol) phones, wireless broadband cordless phones and cordless phones with Skype capability. We target to launch these new and innovative products in the second half of the year. We expect the market response to be positive. We believe the VoIP and the broadband markets will offer considerable opportunities as this new technology platform further improves, it will provide quality voice and image transmission at relatively effective costs. Our market strategy to broaden our customer base and diversify our market geographically has also been successful. Today, our customers include many of the world's well-known brands and our business footprint covers most parts of the world.

During the period under review, the business environment of the telecom product business was even more difficult than 2005. In the first half of 2006, we continued to encounter many operating challenges. Keen competition in the Group's major markets brought pressure from our customers for us to offer them ever more competitive prices. The rise in prices of raw materials, including the prices of plastic materials (due mainly to buoyant petroleum price), copper and certain electronic components resulted in pressure on our costs and margins. The prolonged problem of labour shortage and power failure in the Guangdong Province has led to a further rise in costs and the minimum wages, hence, increasing our production costs. Furthermore, as a result of the appreciation of the Renminbi against the US dollars, our production costs in the PRC have increased in terms of Hong Kong dollars. With mounting pressure from the US government, further appreciation of the Renminbi seems imminent which, if materializes, will further increase our operating costs. In order to alleviate such pressures, the management has continued to implement measures in streamlining and improving the production efficiency and keeping overheads under control. We have also devoted considerable efforts to further strengthening our product research and development capabilities. These efforts have been successful as we continue to gain market share by delivering quality products to meet our customers' needs at effective costs.

Manufacturing of plastic and electronic components

We manufacture plastic and electronic components mainly for internal use in our telecom and electronic products businesses. During the period under review, the component business was still affected by the increase in prices of raw materials especially plastic and metals resulting in a decrease of profit margin. In order to counter such challenges, the management has devoted considerable efforts in streamlining the operation, improving production efficiency and cutting production overheads.

Baby products business

In the first half of 2006, keen competition and the increase in operating costs continued to be the challenges faced by the management of the baby product business. Despite a difficult environment, the baby product business still reported a profit of HK$8 million. The management has devoted additional efforts to expanding the product range in order to offer customers with more quality products at effective cost. We believe that this strategy will provide growth in the future.

Provision of e-commerce services

During the first half of the year, we increased our shareholding interest in Tradeeasy Holdings Limited ("Tradeeasy"), a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), from 22.18% to 66.26%. As a result, Tradeeasy has become a subsidiary of the Company. Tradeeasy is engaged in the provision of e-commerce services. Its operations currently represent an insignificant part of the Group. However, we believe that the business of Tradeeasy has good potential to grow and we expect that the contribution of Tradeeasy to the Group will increase in the future.

Investment in properties and securities

During the period under review, the Group realized a gain of HK$316 million arising from the disposal of 3,926,774,819 ordinary shares of Haier Electronics, representing all the remaining equity interests in Haier Electronics held by the Group. The net sale proceeds amounted to approximately HK$551 million had been received, which further strengthened our financial position and provided significant cash resource for future investment and expansion.

During the period, we made further investments in the luxury residential properties and acquired two properties located in the prime luxury residential areas in the Hong Kong Island. We are optimistic towards the luxury property market in Hong Kong and believe that the properties acquired will produce satisfactory recurrent rental income and potential good long-term capital gain in the future.

In order to enhance yield on our surplus funds, we have placed funds in high yield deposits linked with certain H-shares listed by Chinese enterprises on the Stock Exchange. We have also acquired certain H-shares and Hang Seng Index constituent stocks and intend to hold these investments for long term purposes. We believe the companies that we invested will benefit from appreciation of Renminbi and/or high oil price. We believe that these investments will bring yields and long term capital gains to the Group and this will serve as an effective proxy hedge against further rise in oil price and appreciation of Renminbi.

SALE OF CCT TECH SHARES AND RESTORATION OF PUBLIC FLOAT OF CCT TECH

In the first half of the year, the Company completed the sale of the 13.8 billion CCT Tech shares to Deutsche Bank and three other independent investors and, as a result, the public float of the CCT Tech has been restored. The proceeds from the sale of the CCT Tech shares were paid to Deutsche Bank as the initial exchange amount which serves as an effective collateral for the put options granted to Deutsche Bank and will only be paid back to the Company upon unwind of the put options. If the put options are exercised by Deutsche Bank on the expiration date of the put options, the sale proceeds for the shares will not be paid back to the Company but will be used to buy back the 13.8 billion CCT Tech shares. The sale of the CCT Tech shares has offered a good opportunity for the Company to realize part of its interests in CCT Tech into cash if the put options are unwound and the effective collateral is released, whilst maintaining CCT Tech as our principal and major listed subsidiary.

OUTLOOK

The second half of the year will remain challenging for the Group's manufacturing business. Shortage of labour and power failure in the Guangdong Province, price competition, unstable prices of raw materials, potential further appreciation of Renminbi remain key challenges that will affect our manufacturing operations. To deal with the labour shortage and power failure problem, we have decided to establish additional manufacturing facilities in the Liaoning Province, in North Eastern China, where we can tap into the abundant supply of workers at costs cheaper than in the Guangdong Province. The operating costs of the new factory in terms of labor and energy costs are much cheaper than the factories in the Guangdong Province. Furthermore, the new factory in the Liaoning Province will be entitled to certain preferential treatments in terms of costs and fees which are not available in the Guangdong Province. The new factory in the Liaoning Province is expected to commence production in the third quarter of next year. We believe the new factory will deliver significant savings in costs and will further improve our competitiveness and profit margins.

Research and development ("R&D") capability has always been the core strength of the Group. Our R&D effort has consistently produced innovative and desirable products that meet consumers' expectation and needs. Our product roadmap ahead will be very promising. We are optimistic that the new products will provide considerable opportunities for the growth of our manufacturing business.

We will continue to pursue our strategy to broaden our markets and customer base. We have decided to establish trading companies worldwide in order to explore new markets and solicit new customers for consumer electronic products. We believe that this new trading business will further enhance our presence in the worldwide markets for consumer electronic products and will enable the Group to solicit new customers and to diversify into new business and new products. We are optimistic about this new business and are confident that it will generate substantial additional revenue to the Group. We will also continue to invest our surplus cash in investments that will generate satisfactory returns and gains to the Group.

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 customers and suppliers, business partners, bankers and associates for their continued support and confidence in the Group. We are confident to the continuous growth in the years ahead and look forwards to creating greater opportunities and delivering increased returns to our shareholders in the foreseeable future.

Mak Shiu Tong, Clement
Chairman

Hong Kong, 20 September 2006

financial review

Highlights on Financial Results

HK$ million	Six months ended 30 June **2006 (Unaudited)**	2005 (Unaudited)	% increase/ (decrease)
Revenue	**1,982**	1,800	10.1%
Profit before tax	**350**	172	103.5%
Tax	**(12)**	(10)	20.0%
Minority interests	**(6)**	(20)	(70.0%)
Profit for the period attributable to equity holders of the Company	**332**	142	133.8%
Basic earnings per share	**HK$0.484**	HK$0.335	44.5%

Discussion on Financial Results

The Group reported a revenue of HK$1,982 million during the period under review, which represents an increase of 10.1% over the corresponding period. The increase was mainly due to our satisfactory performance in our key markets in the U.S., Europe and the Asian Pacific markets.

Profit before tax amounted to HK$350 million representing an increase of 103.5% as compared with the previous corresponding period, attributable mainly to the realized gain of HK$316 million arising from our disposal of 3,926,774,819 ordinary shares of Haier Electronics in January 2006.

Profit shared by minority interests declined as a result of the increase of the Group's shareholding interest in CCT Tech due to the general offers made last year and the full conversion of the convertible bonds during the first half of the year.

Profit for the period attributable to equity holders of the Company rose to HK$332 million to set a new record, up 133.8% as compared with the corresponding period, attributable mainly to the realised gain of HK$316 million derived from the disposal of our remaining interest in Haier Electronics. The net profit for the previous corresponding period also included a gain of HK$109 million arising from the disposal and deemed disposal of 19.6% interest in Haier Electronics in January 2005.

Basic earnings per share increased 44.5%. The percentage increase was lower than that of the net profit because of the increase in the share capital due to the conversion of the convertible bonds and exercise of share options during the year ended 30 June 2006.

Analysis by Business Segment

	Turnover (excluding other income and gains) Six months ended 30 June				
	2006		2005		
HK$ million	**Amount (Unaudited)**	**Relative %**	Amount (Unaudited)	Relative %	% increase/ (decrease)
Telecom and electronic products	**1,896**	**95.7%**	1,730	96.1%	9.6%
Baby products	**64**	**3.2%**	66	3.7%	(3.0%)
E-commerce	**11**	**0.6%**	—	—	N/A
Investments	**1**	**—**	—	—	N/A
Corporate and others	**10**	**0.5%**	4	0.2%	150%
Total	**1,982**	**100.0%**	1,800	100.0%	10.1%

	Operating profit/(loss) (before finance costs and tax)		
HK$ million	**2006 (Unaudited)**	2005 (Unaudited)	% increase/ (decrease)
Telecom and electronic products	**99**	110	(10.0%)
Baby products	**8**	2	300.0%
E-commerce	**—**	—	N/A
Investments	**316**	112	182.1%
Corporate and others	**(60)**	(45)	33.3%
Total	**363**	179	102.8%

During the period under review, telecom and electronic products business continued to be the principal business of the Group, accounting for approximately 96% (corresponding period: 96%) of the Group's total revenue. The baby product business accounted for approximately 3% (corresponding period: 4%) of the total turnover. In April 2006, we increased our interest in Tradeeasy to 66.26% and since then have consolidated its results. Tradeeasy is engaged in the provision of e-commerce services and contributed 0.6% of the total turnover in the first half of the year. The turnover of the corporate and others segment represents interest income.

The telecom and electronic products business contributed HK$99 million in operating profit in the first half of the year, down 10.0% from the corresponding period. The decrease was mainly due to the reduction in average selling prices driven by keen competition and increase in operating costs due to escalating raw material prices and rise of salaries and wages. Despite a difficult environment, the baby product business reported an operating profit of HK$8 million.

The investment business delivered excellent results during the first half of the year. Consequently, the decline in our manufacturing profit has been more than offset by our investment gains derived primarily from the disposal of our shares in Haier Electronics. The corporate segment represents primarily head office administrative expenses incurred that could not be allocated specifically to any other business segments.

Analysis by Geographical Segment

	Turnover (excluding other income and gains) Six months ended 30 June				
	2006		2005		
HK$ million	**Amount (Unaudited)**	**Relative %**	Amount (Unaudited)	Relative %	% increase/ (decrease)
U.S.	**1,105**	**55.8%**	1,129	62.7%	(2.1%)
PRC, including Hong Kong	**490**	**24.7%**	394	21.9%	24.4%
European Union	**362**	**18.3%**	92	5.1%	293.5%
Others	**25**	**1.2%**	185	10.3%	(86.5%)
Total	**1,982**	**100.0%**	1,800	100.0%	10.1%

The U.S. remained the major market of the Group accounting for approximately 55.8% (corresponding period: 62.7%) of the total revenue for the period under review. The PRC (including Hong Kong) market ranked second contributed 24.7% (2005: 21.9%) of the total turnover, up 24.4%. The European Union market ranked third contributed 18.3% (2005: 5.1%) of the Group's turnover, representing an excellent growth rate of 293.5% from the corresponding period.

Highlights on Financial Position and Major Balance Sheet Items

HK$ million	30 June 2006 (Unaudited)	31 December 2005 (Audited)	% increase/ (decrease)
Financial Position Highlights			
Property, plant and equipment	**1,255**	1,253	0.2%
Investment properties	**434**	257	68.9%
Long term receivable	**304**	—	N/A
Available-for-sale financial assets (non-current assets)	**10**	18	(44.4%)
Held-to-maturity financial assets	**2**	18	(88.9%)
Financial assets at fair value through profit or loss (non-current assets)	**85**	37	129.7%
Available-for-sale financial assets (current assets)	**—**	551	(100.0%)
Financial assets at fair value through profit or loss (current assets)	**49**	24	104.2%
Cash and cash equivalents	**794**	528	50.4%
Long term payable	**314**	—	N/A
Minority interests	**56**	68	(17.6%)
Equity attributable to shareholders of the Company	**2,702**	2,642	2.3%

Discussion on Financial Position and Major Balance Sheet Items

The property, plant and equipment were held by the Group for use in its core manufacturing business. The increase in the net book value of the property, plant and equipment was mainly due to additions to fixed assets to cope with the needs of production less depreciation made during the period.

The investment properties rose to HK$434 million, attributable to the acquisition of two luxury properties in the southern side of the Hong Kong Island during the first half of the year.

The long term receivable of HK$304 million represents the consideration for the sale of 13.8 billion shares in CCT Tech and was paid to Deutsche Bank as the initial exchange amount to effectively secure the put options granted to Deutsche Bank. The amount is classified as long term receivable in the balance sheet as it will only be repaid to the Company upon unwind of the put options which will expire on 9 May, 2008. The long term receivable may or may not be payable to the Company depending on whether or not the put options are exercised. If the put options are exercised in full by the Deutsche Bank upon the expiry date of the put options, the receivable will be used to buy back the CCT Tech shares from Deutsche Bank and will be offset against the long term payable classified under the non-current liabilities.

The decrease in non-current available-for-sale financial assets was mainly due to the disposal of a club membership during the first half of the year.

The decrease in held-to-maturity financial assets was due to the unwind of a structural deposit with a bank during the first half of the year and the funds were re-invested into certain other yield enhancement deposits.

The non-current financial assets at fair value through profit or loss as at 30 June 2006 represent our investment in certain shares listed on the Stock Exchange. The amount as at 31 December 2005 represent a structural deposit which was unwound in the first half of the year and the funds therefrom were used for other investments.

Available-for-sale financial assets classified under the current assets as at 31 December 2005 in the amount of HK$551 million represent the fair value of the Group's interest in Haier Electronics. The entire Group's interest in Haier Electronics was disposed of during the first half of the year and hence the Group did not hold any such asset as at 30 June 2006.

The increase in financial assets at fair value through profit or loss under current assets was mainly attributable to our additional investment in high-yield deposits linked to listed shares.

Cash and cash equivalents increased by 50.4% mainly due to the receipt of the proceeds from disposal of the remaining interest in Haier Electronics in January 2006 offset by the dividend payment made and funds utilized in investment in properties and securities in the first half of the year.

The long term payable of HK$314 million represents the amount due to Deutsche Bank if the put options in relation to 13.8 million CCT Tech shares are exercised in full without early unwind on the expiration date of the put options. The long term payable is effectively secured by the long term receivable of HK$304 million.

The minority interests represent the share of interest by the minority shareholders in the net assets of CCT Tech. The amount decreased in the first half of the year because of the conversion of the convertible bonds which has increased the Group's interest in CCT Tech.

Capital Structure and Gearing Ratio

	30 June 2006		31 December 2005	
HK$ million	**Amount (Unaudited)**	**Relative %**	Amount (Audited)	Relative %
Bank loans	**431**	**13.5%**	364	11.8%
Convertible bonds (liability component)	**48**	**1.5%**	77	2.5%
Finance lease payable	**8**	**0.3%**	10	0.3%
Total borrowings	**487**	**15.3%**	451	14.6%
Equity	**2,702**	**84.7%**	2,642	85.4%
Total capital employed	**3,189**	**100.0%**	3,093	100.0%

The Group's gearing ratio, calculated on the basis of the Group's total borrowings (including bank and other borrowings, convertible bonds and finance lease payables) of approximately HK$487 million over total capital employed (total shareholders' fund plus total borrowings) of approximately HK$3,189 million, was approximately 15.3% as at 30 June 2006 (31 December 2005: 14.6%). The change of gearing ratio was attributable to the combined effect as a result of the borrowing of new mortgage loans for the financing of the newly acquired luxury properties and the conversion of convertible bonds during the period under review. The gearing ratio maintained at low level which reflects a healthy financial position and the prudent financial policy of the Group. Taking into account the cash on hand, the Group in fact did not have any net borrowings.

Outstanding bank borrowings amounted to HK$431 million at 30 June 2006 (31 December 2005: HK$364 million). Approximately 30.6% of these bank borrowings was arranged on a short-term basis for the ordinary business of the Group and was repayable within one year. The remaining 69.4% of the bank borrowings was of long-term nature, principally comprised of mortgage loans on properties used by the Group.

Acquisition of certain of the Group's assets was financed by way of finance leases and the total outstanding finance lease payables for the Group as at 30 June 2006 amounted to approximately HK$8 million (31 December 2005: HK$10 million).

As at 30 June 2006, the maturity profile of the bank and other borrowings and convertible bonds of the Group falling due within one year, in the second to the fifth year and in the sixth to the tenth year amounted to HK$138 million, HK$242 million and HK$107 million, respectively (31 December 2005: HK$158 million, HK$240 million and HK$53 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

Liquidity and Financial Resources

Current ratio (a ratio of current assets over current liabilities) as at 30 June 2006 was 174% (31 December 2005: 180%). The strong liquid position was attributable to the effective financial management of the Group.

As at 30 June 2006, the Group's total cash balance amounted to HK$865 million (31 December 2005: HK$599 million), of which HK$71 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 funds available from the bank facilities are expected to be sufficient to cover all cash requirements, including working capital and capital expenditure needs.

Capital Expenditure and Commitments

During the period under review, the Group incurred capital expenditure amounted to approximately HK$255 million, which was mainly related to the acquisition of investment properties in the amount of HK$177 million and additions to fixed assets in the amount of HK$78 million for the core manufacturing businesses of the Group.

The Group's capital commitments amounted to approximately HK$8 million (31 December 2005: HK$7 million) as at 30 June 2006, which was mainly related to capital expenditure for the manufacturing business of the Group and all of which will be financed 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 period under review, 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 and medium-term deposits denominated in Hong Kong dollars and US dollars. As at 30 June 2006, the Group's borrowings were mainly denominated in Hong Kong dollars and US dollars. As at 30 June 2006, other than the convertible bonds in an aggregate principal amount of approximately HK$58.5 million which is interest-free, 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. Above all, 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. Our exposure to any Renminbi fluctuation has, therefore, been partly hedged against for the period up to mid 2006. Our future production costs will no doubt be increased by the recent Renminbi appreciation. Any further appreciation of Renminbi in the future will be of concern to all manufacturers with manufacturing facilities in China, and to their respective customers. We have invested some of our surplus funds on investments that we believe will benefit from appreciation of Renminbi. We hope that the returns and gains that we may derive from these investments will hedge partly against the potential appreciation of the Renminbi.

Acquisition and Disposal of Material Subsidiaries and Associates

During the period under review, we sold 13,800,000,000 ordinary shares in CCT Tech to Deutsche Bank and three other independent institutional investors for a total consideration of approximately HK$303.6 million. Put options have been granted to Deustche Bank which give Deutsche Bank the right to sell back the shares to us on the expiration date of the put options or upon ocurrance of certain events. The proceeds for the sale of CCT Tech shares were paid to Deutsche Bank to effectively secure the put options. After the disposal, the Group's shareholding interests in CCT Tech is approximately 74.63%. Deutsche Bank and the three independent institutional investors together held in total approximately 21.44% of the total issued share capital of CCT Tech.

In April 2006, the Group subscribed a total 550,000,000 shares in Tradeeasy for a total consideration of HK$22 million. Upon completion of the subscription, the Group's shareholding in Tradeeasy has increased from 22.18% to 66.26%. Tradeeasy has become a non-wholly subsidiary of the Company since then. Tradeeasy is engaged in provision of e-commerce services and we believe the business has good potential.

Significant Investment

During the period under review, The Group further increased its property investment by acquiring two luxury residential properties for a total consideration of HK$177 million. In addition, the Group invested approximately HK$85 million in shares listed on the Stock Exchange. Save as disclosed, there was no significant investment unrelated to the core manufacturing businesses of the Group during the period under review.

Pledge of Assets

As at 30 June 2006, certain of the Group's assets with a net book value of HK$974 million (31 December 2005: HK$821 million) and time deposits of HK$71 million (31 December 2005: HK$71 million) were pledged to secure the general banking facilities granted to the Group.

Contingent Liabilities

As at 30 June 2006, the Group had 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$1 million (31 December 2005: HK$1 million). Save as aforesaid, the Group did not have any other significant contingent liabilities as at 30 June 2006.

Employees and Remuneration Policy

The total number of employees of the Group as at 30 June 2006 was 21,659 (31 December 2005: 17,697). Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. At 30 June 2006, there were no outstanding share options issued by the Company.

interim results

The Board of the Company is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2006 together with the comparative figures for the corresponding period in 2005 as follows:

Condensed Consolidated Income Statement
For the six months ended 30 June 2006

HK$ million	Notes	Six months ended 30 June **2006 (Unaudited)**	 2005 (Unaudited)
REVENUE	3	**1,982**	1,800
Cost of sales		**(1,765)**	(1,570)
Gross profit		**217**	230
Other income and gains		**363**	125
Selling and distribution costs		**(27)**	(25)
Administrative expenses		**(150)**	(147)
Other expenses		**(40)**	(4)
Finance costs		**(13)**	(7)
PROFIT BEFORE TAX	4	**350**	172
Tax	5	**(12)**	(10)
PROFIT FOR THE PERIOD		**338**	162
Attributable to:			
Equity holders of the parent		**332**	142
Minority interests		**6**	20
		338	162
DIVIDENDS	6		
Special interim		**—**	319
Proposed interim		**16**	—
		16	319
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic		**HK$0.484**	HK$0.335
Diluted		**HK$0.403**	HK$0.295

Condensed Consolidated Balance Sheet
30 June 2006

HK$ million	Notes	30 June 2006 (Unaudited)	31 December 2005 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,255**	1,253
Investment properties		**434**	257
Prepaid land lease payments		**208**	220
Other intangible assets		**54**	45
Goodwill		**109**	110
Long term receivable		**304**	—
Available-for-sale financial assets		**10**	18
Held-to-maturity financial assets		**2**	18
Financial assets at fair value through profit or loss		**85**	37
Deferred tax assets		**4**	3
Total non-current assets		**2,465**	1,961
CURRENT ASSETS			
Inventories		**358**	294
Trade and bills receivables	9	**943**	838
Prepayment, deposits and other receivables		**39**	50
Available-for-sale financial assets		**—**	551
Financial assets at fair value through profit or loss		**49**	24
Forward currency contracts		**—**	1
Pledged time deposits		**71**	71
Cash and cash equivalents		**794**	528
Total current assets		**2,254**	2,357

Condensed Consolidated Balance Sheet (Continued)
30 June 2006

HK$ million	Notes	**30 June 2006 (Unaudited)**	31 December 2005 (Audited)
CURRENT LIABILITIES			
Trade and bills payables	10	**995**	988
Tax payable		**32**	26
Other payables and accruals		**130**	139
Forward currency contracts		**—**	1
Interest-bearing bank loans and other borrowings		**138**	158
Total current liabilities		**1,295**	1,312
NET CURRENT ASSETS		**959**	1,045
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,424**	3,006
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**301**	216
Convertible bonds	11	**48**	77
Long term payable		**314**	—
Deferred tax liabilities		**3**	3
Total non-current liabilities		**666**	296
Net assets		**2,758**	2,710
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	12	**78**	65
Reserves		**2,624**	2,564
Proposed interim/final dividend		**—**	13
Shareholders' funds		**2,702**	2,642
Minority interests		**56**	68
Total equity		**2,758**	2,710

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2006

	Attributable to equity holders of the parent											
HK$ million	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital reserve (Unaudited)	Distributable reserve (Unaudited)	Investment revaluation reserve (Unaudited)	Equity component of convertible bonds (Unaudited)	Exchange fluctuation reserve (Unaudited)	Retained profits/ (accumulated losses) (Unaudited)	Proposed interim/final dividend (Unaudited)	Total (Unaudited)	Minority interests (Unaudited)	Total equity (Unaudited)
At 1 January 2006	65	—	741	1,417	320	31	1	54	13	2,642	68	2,710
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	11	11
Acquisition of minority interests	—	—	—	—	—	—	—	—	—	—	(29)	(29)
Issue of convertible bonds	—	—	—	—	—	4	—	—	—	4	—	4
Issue of new shares upon conversion of convertible bonds	13	62	—	—	—	(22)	—	4	—	57	—	57
Realisation of investment revaluation reserve	—	—	—	—	(318)	—	—	—	—	(318)	—	(318)
Profit for the period	—	—	—	—	—	—	—	332	—	332	6	338
2005 final dividend	—	—	—	—	—	—	—	(2)	(13)	(15)	—	(15)
At 30 June 2006	78	62	741	1,417	2	13	1	388	—	2,702	56	2,758
At 1 January 2005	42	1,250	1,060	—	—	—	—	(158)	8	2,202	205	2,407
Acquisition of minority interests	—	—	—	—	—	—	—	—	—	—	(165)	(165)
Exercise of share option	1	5	—	—	—	—	—	—	—	6	—	6
Issue of convertible bonds	—	—	—	—	—	46	—	—	—	46	—	46
Issue of new shares upon conversion of convertible bonds	—	5	—	—	—	(2)	—	—	—	3	—	3
Change in fair value of available-for-sale financial assets	—	—	—	—	539	—	—	—	—	539	—	539
Profit for the period	—	—	—	—	—	—	—	142	—	142	20	162
2004 final dividend	—	—	—	—	—	—	—	—	(8)	(8)	—	(8)
2005 special interim dividend	—	—	(319)	—	—	—	—	—	—	(319)	—	(319)
At 30 June 2005	43	1,260	741	—	539	44	—	(16)	—	2,611	60	2,671

Condensed Consolidated Cash Flow Statement
For the six months ended 30 June 2006

HK$ million	Six months ended 30 June **2006 (Unaudited)**	2005 (Unaudited)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**(33)**	61
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	**249**	(140)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**50**	(31)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**266**	(110)
Cash and cash equivalents at beginning of period	**528**	771
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**794**	661
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**329**	323
Non-pledged time deposits with original maturity of less than three months when acquired	**465**	338
	794	661

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standards ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2005.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the consolidated financial statements for the year ended 31 December 2005.

The following new standards, amendments to standards and interpretations which are relevant to its operations are mandatory for financial year ending 31 December 2006.

HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendment	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of new/revised HKAS 19 Amendment, HKAS 21 Amendment, HKAS 39 Amendment, HKFRS 4 Amendment and HK(IFRIC)-Int 4 did not result in substantial changes to the Group's accounting policies.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The following new standards, amendments to standards and interpretations relevant to the Group's operations have been issued but are not effective for 2006 and have not been early adopted:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economics
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

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, accessories and components;

(b) the baby products segment engages in the manufacture and sale of baby products;

(c) the e-commerce segment engages in the provision of e-commerce services;

(d) the investment segment engages in investment in securities and properties; and

3. SEGMENT INFORMATION (Continued)

(e) the corporate and others segment comprises corporate income and expenses items.

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

(a) Business segments

The following tables present revenue and profit/(loss) regarding the Group's business segments for the period ended 30 June 2006 and 2005.

2006 HK$ million	Telecom and electronic products (Unaudited)	Baby products (Unaudited)	E-commerce (Unaudited)	Investment (Unaudited)	Corporate and others (Unaudited)	Total (Unaudited)
Segment revenue:						
Sales to external customers	1,896	64	11	1	—	1,972
Other revenue	11	2	—	316	34	363
Total revenue	1,907	66	11	317	34	2,335
Segment results	99	8	—	316	(70)	353
Interest income						10
Finance costs						(13)
Profit before tax						350
Tax						(12)
Profit for the period						338

3. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

2005 HK$ million	Telecom and electronic products (Unaudited)	Baby products (Unaudited)	E-commerce (Unaudited)	Investment (Unaudited) (Restated)	Corporate and others (Unaudited) (Restated)	Total (Unaudited) (Restated)
Segment revenue:						
Sales to external customers	1,730	66	—	—	—	1,796
Other revenue	11	—	—	1	4	16
Total revenue	1,741	66	—	1	4	1,812
Segment results	110	2	—	112	(49)	175
Interest income						4
Finance costs						(7)
Profit before tax						172
Tax						(10)
Profit for the period						162

(b) Geographical segments

The following tables present revenue information regarding the Group's geographical segments for the period ended 30 June 2006 and 2005.

2006 HK$ million	**United States of America (Unaudited)**	**PRC, including HK (Unaudited)**	**European Union (Unaudited)**	**Others (Unaudited)**	**Total (Unaudited)**
Segment revenue:					
Sales to external customers	**1,105**	**480**	**362**	**25**	**1,972**
Other revenue	**—**	**363**	**—**	**—**	**363**
Total revenue	**1,105**	**843**	**362**	**25**	**2,335**

2005 HK$ million	United States of America (Unaudited)	PRC, including HK (Unaudited)	European Union (Unaudited)	Others (Unaudited)	Total (Unaudited)
Segment revenue:					
Sales to external customers	1,129	390	92	185	1,796
Other revenue	—	16	—	—	16
Total revenue	1,129	406	92	185	1,812

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

HK$ million	Six months ended 30 June **2006 (Unaudited)**	 2005 (Unaudited)
Cost of inventories sold	**1,768**	1,734
Depreciation	**64**	63
Amortisation of prepaid land lease payments	**3**	3
Amortisation of deferred development costs	**22**	13
Write off of deferred development costs	**8**	4
and after crediting:		
Gain on disposal of available-for-sale financial assets	**316**	—
Gain on disposal and deemed disposal of interest in an associate	**—**	109

5. 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 period. 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 following by a 50% reduction for the next three consecutive years.

HK$ million	Six months ended 30 June **2006 (Unaudited)**	 2005 (Unaudited)
Current — Hong Kong	**8**	7
Current — Elsewhere	**5**	2
Deferred tax	**(1)**	1
Total tax charge for the period	**12**	10

6. DIVIDENDS

HK$ million	Six months ended 30 June **2006 (Unaudited)**	 2005 (Unaudited)
Special interim dividend — Nil (30 June 2005: HK$0.68) per ordinary share	**—**	319
Proposed interim dividend — HK$0.02 (30 June 2005: Nil) per ordinary share	**16**	—
Total	**16**	319

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

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

The calculation of diluted earnings per share amounts is based on the net profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds (see below). The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the period, 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.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

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

	Six months ended 30 June	
HK$ million	**2006 (Unaudited)**	2005 (Unaudited)
Earnings		
Net profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**332**	142
Interest on convertible bonds	**2**	1
Net profit attributable to ordinary equity holders of the parent before interest on convertible bonds	**334**	143

	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	**685,192,777**	423,995,545
Effect of dilution — weighted average number of ordinary shares:		
Share options	**—**	17,608,132
Convertible bonds	**142,906,215**	43,656,435
	828,098,992	485,260,112

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2006, the Group acquired fixed assets of HK$78 million (six months ended 30 June 2005: HK$105 million) and disposed fixed assets of HK$4 million (six months ended 30 June 2005: HK$4 million).

9. TRADE AND BILLS RECEIVABLES

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

HK$ million	**30 June 2006 (Unaudited) Balance**	**30 June 2006 (Unaudited) Percentage**	31 December 2005 (Audited) Balance	31 December 2005 (Audited) Percentage
Current to 30 days	**326**	**34**	286	34
31 to 60 days	**272**	**29**	259	31
61 to 90 days	**252**	**27**	239	29
Over 90 days	**93**	**10**	54	6
	943	**100**	838	100

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

10. TRADE AND BILLS PAYABLES

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

HK$ million	**30 June 2006 (Unaudited) Balance**	**30 June 2006 (Unaudited) Percentage**	31 December 2005 (Audited) Balance	31 December 2005 (Audited) Percentage
Current to 30 days	**298**	**30**	290	29
31 to 60 days	**290**	**29**	243	25
61 to 90 days	**193**	**19**	167	17
Over 90 days	**214**	**22**	288	29
	995	**100**	988	100

The trade payables are non-interest-bearing and are normally settled on 60 to 90 days terms.

11. CONVERTIBLE BONDS

(a) On 25 April 2005, the Company issued convertible bonds with an aggregate nominal value of approximately HK$155.2 million (the "2010 Convertible Bonds") to those shareholders and noteholders of CCT Tech who accepted the general offers made by a subsidiary of the Company on 31 January 2005 to take over CCT Tech and who opted for the 2010 Convertible Bonds.

The 2010 Convertible Bonds are convertible at the option of the bondholders into ordinary shares of the Company at the conversion price of HK$0.604 per share (subject to adjustment as provided in the terms and conditions of the 2010 Convertible Bonds) at any time during the conversion period starting from the date of issue and ending on the fifth business day before the fifth anniversary of the date of issue. The 2010 Convertible Bonds are unsecured, interest-free and have a maturity date of 25 April 2010. Unless converted into the shares of the Company or early repaid by the Company, the outstanding balance of the 2010 Convertible Bonds shall be redeemed in full on maturity. The Company may at its sole discretion repay, in whole or in part, the outstanding balance of the 2010 Convertible Bonds not yet repaid or converted into the shares of the Company any time before maturity by giving the holders of the convertible bonds a prior written notice of 14 days.

In 2005, the 2010 convertible Bonds with a nominal value of approximately HK$51.7 million were converted into 80,662,359 shares of the Company of HK$0.10 each.

During the current period, the 2010 Convertible Bonds with a nominal value of HK$75.0 million were converted into 124,172,185 shares of the Company of HK$0.10 each (note 12).

(b) On 23 June 2006, the Company issued convertible bond with a nominal value of HK$30 million (the "2009 Convertible Bond") as part of consideration for the acquisition of a property. There was no conversion of the 2009 Convertible Bond during the current period.

11. CONVERTIBLE BONDS (Continued)

The 2009 Convertible Bond is convertible at the option of the bondholder into ordinary shares of the Company at the conversion price of HK$1.13 per share (subject to adjustment as provided in the terms and conditions of the 2009 Convertible Bond) at any time from the date of issue of 2009 Convertible Bond to the fifth business day immediately prior to the maturity thereof. The 2009 Convertible Bond is unsecured, interest-free and has a maturity date of 23 June 2009. Unless converted into the shares of the Company or early repaid by the Company, the outstanding balance of the 2009 Convertible Bond shall be redeemed in full on maturity. The Company may at its sole discretion repay, in whole or in part, the outstanding balance of the 2009 Convertible Bond not yet repaid or converted into the shares of the Company any time before maturity by giving the holders of the convertible bonds a prior written notice of 14 days.

The fair value of the liability component of the 2010 Convertible Bonds and 2009 Convertible Bond were estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in the shareholders' equity.

The convertible bonds have been split between the liability and equity components, as follows:

HK$ million	**30 June 2006 (Unaudited)**	31 December 2005 (Audited)
Nominal value of convertible issued:		
2010 Convertible Bonds — note (a)	**155**	155
2009 Convertible Bond — note (b)	**30**	—
	185	155
Equity component	**(50)**	(46)
Liability component at the issuance date	**135**	109
Conversion:		
Prior year	**(37)**	—
Current period/year	**(57)**	(37)
Effective interest expense:		
Prior year	**5**	—
Current period/year	**2**	5
Non-current liability component	**48**	77

12. SHARE CAPITAL

HK$ million	**30 June 2006 (Unaudited)**	31 December 2005 (Audited)
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200**	200
Issued and fully paid:		
779,865,493 (31 December 2005: 655,693,308) ordinary shares of HK$0.10 each	**78**	65

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

	Number of ordinary shares of HK$0.10 each	Issued share capital HK$ million
At 1 January 2006	655,693,308	65
Conversion of convertible bonds	124,172,185	13
At 30 June 2006	779,865,493	78

During the six months ended 30 June 2006, the 2010 Convertible Bonds with a nominal value of approximately HK$75 million were converted into 124,172,185 shares of the Company of HK$0.10 each at conversion price of HK$0.604 per share.

13. CONTINGENT LIABILITIES

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$1 million as at 30 June 2006 (31 December 2005: HK$1 million). 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.

14. PLEDGE OF ASSETS

At 30 June 2006, the Group's bank borrowings were secured by:

(i) pledge of the Group's fixed deposits amounting to approximately HK$71 million (31 December 2005: HK$71 million); and

(ii) fixed charges over certain of the Group's investment properties and leasehold land and buildings with an aggregate net book value amounting to approximately HK$974 million (31 December 2005: HK$821 million).

15. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

At 30 June 2006, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

HK$ million	**30 June 2006 (Unaudited)**	31 December 2005 (Audited)
Within one year	**2**	2
In the second to fifth years, inclusive	**1**	2
	3	4

(b) As lessee

The group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from two to five years.

15. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee (Continued)

At 30 June 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

HK$ million	**30 June 2006 (Unaudited)**	31 December 2005 (Audited)
Within one year	**2**	2
In the second to fifth years, inclusive	**6**	6
After five years	**3**	1
	11	9

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	**30 June 2006 (Unaudited)**	31 December 2005 (Audited)
Within one year	**2**	2
In the second to fifth years, inclusive	**9**	9
After five years	**113**	115
	124	126

16. COMMITMENTS

In addition to the operating lease commitments detailed in note 15, the Group had the following commitments at the balance sheet date:

HK$ million	**30 June 2006 (Unaudited)**	31 December 2005 (Audited)
Contracted, but not provided for:		
Purchases of plant and machinery and equipment	**8**	7

17. RELATED PARTY TRANSACTIONS

(a) On 27 April 2006, Rich Full International Industries Limited ("Rich Full"), an indirect wholly-owned subsidiary of the Company, has entered into a sale and purchase agreement with Fine Bonus Enterprises Limited ("Fine Bonus"), a company controlled by Mr. Mak and his associates, for the purchase of a property by Rich Full from Fine Bonus at a consideration of HK$80 million, of which HK$50 million was paid by cash and HK$30 million was satisfied by issuance of the 2009 Convertible Bond. This transaction was approved by the independent shareholders of the Company on 5 June 2006 and was completed on 23 June 2006. Further details of the transaction were set out in the circular of the Company dated 19 May 2006.

(b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
HK$ million	**2006 (Unaudited)**	2005 (Unaudited)
Short term employee benefits	**32**	22
Post-employment benefits	**—**	—
Total compensation paid to key management personnel	**32**	22

18. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the current period's presentation.

disclosure of interests

DIRECTORS' INTERESTS

As at 30 June 2006, 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, the 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") contained in the Listing Rules:

(a) Interests and short positions in the shares and the underlying shares of the convertible bonds of the Company as at 30 June 2006

(i) Long positions in the shares of the Company:

Name of the director	Number of the shares beneficially held and nature of interest				Approximate percentage of the total issued share capital
	Personal	Family	Corporate	Total	(%)
Mak Shiu Tong, Clement	715,652	—	221,040,977	221,756,629	28.44
Cheng Yuk Ching, Flora (Note)	14,076,713	120,000	—	14,196,713	1.82
Tam Ngai Hung, Terry	1,868,000	—	—	1,868,000	0.24
William Donald Putt	591,500	—	—	591,500	0.08
Samuel Olenick	—	—	545,000	545,000	0.07

Note: Included in the shareholdings in which Ms. Cheng Yuk Ching, Flora was interested, 120,000 shares of the Company were held by the spouse of Ms. Cheng Yuk Ching, Flora who was deemed to be interested in such shares under the provisions of Part XV of the SFO.

(ii) Long positions in the underlying shares of the convertible bonds of the Company:

Name of the director	Description of equity derivatives	Notes	Number of the total underlying shares	Approximate percentage of the total issued share capital
				(%)
Mak Shiu Tong, Clement	2010 convertible bonds	(1)	47,185,430	6.05
	2009 convertible bonds	(2)	26,548,672	3.40

Notes:

(1) The convertible bonds with an outstanding principal amount of HK$28,500,000 as at 30 June 2006, were issued by the Company to New Capital Industrial Limited (a company controlled by Mr. Mak Shiu Tong, Clement) on 25 April 2005. The convertible bonds, due on 25 April 2010, are interest free and convertible into the shares of the Company at the conversion price of HK$0.604 per share of the Company (subject to adjustments according to the terms of the convertible bonds). The interest of Mr. Mak Shiu Tong, Clement in these underlying shares of the Company has also been disclosed under the section headed "Substantial Shareholders' Interests" below.

(2) The convertible bonds with an outstanding principal amount of HK$30,000,000 as at 30 June 2006, were issued by the Company to Capital Winner Investments Limited (a company controlled by Mr. Mak Shiu Tong, Clement) on 23 June 2006. The convertible bonds, due on 23 June 2009, are interest free and convertible into the shares of the Company at the conversion price of HK$1.13 per share of the Company (subject to adjustments according to the terms of the convertible bonds).

(b) Interests and short positions in the shares and the underlying shares of an associated corporation — CCT Tech, a non wholly-owned subsidiary of the Company, as at 30 June 2006

None of the directors of the Company had any interest and short position in respect of the shares, debentures, convertible bonds, equity derivatives or interests in the underlying shares of CCT Tech as at 30 June 2006.

(c) Interests and short positions in the shares and the underlying shares of an associated corporation — Tradeeasy, a non wholly-owned subsidiary of the Company, as at 30 June 2006

None of the directors of the Company had any interest and short position in respect of the shares, debentures, convertible bonds, equity derivatives or interests in the underlying shares of Tradeeasy as at 30 June 2006.

Save as disclosed above, as at 30 June 2006, 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, the 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 contained in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2006, the following persons had interests or short positions in the shares or the 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:

(i) Long positions in the shares of the Company as at 30 June 2006:

Name of the shareholder	Number of the shares held	Approximate percentage of the total issued share capital
		(%)
Capital Force International Limited (Note)	96,868,792	12.42
New Capital Industrial Limited (Note)	124,172,185	15.92
	221,040,977	28.34

Note: Capital Force International Limited and New Capital Industrial Limited are corporations controlled by Mr. Mak Shiu Tong, Clement, whose interest in such shares has also been disclosed under the section headed "Directors' Interests" above.

(ii) Long positions in the underlying shares of the 2010 convertible bonds of the Company as at 30 June 2006:

Name of the holder of the 2010 convertible bonds	Amount of the 2010 convertible bonds	Number of the total underlying shares	Approximate percentage of the total issued share capital
	HK$		(%)
New Capital Industrial Limited (Note)	28,500,000	47,185,430	6.05

Note: The convertible bonds with an outstanding principal amount of HK$28,500,000 as at 30 June 2006, were issued by the Company to New Capital Industrial Limited (a company controlled by Mr. Mak Shiu Tong, Clement) on 25 April 2005. The convertible bonds, due on 25 April 2010, are interest free and convertible into the shares of the Company at the conversion price of HK$0.604 per share of the Company (subject to adjustments according to the terms of the convertible bonds). The interest of Mr. Mak Shiu Tong, Clement in these underlying shares of the Company has also been disclosed under the section headed "Directors' Interests" above.

Save as disclosed above, as at 30 June 2006, there was no other person who had any interest or short position in the shares or the 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.

share option scheme

A share option scheme was adopted by the Company on 28 February 2002 (the "Share Option Scheme"). Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of the adoption. As at 30 June 2006, there were no share options outstanding under the Share Option Scheme. No share options has been granted, exercised, lapsed or cancelled under the Share Option Scheme during the period for the six months ended 30 June 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 six months ended 30 June 2006.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Corporate Governance Practices

In the opinion of the directors of the Company, 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 Listing Rules throughout the period for the six months ended 30 June 2006, except for the following deviations from the code provisions:

Code Provision A.2.1

There is no separation of the roles of chairman and chief executive officer as set out in the code provision A.2.1.

Mr. Mak Shiu Tong, Clement currently assumes the roles of both the Chairman and the Chief Executive Officer of the Company. Mr. Mak has substantial experience and a firmly established reputation in the telecom industry that is essential to fulfilling the role of the Chairman. At the same time, Mr. Mak has the appropriate management skills and business acumen that are the pre-requisites for assuming the role of the Chief Executive Officer in the day-to-day management of the Group. The Board is composed of four executive directors (including the Chairman) and three independent non-executive directors ("INED(s)") with a balance of skills and experience appropriate for the requirements of the Group. Furthermore, the roles of the presidents and the general managers of the Company's major operating subsidiaries are performed by other individuals. The Board believes that there is no need to segregate the roles of the Chairman and the Chief Executive Officer as the balance of power and authority is already ensured by the current structure. The Board does not believe that the separation of the roles of the Chairman and the Chief Executive Officer will improve the corporate performance.

Code Provision A.4.1

The code provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election.

None of the existing INEDs is appointed for a specific term. However, all INEDs are subject to the retirement by rotation and re-election at every annual general meeting of the Company in accordance with the bye-laws of the Company.

Code Provision A.4.2

The code provision A.4.2 provides that all directors appointed to fill a casual vacancy should be subject to the election by the shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to the retirement by rotation at least once every three years.

In accordance with the bye-laws of the Company, any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting and shall then be eligible for re-election. The Board considers that such a deviation is not material as casual vacancy seldom happens and duration between appointment to fill casual vacancy and the immediate following annual general meeting is short.

Pursuant to the bye-laws of the Company, the Chairman and the managing director of the Company shall not be subject to the retirement by rotation or also not be taken into account in determining the number of directors to retire in each year. The Board considers that the continuity of the Chairman and his leadership will be essential for the stability of the key management of the Board. On the other hand, the Board will ensure that the directors of the Company other than the Chairman will rotate at least once every three years in order to comply with the code provision A.4.2.

Code Provision E.1.2

Under the second part of the code provision E.1.2, the chairman of the independent board committee (if any) should be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

The members of the independent board committee had not attended the Company's special general meeting held on 5 June 2006 as all members of the independent board committee had other business engagements on that date. However, the representative of the independent financial adviser attended such general meeting and was available to answer the shareholders' questions. No questions was raised by the independent shareholders during such general meeting. The general meeting was convened to approve the acquisition of a property from the Chairman of the Company, which amounts to HK$80 million, representing only approximately 3% of the net assets value of the Group as at 31 December 2005. The Company considers that the representative of the independent financial adviser who attended such general meeting was already of sufficient calibre for answering questions at such general meeting. The Company will endeavour the chairman or the member(s) of the independent board committee (if any) to attend future general meetings as required under the CG Code.

Other information on the corporate governance practices of the Company have been disclosed in the corporate governance report contained in the 2005 Annual Report of the Company issued in April 2006.

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 INEDs, namely Mr. Tam King Ching, Kenny, Mr. Lau Ho Man, Edward and Mr. Samuel Olenick, all of whom are qualified accountants and have extensive experience in accounting and financial matters. The Audit Committee is chaired by an INED who is subject to the rotation each year.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2006 and the 2006 Interim Report of the Company.

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 Mr. Tam King Ching, Kenny, Mr. Lau Ho Man, Edward and Mr. Samuel Olenick, and two executive directors of the Company, namely Mr. Mak Shiu Tong, Clement and Mr. Tam Ngai Hung, Terry. The Remuneration Committee is chaired by an INED who is subject to the rotation each year.

Model Code for Securities Transactions by the Directors of the Company

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 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 period for the six months ended 30 June 2006.

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 period for the six months ended 30 June 2006. The Board comprises the three INEDs, all of whom have accounting and financial expertise and bring strong independent judgement, knowledge and experience to the Board.

BOARD OF DIRECTORS

As at the date of the 2006 Interim Report, the executive directors of the Company are Mr. Mak Shiu Tong, Clement, Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt and the INEDs are Mr. Samuel Olenick, Mr. Tam King Ching, Kenny and Mr. Lau Ho Man, Edward.

By Order of the Board
Mak Shiu Tong, Clement
Chairman

Hong Kong, 20 September 2006