中建科技國際有限公司

CCT TECH

2007 interim report

Stock Code : 261


TECHNOLOGY

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
HK$ million	**2007 (Unaudited)**	2006 (Unaudited)
Revenue	**1,562**	1,873
Profit/(loss) for the period	**(56)**	73

CHAIRMAN'S LETTER

On behalf of the board of CCT Tech International Limited, I am pleased to announce the interim results of the Group for the six months ended 30 June 2007.

The financial period under review was the most challenging and difficult period the Group had ever endured since its group restructuring in 2002. Due to the slowing US economy, keen market competition and acute shortage of labour in our Guangdong factories, the Group's turnover for the six months ended 30 June 2007 dropped by 16.6% to HK$1,562 million. As a result of the difficult business environment, high material prices and the continued increase in the labour and other production costs of our Guangdong factories, the Group reported a loss of HK$56 million for the six months ended 30 June 2007, as compared to a profit of HK$73 million in the corresponding previous period. Excluding the expense of HK$13 million relating to the granting of share options in June 2007, loss attributable to shareholders would have been approximately HK$43 million for the period.

INTERIM DIVIDEND

In order to conserve cash for ongoing business operations and future growth, the directors do not recommend payment of an interim dividend for the six months ended 30 June 2007 (30 June 2006: nil).

REVIEW OF OPERATIONS

During the period under review, the business environment worsened considerably and had an adverse impact on our performance. The downturn of the US property market served to dampen the US economy and consumer spending. In Europe, the market suffered from excess inventory. The combined impact of such factors meant that in the first half of the year, orders from these two key markets slowed down. On the other hand, the acute shortage of labour in the Guangdong

Province became even more severe and adversely affected the production output of our Guangdong factories. As a result of these adverse factors, turnover decreased by 16.6% from HK$1,873 million for the six months ended 30 June 2006 to HK$1,562 million for the six months ended 30 June 2007.

Despite the adverse business environment, the Group continued to maintain its leading position as the world's largest ODM manufacturer of cordless phones in terms of volume. The Group has continued to extend its reach to new customers and expand its geographical footprint to emerging markets. We have further strengthened our relationship with all existing customers. Our close alliance with global renowned brand-name companies provides a solid foundation for future growth.

In the first half of the year, our key products of 2.4GHz and 5.8GHz cordless phones and DECT cordless phones continued to sell well. As we mentioned in our 2006 annual report, the Group is the first manufacturer to launch DECT 6.0 models in the US market. In the first half of the year, the sales of DECT 6.0 models witnessed further growth and we believe that these products will become the mainstay telecommunication products in the US market.

The Group has always ranked innovation as a core element of its overall business strategy. Many innovative hi-tech products including VoIP cordless phones, WiFi phones, cordless phones with Skype feature and broadband cordless phones have been developed by our R&D teams and will be rolled out in the next few months and in 2008. Other than the consumer telecom products market, we have been actively pursuing business opportunities in the commercial communications market. Our innovative SOHO products, multi-line cordless phones and cordless conference box system will be launched in the near future. We believe that the in roads made into the commercial market will open up many business opportunities for future growth and increased profitability.

The Group recorded a loss of HK$56 million in the first half of the year due to a number of adverse factor. Firstly, fierce competition in the consumer telecom products market has led to our customers demanding ever more competitive prices for our products making it increasingly difficult for us to maintain the margin levels we enjoyed in previous years. The Group's strategy of developing high margin hi-tech products has, however, helped to mitigate some of the pressure in this regard. Secondly, prices of materials and components rose sharply due to a buoyant Chinese economy and high oil prices (which affects prices of plastic resins). With keen competition, however, we were unable to pass on the increase in material costs to consumers by increasing our selling prices. Thirdly, the continued shortage of labour and electricity in the Guangdong Province further worsened which had a major adverse impact on the production output of our factories in this area. In the first half of the year, we were not able to hire and retain enough workers to operate on an optimum level and labour turnover rate was high. As a result, production efficiency suffered and certain customer's orders were cancelled or delayed. In order to retain and hire additional workers, the Group has significantly increased the wage levels of workers in our Guangdong factories. The increase in the wages of workers has, in turn, raised the production costs of the Group thereby affecting the Group's profitability. The increase of production costs in our Guagndong factories due to the above factors and further fueled by the appreciation of the Renminbi have combined to exert considerable pressure on the Group's profit margins, resulting in a first operating loss since the Group acquired the telecom product business from CCT Telecom in 2003.

The impact of the production issues mentioned above would have been higher had the Group failed to implement various measures to control costs, improve efficiency and enhance its level of production automation. To resolve the production issues in the long term, the Group has already built new production facilities in Chaoyang City, Liaoning Province. The first phase of the new Chaoyang factory has already opened and commenced trial production in June 2007. We expect the production of the new factory in Chaoyang to ramp up early next year. We expect that our new factory in Chaoyang will contribute towards easing the production issues of our Guangdong factories by delivering significant costs savings to the Group thereby improving the Group's profitability in the coming years.

DISPOSAL OF CCT TECH SHARES

As noted in the 2006 annual report, an indirect subsidiary of CCT Telecom sold in total 13,800,000,000 shares in the Company to Deutsche Bank and three other third party investors in May 2006 in order to restore the public float of the Company. Put options have been granted by CCT Telecom to Deutsche Bank in respect of such shares sold. In the first half of the year, Deutsche Bank and the three investors sold in total 13,426,000,000 shares in the Company to other public investors on the stock market and the said put options in relation to the shares sold by Deutsche Bank and the three investors have been cancelled.

During the period from 28 May 2007 to 1 June 2007, CCT Telecom, through its wholly-owned subsidiary, sold a total of 15,009,360,000 shares (the "Shares Sale") in the Company on the stock market. As a result of the Shares Sale, the CCT Telecom Group's shareholding in the Company dropped to approximately 51% as at 30 June 2007.

OUTLOOK

The outlook of the US economy is uncertain. It is believed that the worst of the US property market has yet to come and there appears to be no immediate signs of recovery. The subprime loan crisis has resulted in world-wide credit jitters which has hit global financial markets. As a result, the US economy has slowed down and consumer spending has dampened. We anticipate that the business environment in the second half of the year will remain difficult with no immediate signs of improvement. We also anticipate that the continued production issues and rise in costs and the probable further appreciation of Renminbi will remain our key challenges and affect the profitability of the Group. However, the Group will continue to strengthen R&D capabilities to develop and roll out high margin hi-tech advance products to remain competitive. Our strong association with major brand-name companies and our successful expansion into the commercial communication market and new and emerging markets will provide us with a solid platform for growth in revenue and profitability. We expect that the new Chaoyang factory will ease labour constraints of our Guangdong factories and will deliver significant cost savings. We are confident the Group will weather-out the current difficult business environment.

ACKNOWLEDGEMENTS

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

Mak Shiu Tong, Clement
Chairman

Hong Kong, 19 September 2007

financial review

HIGHLIGHTS ON FINANCIAL RESULTS

HK$ million	Six months ended 30 June **2007 (Unaudited)**	2006 (Unaudited)	Increase/ % (decrease)
Revenue	**1,562**	1,873	(16.6%)
Profit/(loss) for the period	**(56)**	73	N/A

DISCUSSION ON FINANCIAL RESULTS

Turnover of the Group for the six months ended 30 June 2007 amounted to HK$1,562 million which represents a decrease of approximately 16.6% as compared to the corresponding period. The decrease in turnover was caused mainly by decrease of customers' orders, reduction of average selling prices of products and cancellation of certain orders and delay of shipments due to shortage of labour.

The Group reported a loss of HK$56 million for the period ended 30 June 2007, as compared to a profit of HK$73 million in previous corresponding period. The loss for the six months ended 30 June 2007 was due to the combined effects of reduction of average selling prices of products, high material prices, rise in wages for workers in our Guangdong factories, and appreciation of Renminbi. Excluding the expense of HK$13 million relating to the granting of share options during the six months ended 30 June 2007, loss would have been approximately HK$43 million.

ANALYSIS BY BUSINESS SEGMENT

	Turnover		Operating profit/(loss) before corporate and others, finance costs and tax	
HK$ million	**2007 (Unaudited)**	2006 (Unaudited)	**2007 (Unaudited)**	2006 (Unaudited)
Telecom and electronic products	**1,562**	1,873	**(21)**	96

During the period under review, Group's turnover and operating result was derived from the manufacture and sale of telecom and electronic products. The Group reported an operating loss of approximately HK$21 million for the six months ended 30 June 2007, as compared to an operating profit of HK$96 million in previous corresponding period, mainly due to the reduction of average selling prices of products and significant increase in production costs.

ANALYSIS BY GEOGRAPHICAL SEGMENT

	Turnover				
	2007		2006		
HK$ million	**Amount (Unaudited)**	**Relative %**	Amount (Unaudited)	Relative %	% increase/ (decrease)
US	**802**	**51.3%**	1,045	55.8%	(23.3%)
Asia Pacific Region	**535**	**34.3%**	468	25.0%	14.3%
Europe	**225**	**14.4%**	360	19.2%	(37.5%)
Total	**1,562**	**100.0%**	1,873	100.0%	(16.6%)

The US market remained the largest market of the Group, accounting for approximately 51.3% (corresponding period: 55.8%) of the Group's turnover in the first half of the year. The drop in our sales to US market was mainly due to the decrease in customers' orders stemming from a weakened economy, the fall in the average selling price and the shortage of labour in our Guangdong factories which affected our production. The sales to Asia Pacific region accounted for approximately 34.3% (corresponding period: 25.0%) of the Group's turnover, reporting a growth of 14.3%. As a result of excess inventory of the European market, our sales to Europe market decreased by 37.5% and contributing approximately 14.4% (corresponding period: 19.2%) of the Group's total turnover.

HIGHLIGHTS ON FINANCIAL POSITION

HK$ million	**30 June 2007 (Unaudited)**	31 December 2006 (Audited)	% increase
Non-current assets	**863**	844	2.3%
Inventories	**273**	191	42.9%
Financial asset at fair value through profit or loss	**5**	—	N/A
Cash and cash equivalents	**504**	470	7.2%
Non-current liabilities	**51**	33	54.5%
Shareholders' funds	**1,196**	1,182	1.2%

DISCUSSION ON FINANCIAL POSITION

Total non-current assets increased by approximately 2.3% during the period, attributable mainly to the additions of machinery, toolings, moulds for the existing Guangdong factories and for the new Chaoyang factory and the capitalization of deferred development costs during the period offset by the depreciation of fixed assets and the amortisation of the deferred development costs.

Inventory increased by 42.9% due to seasonal factor as raw materials were accumulated to prepare for production peak season.

Financial asset at fair value through profit or loss as at 30 June 2007 represents our investment in equity-linked deposits in order to earn a higher yield return from the surplus fund.

Increase in cash and cash equivalents was mainly attributable to cash generated from operations and the cash receipts from the exercise of share options during the six months ended 30 June 2007.

Non-current liabilities increased by approximately 54.5% to HK$51 million as at 30 June 2007. The increase in non-current liabilities was mainly due to the new bank loans raised to fund capital expenditure and working capital for our manufacturing operations.

Shareholders' funds increased from HK$1,182 million to HK$1,196 million as at 30 June 2007 arising from the issue of new shares from the exercise of share options and partly offset by the loss attributable to the equity holders of the Company during the first half of the year.

CAPITAL STRUCTURE AND GEARING RATIO

	30 June 2007		31 December 2006	
HK$ million	**Amount (Unaudited)**	**Relative %**	Amount (Audited)	Relative %
Bank loans	**297**	**20%**	200	15%
Finance lease payable	**1**	**—**	1	—
Total borrowings	**298**	**20%**	201	15%
Equity	**1,196**	**80%**	1,182	85%
Total capital employed	**1,494**	**100%**	1,383	100%

The Group's gearing ratio increased to approximately 20% as at 30 June 2007 (31 December 2006: 15%) as a result of the raising of new bank loans to finance capital expenditure and working capital for our manufacturing operations. After taking into account the cash on hand, the Group did not have any net borrowings and in fact had a positive net cash balance.

The Group's outstanding bank borrowings amounted to approximately HK$297 million as at 30 June 2007 (31 December 2006: HK$200 million). Amongst the total outstanding bank borrowings, HK$48 million was repayable within two to five years. The balance of HK$249 million was arranged on a short-term basis for ordinary business operations and was repayable within one year.

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 2007 amounted to approximately HK$1 million (31 December 2006: HK$1 million).

As at 30 June 2007, the maturity profile of the bank and other borrowings of the Group falling due within one year and in the second to the fifth year amounted to HK$250 million and HK$48 million, respectively (31 December 2006: HK$172 million and HK$29 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

LIQUIDITY AND FINANCIAL RESOURCES

HK$ million	**30 June 2007 (Unaudited)**	31 December 2006 (Audited)
Current assets	**1,715**	1,591
Current liabilities	**1,331**	1,220
Current ratio	**129%**	130%

Current ratio as at 30 June 2007 maintained at a healthy level of 129% (31 December 2006: 130%). As at 30 June 2007, the Group's cash balance amounted to HK$588 million (31 December 2006: HK$553 million), of which HK$84 million (31 December 2006: HK$83 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 cash generated from the Group's operations and funds available from the bank facilities are expected to be sufficient to cover all cash requirements, including working capital and capital expenditure needs.

CAPITAL EXPENDITURE AND COMMITMENTS

During the period under review, the Group incurred capital expenditure amounted to approximately HK$68 million, including the expenditure of approximately HK$33 million for additions of production facilities in the PRC and approximately HK$35 million for purchase of tools, moulds, plant and machinery and furniture and office equipment of the Group.

As at 30 June 2007, capital commitment contracted by the Group but not yet provided for in the accounts amounted to approximately HK$35 million (31 December 2006: HK$33 million), which was mainly related to the capital expenditure in relation to the manufacturing operations. The capital commitment will be funded by internal resources.

TREASURY MANAGEMENT

The Group employs a conservative approach to cash management and risk control. To achieve better risk control and efficient fund management, the Group's treasury activities are centralised.

During the period under review, the Group's receipts were mainly denominated in US dollars, with some in Hong Kong dollars and the Euros. Payments were mainly made in Hong Kong dollars, US dollars and Renminbi and some made in Euros. Cash was generally placed in short-term deposits denominated in Hong Kong dollars and US dollars. The Group's borrowings were principally made on floating rate basis.

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

For Renminbi exposure, as our wages and overheads in our factories in China are paid in Renminbi, our production costs will be increased by the possible further appreciation of Renminbi. Any further appreciation of the Renminbi in future will be of concern to all manufacturers with manufacturing facilities in China.

ACQUISITIONS AND DISPOSALS OF MATERIAL SUBSIDIARIES AND ASSOCIATES

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

SIGNIFICANT INVESTMENT

The Group did not hold any significant investment as at 30 June 2007 (31 December 2006: Nil).

PLEDGE OF ASSETS

As at 30 June 2007, certain of the Group's assets with net book value of HK$520 million (31 December 2006: HK$516 million) and time deposits of approximately HK$84 million (31 December 2006: HK$83 million) were pledged to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 June 2007, the Group had contingent liability in respect of possible future long service payments to employees amounted to approximately HK$0.3 million (31 December 2006: HK$0.3 million). Save as aforesaid, the Group did not have any other significant contingent liabilities as at 30 June 2007.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group as at 30 June 2007 was 17,835 (31 December 2006: 14,380). 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. As at 30 June 2007, there were outstanding share options of approximately 513 million share options (31 December 2006: Nil).

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 2007 together with the comparative figures for the corresponding period in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

		Six months ended 30 June	
HK$ million	Notes	**2007 (Unaudited)**	2006 (Unaudited)
REVENUE	3	**1,562**	1,873
Cost of sales		**(1,508)**	(1,710)
Gross profit		**54**	163
Other income and gains	3	**12**	22
Selling and distribution costs		**(21)**	(23)
Administrative expenses		**(70)**	(64)
Equity-settled share option expenses		**(13)**	—
Other expenses		**(7)**	(11)
Finance costs		**(7)**	(6)
PROFIT/(LOSS) BEFORE TAX	4	**(52)**	81
Tax	5	**(4)**	(8)
PROFIT/(LOSS) FOR THE PERIOD		**(56)**	73
DIVIDEND	6	**—**	—
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	7		
— Basic		**(0.087 cents)**	0.24 cents
— Diluted		**N/A**	0.11 cents

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2007

HK$ million	Notes	**30 June 2007 (Unaudited)**	31 December 2006 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**577**	556
Investment properties		**178**	178
Prepaid land lease payments		**49**	50
Goodwill		**22**	22
Other intangible assets		**36**	36
Deferred tax assets		**1**	2
Total non-current assets		**863**	844
CURRENT ASSETS			
Inventories		**273**	191
Trade and bills receivables	9	**815**	822
Prepayments, deposits and other receivables		**34**	25
Financial assets at fair value through profit or loss		**5**	—
Pledged time deposits		**84**	83
Cash and cash equivalents		**504**	470
Total current assets		**1,715**	1,591
CURRENT LIABILITIES			
Trade and bills payables	10	**957**	929
Tax payable		**10**	9
Other payables and accruals		**114**	110
Interest-bearing bank loans and other borrowings		**250**	172
Total current liabilities		**1,331**	1,220
NET CURRENT ASSETS		**384**	371
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,247**	1,215

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

30 June 2007

HK$ million	Notes	**30 June 2007 (Unaudited)**	31 December 2006 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank loans, secured		**48**	29
Deferred tax liabilities		**3**	4
Total non-current liabilities		**51**	33
Net assets		**1,196**	1,182
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	11	**654**	644
Reserves		**542**	538
Total equity		**1,196**	1,182

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Attributable to equity holders of the parent						
HK$ million	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital reserve (Unaudited)	Share option reserve (Unaudited)	Equity component of convertible notes (Unaudited)	Accumulated losses (Unaudited)	Total (Unaudited)
At 1 January 2007	644	182	733	—	—	(377)	1,182
Equity-settled share option arrangement	—	—	—	13	—	—	13
Issue of new shares upon exercise of share options	10	56	—	(9)	—	—	57
Loss for the period	—	—	—	—	—	(56)	(56)
At 30 June 2007	654	238	733	4	—	(433)	1,196
At 1 January 2006	159	4	733	—	7	(477)	426
Issue of new shares upon conversion of convertible notes	485	176	—	—	(7)	1	655
Profit for the period	—	—	—	—	—	73	73
At 30 June 2006	644	180	733	—	—	(403)	1,154

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Six months ended 30 June	
HK$ million	**2007 (Unaudited)**	2006 (Unaudited)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**(46)**	30
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(74)**	(84)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**154**	(40)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**34**	(94)
Cash and cash equivalents at beginning of period	**470**	419
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**504**	325
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**338**	308
Non-pledged time deposits with original maturity of less than three months when acquired	**166**	17
	504	325

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 of Hong Kong Limited (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 2006.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the consolidated financial statements for the year ended 31 December 2006.

The following new standards, amendments to standards and interpretations are relevant to the Group and are mandatory for financial year ending 31 December 2007.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS29 Financial Reporting in Hyperinflationary Economics
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of these new standards, amendments to standards and interpretations has no significant impact on the Group interim results and financial position.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The Group has commenced considering the potential impact of these new HKFRSs. The management anticipates the application of theses new HKFRSs will have no material impact on the results of operations and financial position of the Group.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 March 2007

3 Effective for annual periods beginning on or after 1 January 2008

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 other business segments. Summary details of the business segments are as follows:

(a) the telecom and electronic products segment engages in the manufacture and sale of telecom and electronic products and accessories; and

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

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

3. *SEGMENT INFORMATION (Continued)*

(a) Business segments

The following table presents revenue and profit/(loss) for the Group's business segments for the period ended 30 June 2007 and 2006.

	Telecom and electronic products		Corporate and others		Total	
HK$ million	**2007 (Unaudited)**	2006 (Unaudited)	**2007 (Unaudited)**	2006 (Unaudited)	**2007 (Unaudited)**	2006 (Unaudited)
Segment revenue:						
Sales to external customers	**1,561**	1,873	**—**	—	**1,561**	1,873
Other revenue	**12**	22	**—**	—	**12**	22
Total revenue	**1,573**	1,895	**—**	—	**1,573**	1,895
Segment results	**(21)**	96	**(25)**	(9)	**(46)**	87
Interest income					**1**	—
Finance costs					**(7)**	(6)
Profit/(loss) before tax					**(52)**	81
Tax					**(4)**	(8)
Profit/(loss) for the period					**(56)**	73

3. *SEGMENT INFORMATION (Continued)*

(b) Geographical segments

The following tables present revenue information for the Group's geographical segments for the period ended 30 June 2007 and 2006.

2007

HK$ million	**United States of America (Unaudited)**	**Asia Pacific (Unaudited)**	**Europe (Unaudited)**	**Total (Unaudited)**
Segment revenue:				
Sales to external customers	**802**	**534**	**225**	**1,561**
Other revenue	**—**	**12**	**—**	**12**
Total revenue	**802**	**546**	**225**	**1,573**

2006

HK$ million	United States of America (Unaudited)	Asia Pacific (Unaudited)	Europe (Unaudited)	Total (Unaudited)
Segment revenue:				
Sales to external customers	1,045	468	360	1,873
Other revenue	—	22	—	22
Total revenue	1,045	490	360	1,895

4. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
HK$ million	**2007 (Unaudited)**	2006 (Unaudited)
Cost of inventories sold	**1,508**	1,710
Depreciation	**47**	44
Amortisation of prepaid land lease payments	**1**	1
Amortisation of deferred development costs	**18**	22
Write off of deferred development costs	**7**	8

5. TAX

	Six months ended 30 June	
HK$ million	**2007 (Unaudited)**	2006 (Unaudited)
Current — Hong Kong	**2**	4
Current — Elsewhere	**2**	5
Deferred	**—**	(1)
Total tax charge for the period	**4**	8

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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 the first profit-making year, followed by a 50% reduction for the next three consecutive years.

6. DIVIDEND

The directors do not recommend payment of an interim dividend for the six months ended 30 June 2007 (30 June 2006: nil).

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

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) 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/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent. 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.

Dilutive loss per share amount based on loss for the period ended 30 June 2007 has not been disclosed as share options outstanding in current period has an anti-dilutive effect on the basic loss per share amount for current period.

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

The calculation of the basic and diluted earnings/(loss) per share are based on:

	Six months ended 30 June	
HK$ million	**2007 (Unaudited)**	2006 (Unaudited)
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in basic and diluted earnings/(loss) per share calculation	**(56)**	73
Shares	Number of shares	
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	**64,470,728,797**	30,119,164,472
Effect of dilution-weighted average number of ordinary shares:		
Share options	**14,342,541**	—
Convertible notes	**—**	34,247,829,518
	64,485,071,338	64,366,993,990

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2007, the Group acquired fixed assets of approximately HK$68 million (six months ended 30 June 2006: approximately HK$52 million) and disposed fixed assets of nil (six months ended 30 June 2006: HK$1 million).

9. TRADE AND BILLS RECEIVABLES

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

	30 June 2007 (Unaudited)		31 December 2006 (Audited)	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**270**	**33**	303	37
31 to 60 days	**235**	**29**	234	28
61 to 90 days	**194**	**24**	239	29
Over 90 days	**116**	**14**	46	6
Total	**815**	**100**	822	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 payables as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2007 (Unaudited)		31 December 2006 (Audited)	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**341**	**36**	245	26
31 to 60 days	**211**	**22**	234	25
61 to 90 days	**199**	**21**	186	20
Over 90 days	**206**	**21**	264	29
Total	**957**	**100**	929	100

Included in trade and bills payables are trade payables of HK$126 million (31 December 2006: HK$127 million) due to Neptune Holding Limited ("Neptune") and Electronic Sales Limited ("ESL"), being wholly-owned subsidiaries of CCT Telecom, which are repayable within 90 days from invoice date.

11. SHARE CAPITAL

HK$ million	**30 June 2007 (Unaudited)**	31 December 2006 (Audited)
Authorised:		
120,000,000,000 ordinary shares of HK$0.01 each	**1,200**	1,200
Issued and fully paid:		
65,403,993,990 (31 December 2006: 64,366,993,990) ordinary shares of HK$0.01 each	**654**	644

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$0.01 each in issue	**Issue capital HK$ million**
At 1 January 2007	64,366,993,990	644
Issue of new shares upon exercise of share options	1,037,000,000	10
At 30 June 2007	65,403,993,990	654

12. CONTINGENT LIABILITIES

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$0.3 million as at 30 June 2007 (31 December 2006: HK$0.3 million). The contingent liability have 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.

13. PLEDGE OF ASSETS

At 30 June 2007, the Group's bank borrowings were secured by:

(i) pledge of the Group's fixed deposits amounted to approximately HK$84 million (31 December 2006: HK$83 million); and

(ii) fixed charges over certain of the Group's leasehold land and buildings and investment property with an aggregate net book value amounting to approximately HK$520 million (31 December 2006: HK$516 million).

14. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements with leases negotiated for terms for three years.

At 30 June 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

HK$ million	**30 June 2007 (Unaudited)**	31 December 2006 (Audited)
Within one year	**6**	6
In the second to the fifth year, inclusive	**3**	6
	9	12

14. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements, with leases negotiated for terms ranging from one to three years.

At 30 June 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

HK$ million	**30 June 2007 (Unaudited)**	31 December 2006 (Audited)
Within one year	**3**	3
In the second to the fifth year, inclusive	**1**	2
	4	5

15. COMMITMENTS

In addition to the operating lease commitments detailed in note 14(b) above, the Group had the following capital commitments at the balance sheet date:

HK$ million	**30 June 2007 (Unaudited)**	31 December 2006 (Audited)
Contracted, but not provided for:		
Construction in progress	**23**	1
Purchase of plant, machinery and equipment	**12**	32
	35	33

16. RELATED PARTY TRANSACTIONS

(a) During the current period, the Group had the following transactions with CCT Telecom and its subsidiaries other than the Group (the "CCT Telecom Remaining Group"):

HK$ million		Six months ended 30 June **2007** **(Unaudited)**	2006 (Unaudited)
Fellow subsidiaries:			
Purchase of plastic casings and components	(i)	**137**	145
Purchase of power supply components	(i)	**88**	84
Factory rental income	(ii)	**3**	3
Factory rental expenses	(iii)	**3**	3
Office rental expenses	(iii)	**2**	1
Sale of consumer electronic products	(iv)	**34**	—
Ultimate holding company:			
Management information system service fee	(v)	**2**	2

Notes:

(i) The plastic casings and components and power supply components were purchased by the subsidiaries of the Company from fellow subsidiaries within the CCT Telecom Remaining Group at prices mutually agreed between the relevant parties.

(ii) The factory rental income was charged to a fellow subsidiary within the CCT Telecom Remaining Group for the provision of factory space in Huiyang, at a rate determined in accordance with terms and conditions set out in a tenancy agreement.

(iii) The factory and office rental expenses were charged to the Group by fellow subsidiaries within the CCT Telecom Remaining Group for the provision of factory spaces in Dongguan and office space in Hong Kong, at rates determined in accordance with the terms and conditions set out in the tenancy agreements.

(iv) The consumer electronic products were sold to fellow subsidiaries within the CCT Telecom Remaining Group from the Group at prices determined in accordance with terms and conditions set out in a consumer electronic products manufacturing agreement.

(v) The management information system service fee was charged to CCT Telecom for the provision of general management information system support, network and software consultation and hardware maintenance services. The rate was determined in accordance with the terms and conditions set out in a MIS agreement.

16. RELATED PARTY TRANSACTIONS (Continued)

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

	Six months ended 30 June	
HK$ million	**2007 (Unaudited)**	2006 (Unaudited)
Short term employee benefits	**11**	7
Post-employment benefits	**—**	—
Total compensation paid to key management personnel	**11**	7

17. COMPARATIVE ACCOUNTS

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

disclosure of interests

DIRECTORS' INTERESTS

As at 30 June 2007, 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, underlying shares and debentures of the Company and/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 adopted by the Company:

(A) INTERESTS AND SHORT POSITIONS IN THE SHARES AND THE UNDERLYING SHARES OF THE SHARE OPTIONS OF THE COMPANY AS AT 30 JUNE 2007

(i) Long positions in the Shares:

Name of the Director	Number of the Shares held	Approximate percentage of the total issued share capital
		(%)
Mak Shiu Tong, Clement	120,000,000	0.18
Cheng Yuk Ching, Flora	18,000,000	0.03
Tam Ngai Hung, Terry	20,000,000	0.03
Li Man To, Feynman	12,880,000	0.02

(ii) Long positions in the underlying Shares of the share options of the Company:

Name of the Director	Date of grant of the share options	Exercise period of the share options	Exercise price per Share	Number of the share options outstanding	Number of the total underlying Shares	Approximate percentage of the total issued share capital
			HK$			(%)
William Donald Putt	8/6/2007	8/6/2007–7/12/2007	0.055	10,000,000	10,000,000	0.02
Chow Siu Ngor	8/6/2007	8/6/2007–7/12/2007	0.055	10,000,000	10,000,000	0.02
Lau Ho Kit, Ivan	8/6/2007	8/6/2007–7/12/2007	0.055	10,000,000	10,000,000	0.02
Chen Li	8/6/2007	8/6/2007–7/12/2007	0.055	10,000,000	10,000,000	0.02

(B) INTERESTS AND SHORT POSITIONS IN THE SHARES AND THE UNDERLYING SHARES OF THE CONVERTIBLE BONDS OF AN ASSOCIATED CORPORATION — CCT TELECOM AS AT 30 JUNE 2007

(i) Long positions in the shares of CCT Telecom:

Name of the Director	Number of the shares beneficially held and nature of interest: Personal	Family	Corporate	Total	Approximate percentage of the total issued share capital
					(%)
Mak Shiu Tong, Clement	715,652	—	238,283,758	238,999,410	29.98
Cheng Yuk Ching, Flora (Note)	14,076,713	120,000	—	14,196,713	1.78
Tam Ngai Hung, Terry	500,000	—	—	500,000	0.06
William Donald Putt	591,500	—	—	591,500	0.07

Note: Included in the shareholdings in which Ms. Cheng Yuk Ching, Flora was interested, 120,000 shares of CCT Telecom were held by the spouse of Ms. Cheng Yuk Ching, Flora, who is 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 CCT Telecom:

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)	29,942,649	3.76
	2009 convertible bonds	(2)	26,548,672	3.33

Notes:

(1) The 2010 convertible bonds with an outstanding principal amount of HK$18,085,360 as at 30 June 2007, were issued by CCT Telecom to New Capital Industrial Limited (a company controlled by Mr. Mak Shiu Tong, Clement) on 25 April 2005. The 2010 convertible bonds, due on 25 April 2010, are interest free and convertible into the shares of CCT Telecom at the conversion price of HK$0.604 per share of CCT Telecom (subject to adjustments according to the terms of the 2010 convertible bonds).

(2) The 2009 convertible bonds with an outstanding principal amount of HK$30,000,000 as at 30 June 2007, were issued by CCT Telecom to Capital Winner Investments Limited (a company controlled by Mr. Mak Shiu Tong, Clement) on 23 June 2006. The 2009 convertible bonds, due on 23 June 2009, are interest free and convertible into the shares of CCT Telecom at the conversion price of HK$1.13 per share of CCT Telecom (subject to adjustments according to the terms of the 2009 convertible bonds).

(C) INTERESTS AND SHORT POSITIONS IN THE SHARES AND THE UNDERLYING SHARES OF THE SHARE OPTIONS OF AN ASSOCIATED CORPORATION — TRADEEASY AS AT 30 JUNE 2007

(i) Long positions in the shares of Tradeeasy:

None of the Directors had any interest and short position in respect of the shares, debentures, convertible bonds and equity derivatives of Tradeeasy as at 30 June 2007.

(ii) Long positions in the underlying shares of the share options of Tradeeasy:

Name of the Director	Date of grant of the share options	Exercise period of the share options	Exercise price per share	Number of the share options outstanding	Number of the total underlying shares	Approximate percentage of the total issued share capital
			HK$			(%)
Mak Shiu Tong, Clement	14/8/2006	14/8/2006–13/8/2011	0.038	45,000,000	45,000,000	4.47
Cheng Yuk Ching, Flora	14/8/2006	14/8/2006–13/8/2011	0.038	5,000,000	5,000,000	0.50
Tam Ngai Hung, Terry	14/8/2006	14/8/2006–13/8/2011	0.038	28,000,000	28,000,000	2.78
William Donald Putt	14/8/2006	14/8/2006–13/8/2011	0.038	5,000,000	5,000,000	0.50

Save as disclosed above, as at 30 June 2007, 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, underlying shares and debentures of the Company and/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 adopted by the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2007, the following persons had interests or short positions in the Shares or underlying Shares 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 AS AT 30 JUNE 2007:

Name of the Shareholder	Notes	Number of the Shares held	Approximate percentage of the total issued share capital
			(%)
CCT Telecom	(1)	33,026,391,124	50.50
CCT Technology Investment Limited	(2)	33,026,391,124	50.50
Jade Assets Company Limited		29,326,391,124	44.84

Notes:

(1) The interest disclosed represents 33,026,391,124 Shares indirectly owned by CCT Technology Investment Limited through the subsidiaries stated in Note (2) below. CCT Technology Investment Limited is a wholly-owned subsidiary of CCT Telecom.

(2) The interest disclosed represents 29,326,391,124 Shares held by Jade Assets Company Limited, 1,350,000,000 Shares held by CCT Assets Management Limited, 1,350,000,000 Shares held by Expert Success International Limited and 1,000,000,000 Shares held by Noble Team Investments Limited, all of them are wholly-owned subsidiaries of CCT Technology Investment Limited.

(II) LONG POSITIONS IN THE UNDERLYING SHARES OF EQUITY DERIVATIVES OF THE COMPANY AS AT 30 JUNE 2007:

Name of the Shareholder	Number of the total underlying Shares interested under equity derivatives	Approximate percentage of the total issued share capital
		(%)
CCT Telecom (Note)	374,000,000	0.57

Note: The interest disclosed represents long positions in the outstanding 374,000,000 underlying Shares which may be acquired by CCT Telecom upon the exercise of the put options granted by CCT Telecom to Deutsche Bank AG in relation to the sale of 13,800,000,000 Shares under the terms of the put agreement entered into between CCT Telecom and Deutsche Bank AG on 17 March 2006.

Save as disclosed above, as at 30 June 2007, there were no other persons who had an interest or short position in the Shares or underlying Shares 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

The current Share Option Scheme was effective on 7 November 2002. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. As at 30 June 2007, there were 513,000,000 share options outstanding under the Share Option Scheme. Based on these outstanding share options, the total number of Shares available for issue is 513,000,000, which represents approximately 0.78% of the total issued share capital of the Company as at the date of the 2007 Interim Report.

Details of the movements of the share options under the Share Option Scheme during the period were as follows:

	Number of the share options							Price of the Shares		
Name or category of the participant	Outstanding as at 1 January 2007	Granted during the period	Exercised during the period	Lapsed/ Cancelled during the period	Outstanding as at 30 June 2007	Date of grant of the share options	Exercise period of the share options	Exercise price per Share (Note 1)	At grant date of the share options (Note 2)	At exercise date of the share options (Note 3)
								HK$	HK$	HK$
Executive Directors										
Mak Shiu Tong, Clement	—	120,000,000	(120,000,000)	—	—	8/6/2007	8/6/2007– 7/12/2007	0.055	0.054	0.071
Cheng Yuk Ching, Flora	—	120,000,000	(120,000,000)	—	—	8/6/2007	8/6/2007– 7/12/2007	0.055	0.054	0.071
Tam Ngai Hung, Terry	—	120,000,000	(120,000,000)	—	—	8/6/2007	8/6/2007– 7/12/2007	0.055	0.054	0.075
Li Man To, Feynman	—	120,000,000	(120,000,000)	—	—	8/6/2007	8/6/2007– 7/12/2007	0.055	0.054	0.075
William Donald Putt	—	10,000,000	—	—	10,000,000	8/6/2007	8/6/2007– 7/12/2007	0.055	0.054	N/A
	—	490,000,000	(480,000,000)	—	10,000,000					
Independent non-executive Directors										
Chow Siu Ngor	—	10,000,000	—	—	10,000,000	8/6/2007	8/6/2007– 7/12/2007	0.055	0.054	N/A
Lau Ho Kit, Ivan	—	10,000,000	—	—	10,000,000	8/6/2007	8/6/2007– 7/12/2007	0.055	0.054	N/A
Chen Li	—	10,000,000	—	—	10,000,000	8/6/2007	8/6/2007– 7/12/2007	0.055	0.054	N/A
	—	30,000,000	—	—	30,000,000					
Others										
In aggregate	—	1,030,000,000	(557,000,000)	—	473,000,000	8/6/2007	8/6/2007– 7/12/2007	0.055	0.054	0.073
	—	1,030,000,000	(557,000,000)	—	473,000,000					
	—	1,550,000,000	(1,037,000,000)	—	513,000,000					

Notes:

1. The exercise price of the share options is subject to adjustment(s) in the case of rights or bonus share issues, or other similar changes in the share capital of the Company.

2. The price of the Shares as at the date of grant of the share options is the closing price of the Shares as listed on the Stock Exchange on the trading day immediately before the date on which the share options were granted.

3. The price of the Shares as at the date of exercise of the share options is the weighted average of the closing prices of the Shares as listed on the Stock Exchange on the trading days immediately before the dates on which the share options were exercised.

The Directors do not consider it appropriate to disclose a theoretical value of the share options granted during the period because a number of factors crucial for the valuation cannot be determined. Accordingly, any valuation of the share options based on various speculative assumptions would not be meaningful, but would be misleading to the Shareholders.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed Shares during the six months ended 30 June 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions under the Code set out in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 June 2007, except for the following deviations from the code provisions of the Code:

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 CEO. 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 CEO in the day-to-day management of the Group. The Board is composed of five executive directors (including the Chairman) and three INEDs with a balance of skills and experience appropriate for the requirements of the Group. Furthermore, the roles of the managing director 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 CEO 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 CEO 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 of the Company is appointed for a specific term. However, all INEDs of the Company are subject to retirement by rotation and re-election at least once every three years at the AGM 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 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 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 AGM of the Company 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 AGM of the Company is less than one year and is considered to be short.

Pursuant to the bye-laws of the Company, the Chairman and the managing Director shall not be subject to 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 other than the Chairman will rotate at least once every three years in order to comply with the code provision A.4.2.

Other information on the corporate governance practices of the Company has been disclosed in the corporate governance report contained in the 2006 Annual Report of the Company issued in April 2007.

AUDIT COMMITTEE

The Company has established 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 three INEDs, namely Mr. Lau Ho Kit, Ivan, Mr. Chow Siu Ngor and Mr. Chen Li, one of whom is a qualified accountant and has extensive experience in accounting and financial matters. The Audit Committee is chaired by an INED who is subject to rotation each year.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2007 and the 2007 Interim Report of the Company.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with specific written terms of reference in line with the code provisions under the Code. The Remuneration Committee consists of five members comprising three INEDs, namely Mr. Lau Ho Kit, Ivan, Mr. Chow Siu Ngor and Mr. Chen Li, and two executive Directors, namely Mr. Mak Shiu Tong, Clement and Mr. Tam Ngai Hung, Terry. The Remuneration Committee is chaired by an INED who is subject to rotation each year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted its code of conduct regarding the securities transactions by the Directors 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, 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 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of a sufficient number of the INEDs and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise throughout the period for the six months ended 30 June 2007. The Board comprises three INEDs, one of whom has accounting and financial expertise and brings strong independent judgement, knowledge and experience to the Board.

BOARD OF DIRECTORS

As at the date of the 2007 Interim Report, the executive Directors are Mr. Mak Shiu Tong, Clement, Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora, Mr. Li Man To, Feynman and Dr. William Donald Putt and the INEDs of the Company are Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Chen Li.

By Order of the Board
Mak Shiu Tong, Clement
Chairman

Hong Kong, 19 September 2007

glossary of terms

GENERAL TERMS

AGM	Annual general meeting
Audit Committee	The audit committee of the Company
Board	The board of Directors
BVI	British Virgin Islands
CCT Telecom	CCT Telecom Holdings Limited, a company listed on the Main Board of the Stock Exchange, the ultimate holding company of the Company
CEO	The chief executive officer of the Company
Chairman	The chairman of the Company
Code	The Code on Corporate Governance Practices under the Listing Rules
Company	CCT Tech International Limited
DECT	Digital enhanced cordless telephone
Director(s)	The director(s) of the Company
Group	The Company and its subsidiaries
HK or Hong Kong	The Hong Kong Special Administrative Region of PRC
HK$	Hong Kong dollar(s), the lawful currency of Hong Kong
INED(s)	Independent non-executive director(s)
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
Model Code	The Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules
N/A	Not applicable

ODM	Original design manufacturing
Percentage Ratios	The assets ratio, the profits ratio, the revenue ratio, the consideration ratio and the equity capital ratio as defined under Rule 14.07 of the Listing Rules
PRC	The People's Republic of China
Remuneration Committee	The remuneration committee of the Company
RMB	Renminbi, the lawful currency of PRC
R&D	Research and development
Scheme of Arrangement	Scheme of arrangement under section 99 of the Companies Act 1981 of Bermuda (as amended)
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	The ordinary share(s) of HK$0.01 each in the share capital of the Company
Shareholder(s)	Holder(s) of the Share(s)
Share Option Scheme	A share option scheme adopted by the Company on 17 September 2002 and took effect on 7 November 2002
SOHO	Small office and home office
Stock Exchange	The Stock Exchange of Hong Kong Limited
Tradeeasy	Tradeeasy Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, a fellow subsidiary of the Company
US	The United States of America
US$	United States dollar(s), the lawful currency of US

VoIP	Voice over Internet Protocol
Wi-Fi	Wireless Fidelity, a technology of wireless local area networks (WLAN) based on the IEEE802.11 specifications
%	Per cent

FINANCIAL TERMS

Gearing Ratio	Total borrowings (representing bank & other borrowings, convertible notes and finance lease payable) divided by total capital employed (i.e. total Shareholders' fund plus total borrowings)
Earnings/(Loss) Per Share	Profit/(Loss) attributable to the Shareholders divided by weighted average number of Shares in issue during the period
Current Ratio	Current assets divided by current liabilities

中建科技國際有限公司

CCT TECH