CCT TECH

中建科技國際有限公司

2007 Annual Report

Stock Code : 261


TECHNOLOGY

contents

chairman’s letter

On behalf of the board of CCT Tech International Limited, I am pleased to announce the annual results of the Group for the year ended 31 December 2007.

The year under review has been a difficult year for our core manufacturing business. The combined impact of a slowdown of economy in the US (one of the Group’s key markets with sales dropping by 17.3% to HK$1,688 million during the financial year 2007) together with the production challenges faced within China (ranging from the acute shortage of labour in our Guangdong factories which inevitably affected our production and drove up the cost of labour and the rise in the cost of materials and components and appreciation of RMB) dealt a severe blow to the revenue and the results of the Group in 2007. The Group’s turnover decreased from HK$3,858 million for the year ended 31 December 2006 to HK$3,343 million for the year ended 31 December 2007, a drop of 13.3%. These adverse factors have resulted in the Group recording a loss of HK$201 million for the year ended 31 December 2007, as compared to a profit of HK$100 million in the year 2006.

Given the adverse business environment, we have introduced a range of measures to overcome the challenges. To begin with, our wealth of research and development resources have enabled us to offer innovative premium products with higher profit margins and these products will continue to play a major role in the revival of our manufacturing business in the near future.

On the China front, we have increased labour wage rates and are vigorously implementing new recruitment initiatives to ensure a steady labour head-count for our manufacturing facilities. We have also introduced various measures to streamline operation costs and expenditure in order to partly counter the sharp increase in production costs.

Despite the difficulties currently faced by our manufacturing business, the overall operations and the financial position of the Group remain sound and healthy.

DISPOSAL OF THE SHARES OF THE COMPANY

As noted in the 2006 annual report, an wholly-owned 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. During the year 2007, Deutsche Bank and the three investors sold in total 13,799,807,849 shares in the Company to other public investors 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 approximately 15 billion shares (the “Shareholding Sale”) in the Company. After the Shareholding Sale, the CCT Telecom Group still held approximately 50.5% shareholding in the Company as at 31 December 2007 and the Company remained an indirect non-wholly owned subsidiary of CCT Telecom.

OUTLOOK

Under the cloud of the sub-prime loan crisis, the outlook of the US economy in the foreseeable future is uncertain. It is believed that the worst of the US property market has yet to come and there are fears of the US economy falling into recession. The sub-prime loan crisis has resulted in world-wide credit jitters which has hit global financial markets. Affected by the sub-prime loan crisis, business credit risks have increased and the liquidity of funds has lowered. In light of these factors, US consumer spending has fallen which, in turn, has affected exports to the US. The US government has aggressively reduced the US interest rates and has recently launched the stimulus packages in terms of tax relief and the other treasury measures with a view to stimulate the economy, ease the credit crunch and restore confidence. The impact of such measures on the US economy is still uncertain. We anticipate that the business environment in 2008 will remain difficult and full of challenges.

On the home front, production issues such as the shortage of labour in our Guangdong factories, the rise in labour costs and materials costs and the continuing appreciation of Renminbi will remain our key challenges and affect the profitability of the Group. In order to mitigate the impact of these challenges, as mentioned above, a number of initiatives are already in progress. The construction of our new production facilities in Chaoyang City, Liaoning Province is one of our initiatives to combat the production issues. We expect the Group will benefit when the new factory in Chaoyang ramps up its operations in later part of 2008.

There will, however, be additional challenges presented by the New Labour Contract Law that came into force on 1 January 2008. In a nutshell, the New Labour Contract Law will introduce a host of far-reaching changes governing employer/employee relationships in the PRC that will invariably increase labour costs for all businesses operating on the mainland.

It is expected that the New Labour Contract Law will increase pressure to the profitability of the Group. Management is still in the process of making an assessment of the impact of the New Labour Law and measures will be introduced to improve efficiency in order to reduce the negative impact of this new law.

We expect that the measures and initiatives taken by the Group, together with our strong and sound business fundamentals, will enable the Group to weather out the storm and regain a strong financial foothold.

ACKNOWLEDGEMENTS

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

Mak Shiu Tong, Clement

Chairman

Hong Kong, 14 April 2008

review of operations

For the year ended 31 December 2007, the Group experienced a decrease in both turnover and performance when compared to the corresponding period in the previous financial year 2006. Sales declined by approximately 13.3% to approximately HK$3,343 million. Loss attributable to the shareholders of the Company reported HK$201 million for the year ended 31 December 2007, as compared to a profit of HK$100 million in the year 2006.

During the period under review, the manufacturing environment in mainland China became increasingly more challenging, particularly in the Guangdong Province where the shortage of labour and electricity, the increase in wages and the increase in the cost of materials and components and the appreciation of Renminbi against the US dollars have all had an adverse impact on our operations.

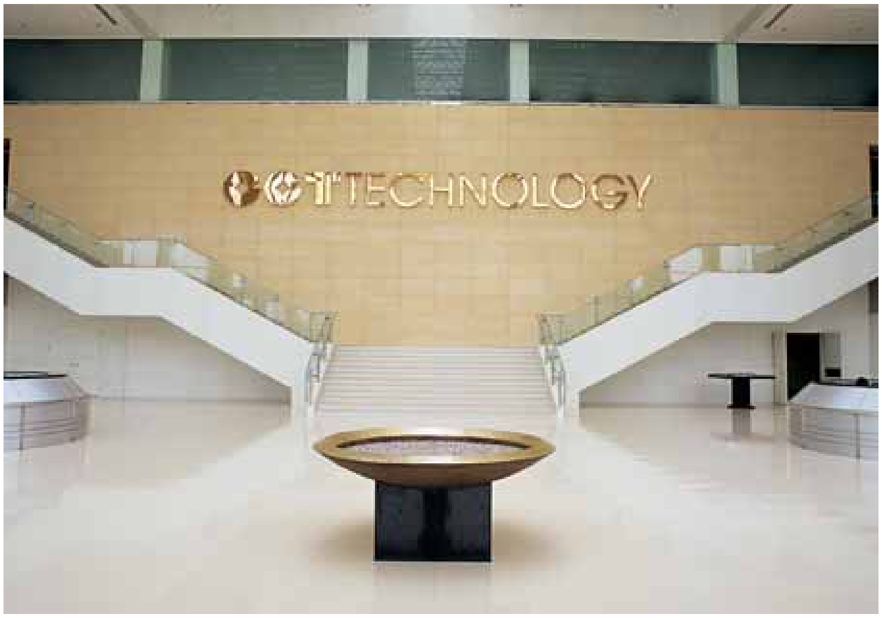
The downturn of the US property market served to dampen the US economy and consumer spending. Under the sub-prime cloud, even consumer spending in Europe have been adversely affected, resulting in excessive inventory of some of European customers. As a result of the difficult business environment and fierce market competition, the average sale price of our products decreased in 2007. Although sales to Asia Pacific regions continued to record increase in 2007, the poor performance in US and Europe has resulted in an overall drop in the Group's total sales during 2007.

The business environment is still uncertain. In order to mitigate the impact of the challenges, the Group has swiftly introduced a host of measures and strategies to overcome these challenges. We have continued to pursue our market diversification strategy in terms of expanding both our customer base and market demography. Our market diversification strategy over the years has proven to be a sound and prudent decision especially during harsh times in the US economy as our revenue outside US represented 49.5% of the total revenue, as compared to 47.1% of the total revenue in last financial year 2006. As a result of our successful market strategy, we have reduced our reliance on the US market.

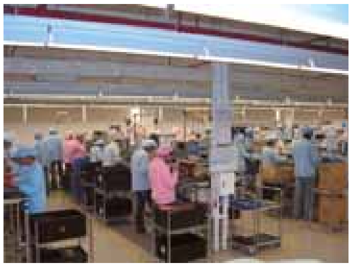
In order to relieve the pressure on average selling price from the customers and improve the Group's overall gross profit margin, more resources have been allocated towards the development of higher-margin, value-added innovative premium products. Our R&D teams have worked closely with our customers and many innovative hi-tech products including and broadband cordless phones have been developed by our R&D teams and will be rolled out 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 and cordless conference box system have been launched in 2007 and positive response has been received from the customers. We believe that the in roads made into the commercial market will broaden our business opportunities for future growth and increase profitability in the long run.

As mentioned in the Group's interim report 2007, due to the shortage of labour in the Guangdong Province, the Group has not been able to hire and retain enough workers to fulfill all of our customers' orders. The problem became more serious in the second half of 2007. As a result, production efficiency suffered and certain customer's orders were cancelled or delayed. To retain and hire additional workers, the Group has significantly increased the wage levels of workers in our Guangdong factories during the financial year 2007. The increase in the wages of workers has, in turn, raised the production costs of the Group thereby affecting the Group's profitability. Despite such efforts, maintaining sufficient number of workers to operate at an optimum level remains the key issue for our production.

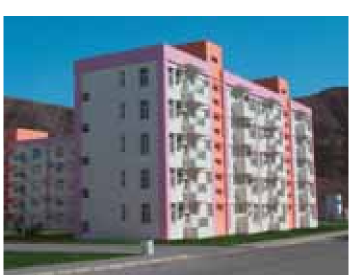
To deal with the production issues, the Group has implemented various measures to control costs, improve efficiency and enhance its level of production automation. The construction of our new production facilities in Chaoyang City, Liaoning Province has been substantially completed and has started production in preliminary ramped-up stage. The Group plans to hire more workers in the new factory in Chaoyang in the later part of this year as training is required for local workers. We expect that when our new factory in Chaoyang ramps up its production volume, it will contribute towards easing the production issues of our Guangdong factories, especially the issue of shortage of labour, and will deliver costs savings to the Group.


CCT TECHNOLOGY

CCT Technology Park, our principal manufacturing base in Huiyang, Guangdong Province, the PRC



Our factory complex in Dongguan, Guangdong Province, the PRC



Our factory complex in Chaoyang, Liaoning Province, the PRC

directors and senior management

EXECUTIVE DIRECTORS

Mr. MAK Shiu Tong, Clement, aged 54, has served as the Chairman, the CEO and an executive Director since August 2002. Mr. Mak is a member of the Remuneration Committee. Mr. Mak is responsible for the corporate planning and overall strategic direction of the Group and takes a leading role in managing the businesses. He has over 31 years of experience in the electronics manufacturing and distribution industry, specialising in telephone and telecom products. In his many years in the industry, he has demonstrated a keen understanding in the business of manufacturing, distribution, procurement and R&D of telecom and electronic products. He holds a Diploma in Electrical Engineering. Mr. Mak is also the Chairman, the CEO and an executive director of CCT Telecom, the holding company of the Company, and Tradeeasy, the fellow subsidiary of the Company, and whose shares are listed on the main board and the growth enterprise market, respectively, of the Stock Exchange.

Mr. TAM Ngai Hung, Terry, aged 54, has served as an executive Director since August 2002. Mr. Tam is a member of the Remuneration Committee. Mr. Tam is mainly responsible for the corporate finance and accounting function of the Group. Mr. Tam has more than 30 years of experience in finance and accounting management, and also possesses substantial knowledge in corporate finance matters, mergers and acquisitions and company secretarial matters. Mr. Tam also acted as the company secretary of the Company since November 2007. Mr. Tam is a fellow of the Association of Chartered Certified Accountants and an associate of both the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Secretaries and Administrators. Mr. Tam has previously held a number of senior positions in several listed companies. Mr. Tam is also an executive director of CCT Telecom, the holding company of the Company, and Tradeeasy, the fellow subsidiary of the Company and whose shares are listed on the main board and the growth enterprise market, respectively, of the Stock Exchange.

Ms. CHENG Yuk Ching, Flora, aged 54, has served as an executive Director since August 2002. Ms. Cheng assists the Chairman/CEO in overseeing the day-to-day management of the telecom and electronic product business of the Group. Ms. Cheng has over 28 years of experience in the electronics industry. She has held senior positions in various well-known electronics companies. She holds a Diploma in Business Administration. Ms. Cheng is also an executive director of CCT Telecom, the holding company of the Company, and Tradeeasy, the fellow subsidiary of the Company and whose shares are listed on the main board and the growth enterprise market, respectively, of the Stock Exchange.

EXECUTIVE DIRECTORS *(Continued)*

Mr. LI Man To, Feynman, aged 37, has served as an executive Director since June 2006. Mr. Li also serves as the Managing Director of the principal subsidiaries of the Company and is a key management executive for the telecom and electronic product business of the Group. He is primarily responsible for the day-to-day management of the telecom and electronic product business including R&D, sales and marketing, customer service and logistics activities of advance products. Mr. Li also oversees the operations of the R&D office in Singapore. Mr. Li graduated from The Chinese University of Hong Kong in Electronics Engineering Department in 1995. He has been in R&D of telecommunication field for more than 13 years with extensive engineering management experience. He is serving as a member of the Advisory Committee on Electronics Engineering of The Chinese University of Hong Kong.

Dr. William Donald PUTT, aged 70, has served as an executive Director since September 2003. Dr. Putt is responsible for the overseas business development and also assists the Chairman/CEO in setting the overall strategic direction of the Group. Dr. Putt obtained his PhD in Management from the Massachusetts Institute of Technology in the US. Dr. Putt has over 35 years of experience in the telecom industry, and was the president and co-founder of TeleConcepts Corporation, which specialised in the design, production and distribution of telecom products. Dr. Putt also serves on the boards of several foundations and non-profit organisations in the US and is on the Visiting Committee for the Public Service Center at the Massachusetts Institute of Technology. Dr. Putt is also an executive director of CCT Telecom, the holding company of the Company, and Tradeeasy, the fellow subsidiary of the Company, and whose shares are listed on the main board and the growth enterprise market, respectively, of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHOW Siu Ngor, aged 52, has served as an INED of the Company and a member of the Audit Committee since August 2002. Mr. Chow is also a member of the Remuneration Committee. Mr. Chow is a practising solicitor in Hong Kong. Mr. Chow graduated from The Chinese University of Hong Kong in 1981 with an Honours Degree in Social Science. Mr. Chow then obtained an Honours Degree in Laws from the University of Birmingham in 1987. Mr. Chow was admitted as a solicitor of the Supreme Court of Hong Kong in 1990 and has been in private practice since then. Currently, Mr. Chow is a Partner with Messrs. Arculli Fong & Ng, Solicitors and Notaries of Hong Kong.

Mr. LAU Ho Kit, Ivan, aged 49, has served as an INED of the Company and a member of the Audit Committee since August 2002. Mr. Lau is also a member of the Remuneration Committee. Mr. Lau has extensive experience in accounting and financial management. Mr. Lau holds a Master's Degree in Professional Accounting and is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Lau is also an INED of Glory Mark Hi-Tech (Holdings) Limited, a company listed on the growth enterprise market of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. CHEN Li, aged 43, has served as an INED of the Company and a member of the Audit Committee since September 2004. Mr. Chen is also a member of the Remuneration Committee. Mr. Chen is currently a senior management of a reputable telecommunications company in China. Mr. Chen graduated from the faculty of physics in a university in China in 1985 with a profession in radio technology and has extensive experience in the Chinese telecommunications and management field. Mr. Chen is also an INED of CCT Telecom, the holding company of the Company and whose shares are listed on the main board of the Stock Exchange.

SENIOR MANAGEMENT

Ms. CHIK Bik Fong, Ella, aged 54, currently holds the position of Senior Material Director in a principal subsidiary of the Company and is responsible for the production material control, purchasing, warehousing and transportation functions of the products of the Group, and has more than 25 years of extensive experience in materials sourcing and control in the manufacturing of telecom products.

Mr. FUNG Cheuk Chiu, Johnny, aged 54, currently holds the position of Senior Engineering Director in a principal subsidiary of the Company and is primarily responsible for the R&D of cordless products, high-tech electronic products and LCM (liquid crystal display modules). He holds a Higher Certificate in Electronics Engineering. He has more than 30 years of experience in telecom product design and development. Prior to joining the Company, he held a number of senior positions in several electronics companies.

Mr. HO Yiu Hong, Victor, aged 39, currently holds the position of Senior Finance Director in a principal subsidiary of the Company. He is the qualified accountant of the Company and is responsible for the accounting and financial functions, and information technology development of the Group. He has a First Class Honours Degree in Accountancy from The Hong Kong Polytechnic University and a Master's Degree in Business Administration from the University of Strathclyde. He is a fellow of the Association of Chartered Certified Accountants, an associate of The Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Certified Public Accountants.

Mr. LAI Lui Bor, aged 57, currently holds the position of Senior Manufacturing Director of the Company's manufacturing plant in China and is in charge of new establishment and planning of the production process of both cordless products and high-tech electronic products. Mr. Lai has more than 30 years of experience in the electronics manufacturing industry. Mr. Lai has a Degree in Mechanical Engineering.

Mr. LAU Chau Ming, Terry, aged 41, currently holds the position of Senior Manufacturing Director of the Company's manufacturing plant in China and is responsible for overseeing the manufacturing process of both cordless products and advance products. Mr. Lau has more than 17 years of experience in quality control and management in the electronics industry and has a Master's Degree in Manufacturing Systems Engineering.

financial review

HIGHLIGHTS ON FINANCIAL RESULTS

HK$ million	2007	2006	% decrease
Turnover	**3,343**	3,858	(13.3%)
Profit/(loss) before tax	**(189)**	116	N/A
Tax	**(12)**	(16)	(25.0%)
Profit/(loss) attributable to shareholders of the Company	**(201)**	100	N/A

DISCUSSION ON FINANCIAL RESULTS

Turnover of the Group for the year ended 31 December 2007 amounted to HK$3,343 million which represents a decrease of approximately 13.3% as compared to the corresponding period in the financial year 2006. The decrease in turnover was caused mainly by slowdown of the US economy, reduction of average selling prices of products and delay of certain shipments due to shortage of labour in our Guangdong factories.

The Group reported a loss of HK$201 million for the year ended 31 December 2007, as compared to a profit of HK$100 million in previous financial year 2006. The loss for the year ended 31 December 2007 was mainly due to the decrease of turnover and gross margin attributable to a combination of factors including the weakening of the US economy, reduction of average selling prices, high material prices, shortage of labour and rise in wages for workers in our Guangdong factories, and appreciation of Renminbi.

ANALYSIS BY BUSINESS SEGMENT

	Revenue (excluding other revenue)		Operating profit/(loss) before corporate and others, finance costs and tax	
HK$ million	2007	2006	2007	2006
Telecom and electronic products	**3,343**	3,858	**(168)**	128

During the financial year 2007, the manufacture and sale of telecom and electronic products was still the core business of the Group. The Group reported an operating loss of approximately HK$168 million for the year ended 31 December 2007, as compared to an operating profit of HK$128 million in previous corresponding period due to the adverse factors as elaborated in the sub-section headed “Discussion on Financial Results” of the section headed “Financial Review” of this annual report.

ANALYSIS BY GEOGRAPHICAL SEGMENT

	Turnover				
	2007		2006		% increase/
HK$ million	Amount	Relative %	Amount	Relative %	(decrease)
US	**1,688**	**50.5%**	2,040	52.9%	(17.3%)
Asia Pacific Region	**1,230**	**36.8%**	1,197	31.0%	2.8%
Europe	**425**	**12.7%**	621	16.1%	(31.6%)
Total	**3,343**	**100.0%**	3,858	100.0%	

The US market remained the largest market of the Group, accounting for approximately 50.5% (2006: 52.9%) of the Group's turnover for the year ended 31 December 2007. 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 36.8% (2006: 31.0%) of the Group's turnover, reporting a growth of 2.8%. Our sales to Europe market decreased by 31.6% due to excessive inventory of some of our European customers. The sales to Europe contributed approximately 12.7% (2006: 16.1%) of the Group's total turnover.

HIGHLIGHTS ON FINANCIAL POSITION

HK$ million	2007	2006	% increase/ (decrease)
Property, plant and equipment	**569**	556	2.3%
Other intangible assets	**25**	36	(30.6%)
Other non-current assets	**248**	252	(1.6%)
Inventories	**186**	191	(2.6%)
Trade and bill receivables	**689**	822	(16.2%)
Cash and cash equivalents	**476**	470	1.3%
Shareholders' funds	**1,051**	1,182	(11.1%)

DISCUSSION ON FINANCIAL POSITION

During the year 2007, the property, plant and equipment increased slightly by 2.3% to approximately HK$569 million, attributable mainly to the additions of the machinery, toolings and moulds for the existing Guangdong factories and for the new Chaoyang factory offset by the annual depreciation of fixed assets.

Other intangible assets represent the carrying value of the captialised deferred development costs. During the year 2007, approximately HK$36 million development costs was capitalised for development of new products. Netting off to the annual amortisation and the written-off of the deferred development costs, the carrying value of the deferred development costs dropped by approximately 30.6% to approximately HK$25 million as at 31 December 2007.

Other non-current assets mainly represent investment properties, prepaid land lease payments and goodwill. The decrease in other non-current assets by approximately 1.6% was attributable mainly to amortisation of prepaid land lease payment during the year.

As at 31 December 2007, inventories of the Group amounted to approximately HK$186 million, a drop of approximately 2.6% as compared to inventories balance as at 31 December 2006. Inventory turnover period (calculated by average inventory at year end divided by cost of sales for the year) of the Group for the year maintained at a low level of 20.8 days (2006: 23.4 days). The inventories level dropped due to the decrease in turnover and was maintained at a healthy level.

As at 31 December 2007, trade and bills receivable of the Group dropped by approximately 16.2% to approximately HK$689 million. The change in trade and bills receivable was in line with the decrease in turnover of the Group.

Shareholders' funds decreased from HK$1,182 million to HK$1,051 million as at 31 December 2007. The decrease in the shareholders' funds was due to the loss attributable to the equity holders of the Company for the year, partly offset by the issue of new shares from the exercise of share options.

CAPITAL STRUCTURE AND GEARING RATIO

	31 December 2007		31 December 2006	
HK$ million	**Amount**	**Relative %**	Amount	Relative %
Bank loans	**220**	**17.3%**	200	14.5%
Finance lease payable	**—**	**—**	1	—
Total borrowings	**220**	**17.3%**	201	14.5%
Equity	**1,051**	**82.7%**	1,182	85.5%
Total capital employed	**1,271**	**100.0%**	1,383	100.0%

The Group's gearing ratio increased to approximately 17.3% as at 31 December 2007 from 14.5% as at 31 December 2006 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 (net of borrowings) of approximately HK$341 million.

CAPITAL STRUCTURE AND GEARING RATIO *(Continued)*

The Group's outstanding bank borrowings amounted to approximately HK$220 million as at 31 December 2007 (31 December 2006: HK$200 million). Among the total outstanding bank borrowings of HK$220 million, HK$31 million is repayable within the second year. The balance of HK$189 million was arranged on a short-term basis for ordinary business operations and is repayable within one year.

As at 31 December 2007, the finance lease payable brought forward from 2006 has been repaid.

As at 31 December 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$189 million and HK$31 million, respectively (31 December 2006: HK$172 million and HK$29 million, respectively). There is no material effect of seasonality on the Group's borrowing requirements.

LIQUIDITY AND FINANCIAL RESOURCES

HK$ million	31 December 2007	31 December 2006
Current assets	**1,488**	1,591
Current liabilities	**1,244**	1,220
Current ratio	**119.6%**	130.4%

Current ratio as at 31 December 2007 maintained at a healthy level of 119.6% (31 December 2006: 130.4%). Despite the operating loss in 2007, the Group's cash balance increased from HK$553 million as at 31 December 2006 to HK$561 million as at 31 December 2007, of which HK$85 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 strong cash flow 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 EXPENDITURES AND COMMITMENTS

During the year ended 31 December 2007, the Group incurred capital expenditure to acquire fixed assets and addition of intangible assets amounted to approximately HK$146 million, which was mainly related to the core manufacturing businesses of the Group.

As at 31 December 2007, there were outstanding capital commitment contracted by the Group but not yet provided for in the accounts amounted to approximately HK$16 million (31 December 2006: HK$33 million), which was mainly related to the capital expenditure in relation to the new factory in the Liaoning Province and the additions for machinery and toolings for the Group's existing production facilities in the PRC. The capital commitment will be funded partly by internal resources and partly by bank borrowings.

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 year, 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 denominated in Hong Kong dollars and US dollars. 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 overheads) 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 rise due to the appreciation of Renminbi. Any further appreciation of the Renminbi in the near future will be of concern to all manufacturers with manufacturing facilities in China. The Group will continue to explore ways and methods to hedge future appreciation of Renminbi but we still cannot find any effective way to hedge RMB appreciation up to now.

ACQUISITIONS AND DISPOSALS OF MATERIAL SUBSIDIARIES AND ASSOCIATES

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

SIGNIFICANT INVESTMENT

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

PLEDGE OF ASSETS

As at 31 December 2007, certain of the Group's assets with net book value of HK$497 million (31 December 2006: 516 million) and time deposits of approximately HK$85 million (31 December 2006: HK$83 million) were pledged to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2007, corporate guarantees of HK$892 million (31 December 2006: HK$754 million) were given by the Company to banks in connection with facilities granted to subsidiaries of the Company, of which approximately HK$322 million (31 December 2006: HK$327 million) were utilised.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group as at 31 December 2007 was 12,919 (31 December 2006: 14,380). Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees and persons of the Group. During the year, there were no outstanding share options (31 December 2006: Nil) granted by the Company as at 31 December 2007.

corporate information

COMPANY NAME

CCT Tech International Limited

BOARD OF DIRECTORS

Executive Directors

Mak Shiu Tong, Clement *(Chairman and CEO)*

Tam Ngai Hung, Terry

Cheng Yuk Ching, Flora

Li Man To, Feynman

William Donald Putt

Independent Non-executive Directors

Chow Siu Ngor

Lau Ho Kit, Ivan

Chen Li

COMPANY SECRETARY

Tam Ngai Hung, Terry

QUALIFIED ACCOUNTANT

Ho Yiu Hong, Victor

PRINCIPAL BANKERS

Nanyang Commercial Bank, Ltd

Deutsche Bank AG, Hong Kong Branch

Natexis Banques Populaires

SOLICITORS

Sidley Austin

AUDITORS

Ernst & Young, Certified Public Accountants

FINANCIAL YEAR END

31 December

REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

2208, 22/F., St. George's Building

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Hong Kong

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited

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28 Queen's Road East

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STOCK CODE

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corporate governance report

CORPORATE GOVERNANCE PRACTICES

The Company has always recognised the importance of the Shareholders' transparency and accountability. It is the belief of the Board that the Shareholders can maximise their benefits from good corporate governance. The Company is committed to maintaining and ensuring high standards of corporate governance in the interests of the Shareholders.

Throughout the financial year ended 31 December 2007, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions under the Code set out in Appendix 14 to the Listing Rules, 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 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 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.

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Code Provision A.4.2 *(Continued)*

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.

DIRECTORS' SECURITIES TRANSACTIONS

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 financial year ended 31 December 2007.

THE BOARD

The Board is charged with the responsibility for the promotion of the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith and in the best interests of the Company.

Matters reserved for the Board's decision include those relating to:

— the strategic direction of the Group;

— the objectives of the Group;

— monitoring the performance of the management of the Group;

— ensuring prudent and effective control measures are in place;

— material bank facilities arrangements;

— material acquisitions and disposals of assets and significant investments;

— material transactions with connected persons;

— material corporate finance transactions including placing or sale of shares or convertible bonds, corporate restructuring, take-over, including approval of the announcements and the circulars;

— reviewing and approving interim and annual financial statements, declaration of dividends;

— appointment, re-appointment of auditors and determination of their remuneration; and

— reviewing and determination of the terms and remuneration of the Directors.

THE BOARD *(Continued)*

The management of the Group was delegated the authority and responsibility by the Board for managing the businesses of the Group, with division heads responsible for different aspects of the business. The Board meets at least four times each year and meets as and when required. Appropriate and sufficient information including notices were provided to the Board's members in a timely manner. During the financial year ended 31 December 2007, the Board held thirty-four meetings. The attendance of the Directors at the Board's meetings (either in person or by phone) is set out as follows:

Name of the Director	Number of attendance
Mak Shiu Tong, Clement	34/34
Tam Ngai Hung, Terry	34/34
Cheng Yuk Ching, Flora	34/34
Li Man To, Feynman	32/34
William Donald Putt	26/34
Chow Siu Ngor	28/34
Lau Ho Kit, Ivan	28/34
Chen Li	28/34

The company secretary of the Company is responsible for taking minutes of the Board's meetings and all Board's minutes are open for inspection by the Directors upon reasonable notice.

The Directors are enable, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

Appropriate insurance cover has been arranged in respect of the legal action against the Directors and the management of the Group. The Board considers that the Group has sufficient and appropriate liability insurance to cover the Directors and the management of the Group against any legal liability arising from their performance of duties.

BOARD'S COMPOSITION

As at the date of this Annual Report, the Board comprises five executive directors, namely Mr. Mak Shiu Tong, Clement (also acting as the Chairman and the CEO), Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora (also acting as the Deputy Chairman), Mr. Li Man To, Feynman and Dr. William Donald Putt and three INEDs, namely Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Chen Li. The Board has maintained a balance of skills and experience appropriate of the requirements, promotion and development of the businesses of the Group. Its composition represents a mixture of management, technical, marketing, procurement, legal, accounting and finance with substantial experience in the businesses in which the Group is engaged.

The Company has received annual confirmation of independence from the three INEDs of the Company in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all INEDs of the Company are independent within the definition of the Listing Rules.

BOARD'S COMPOSITION *(Continued)*

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 financial year ended 31 December 2007. The Board currently comprises three INEDs, one of whom has accounting and financial expertise and brings strong independent judgement, knowledge and experience to the Board.

The Board's members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board's composition is formed to ensure strong independence exists across the Board and has met the recommended practice under the Code for the Board to have at least one-third in number of its members comprising the INEDs. The biographies of the Directors are set out in the section headed "Directors and Senior Management" in this Annual Report, which demonstrate a diversity of skills, expertise, experience and qualifications.

THE CHAIRMAN AND THE CEO

Mr. Mak Shiu Tong, Clement currently assumes the roles of both the Chairman and the CEO. The considered reasons for such deviation from the code provision under the Code are set out in the section headed "Corporate Governance Practices" above. Mr. Mak is responsible for the corporate planning, overall strategic direction of the Group and takes a leading role in managing the businesses of the Group.

RE-ELECTION AND RETIREMENT OF THE DIRECTORS

The bye-laws of the Company provide that (i) one-third (or the number nearest to one-third) of the Directors (except the Chairman and the managing Director) shall retire from office by rotation and be eligible for re-election at each AGM of the Company; and (ii) any Director appointed by the Board, either to fill a casual vacancy on or as an addition to the existing Board, shall hold office only until the next following AGM of the Company and shall then be eligible for re-election at that meeting.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the INEDs of the Company has filed a written confirmation to the Company confirming his independence and has undertaken to inform the Stock Exchange and the Company as soon as practicable if there is any subsequent change in circumstances which may affect his independence. The INEDs of the Company are not appointed for any specific terms, but they are subject to retirement by rotation and re-election at the AGM of the Company in accordance with the bye-laws of the Company.

BOARD COMMITTEES

The Board has established two committees, namely the Remuneration Committee and the Audit Committee, with clearly defined written terms of reference. The main roles and responsibilities of these two committees, including all authorities delegated to them by the Board, as set out in the terms of reference, are published on the Company's website at www.cct-tech.com.hk. The different committees' independent views and recommendations not only ensure proper control of the Group but also the continual achievement of the high corporate governance standards expected of a listed company. The chairman of each committee reports the outcome of the committee's meetings to the Board for further discussion and approval.

BOARD COMMITTEES *(Continued)*

Remuneration of the Directors

Pursuant to the requirements of the Listing Rules, the Company has established the Remuneration Committee in 2005 with specific written terms of reference in line with the code provisions under the Code. The Remuneration Committee is mainly responsible for (i) making recommendations to the Board on the policy and structure for the remuneration of the Directors and the senior management of the Group; (ii) reviewing the remuneration package including the performance-based bonus and incentive rewards for the executive Directors and the senior management of the Group; and (iii) reviewing and recommending to the Board the fees payable to the INEDs of the Company.

The Remuneration Committee consists of five members comprising three INEDs, namely Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan 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 one of the members who must be an INED. The chairman of the Remuneration Committee is subject to rotation each year, provided that he/she must be an INED.

During the financial year ended 31 December 2007, the Remuneration Committee held two meetings. The attendance of the members of the Remuneration Committee at the Remuneration Committee's meetings (either in person or by phone) is set out as follows:

Name of the members of the Remuneration Committee	Number of attendance
Chow Siu Ngor	2/2
Lau Ho Kit, Ivan	2/2
Chen Li	2/2
Mak Shiu Tong, Clement	2/2
Tam Ngai Hung, Terry	2/2

For the financial year ended 31 December 2007, the Remuneration Committee met on two occasions and reviewed the current framework, policies and structure for the remuneration of the Directors and the senior management of the Group and reported to the Board of their reviews with recommendations. The Remuneration Committee also reviewed specific remuneration package including the terms of employment, incentive rewards and performance-based bonus of the executive Directors and the senior management of the Group and the fees payable to the INEDs of the Company.

The primary objective of the Group's remuneration policy is to retain and motivate the executive Directors and the senior management of the Group by linking their rewards to the corporate and individual performance, job complexity and responsibilities, so that the interests of the executive Directors are aligned with those of the Shareholders. No Director can, however, approve his/her own remuneration.

In order to attract, retain, and motivate the executives and the employees serving for the Group, the Company has adopted the Share Option Scheme in 2002. The Share Option Scheme enables the eligible participants to obtain an ownership interest in the Company by payment of the exercise price with reference to the market price of the Share at the time of grant and thus to reward to the participants who contribute to the success of the Group's operations.

Details of the amount of the Directors' emoluments are set out in note 8 to the financial statements in this Annual Report and details of the Share Option Scheme are set out in the section headed "Report of the Directors" in this Annual Report.

BOARD COMMITTEES *(Continued)*

Audit Committee

The Company has established the Audit Committee in 2002 with specific written terms of reference formulated in accordance with the requirements of the Listing Rules. The primary duties of the Audit Committee are to ensure the objectivity and credibility of the Company's financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company.

The Audit Committee is mainly responsible for (i) reviewing the Company's interim and annual financial statements and making recommendations as to the approval of the Company's interim and annual financial statements by the Board; (ii) reviewing and making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and the terms of engagement including the remuneration of the external auditors; (iii) discussing with the external auditors the nature and scope of the audit; (iv) monitoring and assessing the independence and objectivity of the external auditors and the effectiveness of the audit process in accordance with the applicable standards; (v) reviewing and monitoring the financial reporting and the reporting judgement contained in them; and (vi) reviewing the financial and internal control, accounting policies and practices with the management of the Group, internal and external auditors of the Company.

The Audit Committee consists of three members comprising three INEDs, namely Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Chen Li. The chairman of the Audit Committee is subject to rotation each year. All members of the Audit Committee hold the relevant industry or legal, accounting and financial experience necessary to advise on the Board's strategies and other related matters. All members of the Audit Committee have complete and unrestricted access to the external auditors and all employees of the Company.

During the financial year ended 31 December 2007, the Audit Committee held four meetings. The attendance of the members of the Audit Committee at the Audit Committee's meetings (either in person or by phone) is set out as follows:

Name of the members of the Audit Committee	Number of attendance
Chow Siu Ngor	4/4
Lau Ho Kit, Ivan	4/4
Chen Li	4/4

In 2007, the members of the Audit Committee met with the Group's external auditors to discuss the annual audit plan. The meeting of the Audit Committee was attended by the members of the Audit Committee and the external auditors of the Company. The external auditors also made presentations to the Audit Committee on the findings on key issues addressed in the annual audit.

For the financial year ended 31 December 2007, the Audit Committee reviewed the accounting principles and practices adopted by the Company and discussed with the management of the Group the financial reporting matters. The Audit Committee also reviewed the internal control and risk management system of the Group with the internal auditors of the Company. The Audit Committee also reviewed both the interim results for the period ended 30 June 2007 and the annual results for the year ended 31 December 2007 of the Company before announcement of both results.

NOMINATION OF THE DIRECTORS

The Company has not set up the nomination committee, the establishment of which is only a recommended best practice of the Code.

The Board is empowered under the bye-laws of the Company to appoint any person as a Director either to fill a casual vacancy on or as an additional member to the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience relevant to the Company's businesses. It is believed that the members of the Board would collectively have the required professional knowledge and skills in discharging the Board's responsibility in identifying, recruiting and evaluating new nominees to the Board and the assessment of qualifications of nominated candidates for directorship. During the financial year under review, no new director was appointed to the Board.

AUDITORS' REMUNERATION

During the financial year ended 31 December 2007, the remuneration paid to the external auditors of the Company, Messrs. Ernst & Young, is set out as follows:

Services rendered	**Fees paid / payable** HK$'000
Audit services	2,500
Non-audit services:	
Tax compliance services	129
Other services	—
Total	2,629

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such financial statements. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

The statement of the external auditors of the Company, Messrs. Ernst & Young, with regard to their reporting responsibilities on the Company's financial statements is set out in the section headed "Independent Auditors' Report" in this Annual Report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to the events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Board therefore continues to adopt the going concern approach in preparing the accounts.

INTERNAL CONTROL AND INTERNAL AUDIT

The Board is entrusted with the overall responsibility for establishing and maintaining the Group's internal control system and reviewing their effectiveness. The Group's internal control system has been designed for safeguarding assets, maintaining proper accounting records and ensuring reliability of the financial information. Through the Company's internal audit department, the Board has conducted a review of the effectiveness of the internal control system of the Group which covers all material controls, including operational, financial and compliance controls and risk management functions. The internal audit team of the Company reviews the major operational, financial and compliance controls and risk management functions of the Group on a continuing basis and aims to cover all major operations of the Group on a rotational basis. The internal audit team of the Company presents their internal audit plan annually to the CEO for approval and they also discuss and agree their audit plan with the Audit Committee at the Audit Committee's meeting. The reports and findings prepared by the internal audit team of the Company have been circulated to the CEO, the Group Finance Director and the Audit Committee for review.

report of the directors

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the manufacture, sale, design and development of telecom and electronic products and accessories. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 49 to 113.

The directors do not recommend payment of any dividend for the year (2006: Nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the published results and assets, liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 114. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and the investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE NOTES

There was no movement in the Company's authorised share capital during the year. Details of movements in the Company's share capital, share options and convertible notes during the year are set out in notes 31, 32 and 29 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing 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 year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2007, the Company had no reserve available for distribution in accordance with the provisions of the Companies Act 1981 of Bermuda. The Company's share premium account, in the amount of HK$238 million, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group did not make any charitable contributions (2006: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers, respectively, during the financial year is as follows:

	Percentage of the Group's total			
	Sales		Purchases	
	2007	2006	**2007**	2006
Largest customer	**49%**	46%		
Five largest customers in aggregate	**85%**	78%		
Largest supplier			**11%**	8%
Five largest suppliers in aggregate			**34%**	27%

CCT Telecom, a substantial shareholder of the Company, had beneficial interests in two of the five largest suppliers of the Group.

Save as disclosed above, none of the directors of the Company or any of their associates or shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors during the year and up to the date of this Annual Report were as follows:

Executive Directors:

Mak Shiu Tong, Clement

Cheng Yuk Ching, Flora

Tam Ngai Hung, Terry

Li Man To, Feynman

William Donald Putt

Independent non-executive Directors:

Chow Siu Ngor

Lau Ho Kit, Ivan

Chen Li

In accordance with the bye-laws of the Company and the code provisions under the Code, Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and Mr. Chen Li will retire and, being eligible, offer themselves for re-election at the forthcoming AGM of the Company.

The INEDs of the Company are not appointed for any specific terms. According to the bye-laws of the Company, all Directors (except the Chairman and the managing Director) are subject to retirement by rotation and re-election at the AGM of the Company.

The Company has received from each of the INEDs of the Company an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and, as at the date of this Annual Report, still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on page 16 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

During the year, no Director had a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

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 31 December 2007, there were no share options outstanding under the Share Option Scheme.

The purpose of the Share Option Scheme is to provide incentives and rewards to the eligible participants who contribute to the success of the operation of the Group. Eligible participants of the Share Option Scheme include any employee, executive or officer of the Group (including executive and non-executive directors of the Group) and any supplier, consultant, agent, adviser, shareholder, customer, partner or business associate who, in the opinion of the Board, will contribute or has contributed to the Group.

Pursuant to the Share Option Scheme, the maximum number of Shares in respect of which share options may be granted under the Share Option Scheme is such number of Shares, when aggregated with the Shares subject to any other share option scheme(s) of the Company, must not exceed 10% of the issued share capital of the Company upon the listing of the Shares on the Stock Exchange or 30% of the issued share capital of the Company from time to time. The general limit on the grant of the share options under the Share Option Scheme was refreshed to 10% of the Shares in issue as at the date of approval by the Shareholders and the shareholders of CCT Telecom, the ultimate holding company of the Company, on 23 May 2007. As at the date of this Annual Report, the total number of Shares available for issue in respect thereof is 6,231,582,011, which represents approximately 9.53% of the total issued share capital of the Company as at the date of this Annual Report.

The maximum number of Shares issuable upon exercise of the share options granted under the Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period is limited to 1% of the Shares in issue as at the date of grant. Any further grant of the share options in excess of this 1% limit shall be subject to the issue of a circular by the Company (and if required, the holding company) and the Shareholders' approval (and if required, the approval of the shareholders of the holding company) at a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to the approval in advance by the INEDs of the Company (and if required, the approval of the INEDs of the holding company), excluding the INED(s) of the Company and the holding company who is/are the grantee(s) of the share options. In addition, any share option granted to a substantial Shareholder or an INED of the Company, or to any of their respective associates, in excess of 0.1% of the Shares in issue as at the date of grant or with an aggregate value (based on the closing price of the Shares as at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to the issue of a circular by the Company (and if required, the holding company) and the Shareholders' approval (and if required, the approval of the shareholders of the holding company) in advance at a general meeting.

The offer of a grant of the share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than 10 years from the date of grant of the share options or the expiry date of the Share Option Scheme, whichever is earlier.

SHARE OPTION SCHEME *(Continued)*

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Shares.

Details of the movements of the share options under the Share Option Scheme during the year 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 year	Exercised during the year	Lapsed/ Cancelled during the year	Outstanding as at 31 December 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	0.058
	—	30,000,000	(10,000,000)	(20,000,000)	—					
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	(1,047,000,000)	(503,000,000)	—					

SHARE OPTION SCHEME *(Continued)*

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 have estimated the following theoretical valuations of the share options granted under the Share Option Scheme during the year, calculated using the Black-Scholes option pricing model as at the date of the grant of the share options:

Grantee	Number of share options granted during the year	Theoretical value of share options HK$
Mak Shiu Tong, Clement	120,000,000	924,000
Cheng Yuk Ching, Flora	120,000,000	924,000
Tam Ngai Hung, Terry	120,000,000	924,000
Li Man To, Feynman	120,000,000	924,000
William Donald Putt	10,000,000	77,000
Chow Siu Ngor	10,000,000	77,000
Lau Ho Kit, Ivan	10,000,000	77,000
Chen Li	10,000,000	77,000
Other employees	1,030,000,000	7,931,000
	1,550,000,000	11,935,000

SHARE OPTION SCHEME *(Continued)*

The Black-Scholes model is a generally accepted method of valuing share options. The significant assumptions used in the calculation of the theoretical value of the share options were:

Dividend yield (%)	0
Expected volatility (%)	74.83
Historical volatility (%)	74.83
Risk-free interest rate (%)	3.89
Weighted average expected life of share option (year)	0.25
Weighted average share price (HK$)	0.055

The measurement date used in the valuation calculations was the date on which the share options were granted.

The value of share options calculated using the Black-Scholes model is subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of the assumptions of expected future performance input to the model, and certain inherent limitations of the model itself.

The value of an share option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an share option.

DIRECTORS' INTERESTS

As at 31 December 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 as at 31 December 2007

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
Tam Ngai Hung, Terry	20,000,000	0.03
Cheng Yuk Ching, Flora	18,000,000	0.03
Chen Li	10,000,000	0.02

DIRECTORS' INTERESTS *(Continued)*

(b) Interests and short positions in the shares and the underlying shares of the convertible bonds of an associated corporation — CCT Telecom as at 31 December 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	160,000	—	14,236,713	1.79
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, 160,000 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 31 December 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 31 December 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).

DIRECTORS' INTERESTS *(Continued)*

(c) Interests and short positions in the shares and the underlying shares of the share options of an associated corporation — Tradeeasy as at 31 December 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 31 December 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	3.81
Cheng Yuk Ching, Flora	14/8/2006	14/8/2006 – 13/8/2011	0.038	5,000,000	5,000,000	0.42
Tam Ngai Hung, Terry	14/8/2006	14/8/2006 – 13/8/2011	0.038	28,000,000	28,000,000	2.37
William Donald Putt	14/8/2006	14/8/2006 – 13/8/2011	0.038	5,000,000	5,000,000	0.42

Save as disclosed above, as at 31 December 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the sections headed "Share Option Scheme" and "Directors' Interests" above, at no time during the year was the Company, or any of its holding company, subsidiaries or associated corporations, a party to any arrangement to enable the Directors (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 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 31 December 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	50.49
CCT Technology Investment Limited	(2)	33,026,391,124	50.49
Jade Assets Company Limited		29,326,391,124	44.83

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 and 2,350,000,000 Shares held by Expert Success International 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 31 December 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)	192,151	0.00

Note: The interest disclosed represents long positions in 192,151 underlying Shares which may be acquired by CCT Telecom upon the exercise of the put options granted by CCT Telecom to Deutsche Bank AG 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 31 December 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.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(1) During the two years ended 31 December 2007, the Company and certain of its indirect wholly-owned subsidiaries had the following material transactions with CCT Telecom (the Company's ultimate holding company) and certain of its subsidiaries, other than the Group.

HK$ million	Notes	Year ended 31 December 2007	2006
Fellow subsidiaries:			
Purchase of components	(i)	**484**	466
Factory rental income	(ii)	**6**	6
Factory rental expenses	(iii)	**6**	6
Office rental expenses	(iv)	**3**	3
Purchase of non-electronic baby products	(v)	**—**	—
Sale of consumer electronic products	(vi)	**60**	26
Ultimate holding company:			
Management information system service fee	(vii)	**4**	4

Notes:

(i) The Company and CCT Telecom entered into a new manufacturing agreement (the "New Components Manufacturing Agreement") dated 9 November 2006, pursuant to which CCT Telecom agree to manufacture through CCT Telecom and its subsidiaries, excluding the Group (the "CCT Telecom Remaining Group") certain power supply components, transformers, plastic casings and components and toolings for the production of telecom and electronics products for the Group. The New Components Manufacturing Agreement replaced both the manufacturing agreement dated 4 May 2004 for manufacturing of plastic casing components and the power supply components manufacturing agreement dated 2 June 2004 for manufacturing of power supply components to the Group.

The purchase prices were determined based on the direct material costs plus a mark-up of no more than 150%.

(ii) The factory rental income was charged to Shine Best Developments Limited ("Shine Best"), an indirect wholly-owned subsidiary of CCT Telecom, by CCT Enterprise Limited ("CCT Ent"), an indirect wholly-owned subsidiary of the Company, for the provision of factory space in Huiyang, the PRC, at a rate determined in accordance with the terms and conditions set out in a tenancy agreement (the "Huiyang Tenancy Agreement") entered into between Shine Best and CCT Ent on 5 December 2005.

(iii) The factory rental expenses were charged to the Group by the CCT Telecom Remaining Group, for the provision of factory spaces in Dongguan, the PRC, at rates determined in accordance with the terms and conditions set out in the tenancy agreement ("Dongguan Tenancy Agreement") entered into between the Group and CCT Telecom on 9 November 2006.

(iv) The office rental expenses were charged to CCT Telecom (HK) Limited ("CCT HK") and CCT R&D Limited ("CCT R&D"), both being indirect wholly-owned subsidiaries of the Company, by Goldbay Investments Limited ("Goldbay"), an indirect wholly-owned subsidiary of CCT Telecom, for the provision of office space in Hong Kong, at rates determined in accordance with the terms and conditions set out in the tenancy agreements (the "Hong Kong Tenancy Agreements") entered into between CCT HK and Goldbay on 12 October 2006, and between CCT R&D and Goldbay on 12 October 2006.

(v) The non-electronic baby products and related components were purchased by the Group from the CCT Telecom Remaining Group. The purchase price was determined based on direct material costs plus a mark-up of no more than 300% of such material costs in accordance with the terms and conditions set out in an outsourcing agreement (the "Outsourcing Agreement") entered into between the Company and CCT Telecom on 29 November 2004. No such purchase was made in 2007.

(vi) The consumer electronic products were sold to the CCT Telecom Remaining Group by the Group and the selling prices were determined based on the direct material costs of the products plus a mark-up of up to 120% of such direct material costs pursuant to a consumer electronic products manufacturing agreement (the "CEP Manufacturing Agreement") entered into between the Company and CCT Telecom on 14 July 2006.

(vii) The management information system service fee was charged to CCT Telecom by CCT HK 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 an agreement (the "MIS Agreement") entered into between CCT Telecom and CCT HK on 5 December 2005.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(Continued)*

The transactions contemplated under the New Components Manufacturing Agreement are referred to as the "New Components Manufacturing Transactions". The transactions contemplated under the CEP Manufacturing Agreement are referred to as the "CEP Manufacturing Transactions". The Transactions contemplated under the Outsourcing Agreement are referred to as the "Outsourcing Transactions." The transactions contemplated under the Huiyang Tenancy Agreement, the Hong Kong Tenancy Agreements and the MIS Agreement are collectively referred to as the "Administrative Transactions". The transactions contemplated under the Dongguan Tenancy Agreement are referred to as the "Dongguan Rental Transactions".

The INEDs of the Company have reviewed and confirmed that:

(a) the aggregate value of the New Components Manufacturing Transactions for the year ended 31 December 2007 as indicated in note (i) above did not exceed the cap amount of HK$700 million;

(b) the annual consideration of each of the Administrative Transactions for the year ended 31 December 2007 did not exceed the higher of HK$10,000,000 or 2.5% of each of the percentage ratios (other than the profit ratio and the equity ratio which were not applicable);

(c) the aggregate value of the Dongguan Rental Transactions for the year ended 31 December 2007 as indicated in note (iii) above did not exceed the cap amount of HK$6 million.

(d) there was no Outsourcing Transaction for the year ended 31 December 2007;

(e) the aggregate value of the CEP Manufacturing Transactions for the year ended 31 December 2007 as indicated in note (vi) above did not exceed the cap amount of HK$300 million;

(f) the New Components Manufacturing Transactions, CEP Manufacturing Transactions, Outsourcing Transactions, Administrative Transactions and Dongguan Rental Transactions were entered into in the usual and ordinary course of businesses of the Group;

(g) the New Components Manufacturing Transactions, CEP Manufacturing Transactions, Outsourcing Transactions, Administrative Transactions and Dongguan Rental Transactions were conducted on normal commercial terms; and

(h) the New Components Manufacturing Transactions, CEP Manufacturing Transactions, Outsourcing Transactions, Administrative Transactions and Dongguan Rental Transactions were conducted in accordance with the terms of the agreements governing such transactions.

COMPLIANCE WITH THE CODE ON 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 financial year under review, except for the deviations from code provisions A.2.1, A.4.1 and A.4.2. Detailed information of such deviations and their respective considered reasons as well as other information on the corporate governance practices of the Company are set out in the section headed “Corporate Governance Report” in this Annual Report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of not less than 25% of the total issued share capital of the Company as required under the Listing Rules throughout the financial year under review and up to the date of this Annual Report.

AUDITORS

The financial statements for the year ended 31 December 2007 have been audited by Messrs. Ernst & Young, who retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM of the Company.

ON BEHALF OF THE BOARD

Mak Shiu Tong, Clement
Chairman

Hong Kong
14 April 2008

independent auditors' report

ERNST & YOUNG
安永會計師事務所

To the shareholders of CCT Tech International Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of CCT Tech International Limited on pages 49 to 113 which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong
14 April 2008

consolidated income statement

Year ended 31 December 2007

HK$ million	Notes	2007	2006
REVENUE	5	**3,343**	3,858
Cost of sales		**(3,306)**	(3,579)
Gross profit		**37**	279
Other income and gains		**25**	83
Selling and distribution costs		**(44)**	(53)
Administrative expenses		**(153)**	(138)
Other expenses		**(40)**	(22)
Finance costs	7	**(14)**	(33)
PROFIT/(LOSS) BEFORE TAX	6	**(189)**	116
Tax	10	**(12)**	(16)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	11	**(201)**	100
DIVIDENDS	12	**—**	—
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		**(0.31 cents)**	0.21 cents
Diluted		**N/A**	0.16 cents

consolidated balance sheet

31 December 2007

HK$ million	Notes	**2007**	2006
NON-CURRENT ASSETS			
Property, plant and equipment	14	**569**	556
Investment properties	15	**178**	178
Prepaid land lease payments	16	**48**	50
Goodwill	17	**22**	22
Other intangible assets	18	**25**	36
Deferred tax assets	30	**—**	2
Total non-current assets		**842**	844
CURRENT ASSETS			
Inventories	20	**186**	191
Trade and bills receivables	21	**689**	822
Prepayments, deposits and other receivables	22	**24**	25
Financial assets at fair value through profit or loss	23	**28**	—
Pledged time deposits	24	**85**	83
Cash and cash equivalents	24	**476**	470
Total current assets		**1,488**	1,591
CURRENT LIABILITIES			
Trade and bills payables	25	**875**	929
Tax payable		**12**	9
Other payables and accruals	26	**168**	110
Interest-bearing bank and other borrowings	27	**189**	172
Total current liabilities		**1,244**	1,220
NET CURRENT ASSETS		**244**	371
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,086**	1,215

HK$ million	Notes	2007	2006
NON-CURRENT LIABILITIES			
Interest-bearing bank loans, secured	27	**31**	29
Deferred tax liabilities	30	**4**	4
Total non-current liabilities		**35**	33
Net assets		**1,051**	1,182
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	31	**654**	644
Reserves	33(a)	**397**	538
Total equity		**1,051**	1,182

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

consolidated statement of changes in equity

Year ended 31 December 2007

HK$ million	Notes	Attributable to equity holders of the parent: Issued capital	Share premium account	Capital reserve	Share option reserve	Equity component of convertible notes	Accumulated losses	Total
At 1 January 2006		159	4	733	—	7	(477)	426
Issue of new shares upon conversion of convertible notes	29, 31	485	178	—	—	(7)	—	656
Profit for the year		—	—	—	—	—	100	100
At 31 December 2006 and 1 January 2007		**644**	**182***	**733***	**—**	**—**	**(377)***	**1,182**
Equity-settled share option arrangement	32	**—**	**—**	**—**	**12**	**—**	**—**	**12**
Issue of new shares upon exercise of share options	31	**10**	**56**	**—**	**(8)**	**—**	**—**	**58**
Loss for the year		**—**	**—**	**—**	**—**	**—**	**(201)**	**(201)**
At 31 December 2007		**654**	**238***	**733***	**4***	**—**	**(578)***	**1,051**

* These reserve accounts comprise the consolidated reserves of HK$397 million (2006: HK$538 million) in the consolidated balance sheet.

consolidated cash flow statement

Year ended 31 December 2007

HK$ million	Note	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(189)**	116
Adjustments for:			
Interest on bank loans and other borrowings	7	**14**	12
Interest on convertible notes	7	**—**	21
Interest income	5	**(15)**	(10)
Depreciation	6	**96**	91
Equity-settled share option expense		**12**	—
Recognition of prepaid land lease payments	6	**2**	1
Amortisation of intangible assets	6	**35**	46
Impairment of trade receivables	6	**22**	8
Write-off of other receivables	6	**6**	—
Write-off of deferred development costs	6	**12**	14
Provision for slow-moving and obsolete inventories	6	**14**	30
Fair value gain on financial assets at fair value through profit or loss	6	**(1)**	—
Waiver of interest on the 2008 Convertible Note	6	**—**	(20)
		8	309
(Increase)/decrease in inventories		**(9)**	46
Decrease/(increase) in trade and bills receivables		**111**	(25)
(Increase)/decrease in prepayments, deposits and other receivables		**(5)**	21
Increase/(decrease) in trade and bills payables, other payables and accruals		**4**	(115)
Cash generated from operations		**109**	236
Interest received		**15**	10
Interest paid		**(14)**	(12)
Hong Kong profits tax paid		**(7)**	(20)
Net cash inflow from operating activities		**103**	214

HK$ million	Note	2007	2006
Net cash inflow from operating activities		**103**	214
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(110)**	(91)
Proceeds from disposal of items of property, plant and equipment		**—**	1
Additions to other intangible assets		**(35)**	(50)
Purchase of financial assets at fair value through profit or loss		**(27)**	—
Increase in pledged time deposits		**(2)**	(12)
Net cash outflow from investing activities		**(174)**	(152)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares		**58**	—
New bank loans		**116**	118
New/(repayment of) trust receipts loans, net		**19**	(40)
Repayment of bank loans		**(115)**	(87)
Capital element of finance lease rental payments		**(1)**	(2)
Net cash inflow/(outflow) from financing activities		**77**	(11)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**6**	51
Cash and cash equivalents at beginning of year		**470**	419
CASH AND CASH EQUIVALENTS AT END OF YEAR		**476**	470
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**383**	368
Non-pledged time deposits with original maturity of less than three months when acquired	24	**93**	102
		476	470

balance sheet

31 December 2007

HK$ million	Notes	2007	2006
NON-CURRENT ASSETS			
Interests in subsidiaries	19	**636**	644
CURRENT ASSETS			
Prepayments	22	**1**	1
Financial assets at fair value through profit or loss	23	**28**	—
Cash and cash equivalents	24	**67**	7
Total current assets		**96**	8
CURRENT LIABILITIES			
Other payables and accruals	26	**29**	1
Total current liabilities		**29**	1
NET CURRENT ASSETS		**67**	7
Net assets		**703**	651
EQUITY			
Issued capital	31	**654**	644
Reserves	33(b)	**49**	7
Total equity		**703**	651

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

notes to financial statements

31 December 2007

1. CORPORATE INFORMATION

During the year, the Group was involved in the principal activities of the manufacture and sale of telecom and electronic products, accessories and components.

In the opinion of the directors, the parent of the Company is Jade Assets Company Limited, which is incorporated in the British Virgin Islands with limited liability. The ultimate holding company of the Company is CCT Telecom Holdings Limited ("CCT Telecom"), which is incorporated in the Cayman Islands and continued in Bermuda with limited liability and is listed on The Stock Exchange of Hong Kong Limited.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest million (HK$ million) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital Disclosures*
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 principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements — Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 40 to the financial statements.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to its employees in accordance with the Company's share option scheme, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group's existing policy of accounting for derivatives complies with the requirements of the interpretation, the interpretation has had no effect on these financial statements.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Share-based Payments — Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[5]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[5]
HK(IFRIC)-Int 11	*HKFRS 2 — Group and Treasury Share Transactions*[2]
HK(IFRIC)-Int 12	*Service Concession Arrangements*[4]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 14	*HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*[4]

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 July 2008

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

5 Effective for annual periods beginning on or after 1 July 2009

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 2 has been amended to restrict the definition of “vesting condition” to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

HKFRS 3 has been revised to introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKFRS 8, which will replace HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group’s major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 1 has been revised to introduce changes in presentation and disclosure of financial statements and does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group’s current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HKAS 27 has been revised to require a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes introduced by HKFRS 3 (revised) and HKAS 27 (revised) must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group’s equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group’s current policy for share-based payment transactions aligns with the requirements of the interpretation, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impairment asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write-off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5%–6%
Plant and machinery	10%–20%
Tools, moulds and equipment	10%–20%
Furniture and office equipment	10%–20%
Motor vehicles	15%–30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction. It is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased assets is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Deferred development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding four years, commencing from the date when the products are put into commercial production.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss or loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with the policy set out for “Revenue recognition” below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, an amount due to the ultimate holding company and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts to manage its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The fair value of forward currency contracts as at balance sheet date had no significant impact on the Group's financial statements.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model, further details of which are given in note 32 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

In addition to the MPF Scheme, the Group operates a separate defined contribution retirement benefit scheme for those employees who are eligible to participate in this scheme. This scheme operates in a similar way to the MPF Scheme, except that when an employee leaves this scheme before his/her interest in the Group's employer contributions vests fully, the ongoing contributions payable by the Group are reduced by the relevant amount of the forfeited employer contributions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Pension schemes (continued)

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a percentage of the payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2007 was HK$22 million (2006: HK$22 million). More details are given in note 17.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimation of fair value of investment properties

The fair value of the Group's investment properties is assessed by management based on the property valuation performed by independent qualified valuers on the basis of depreciated replacement cost. The valuation is based on an estimate of the market value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2007 was nil (2006: HK$2 million). The amount of unrecognised tax losses at 31 December 2007 was HK$40 million (2006: HK$42 million). Further details are contained in note 30 to the financial statements.

Development costs

Development costs are capitalised in accordance with the accounting policy for deferred development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2007, the best estimate of the carrying amount of capitalised development costs was HK$25 million (2006: HK$36 million).

4. 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.

4. SEGMENT INFORMATION (continued)

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 and accessories; and

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

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

(a) Business segments

The following table presents revenue and profit/(loss) for the Group's business segments for the years ended 31 December 2007 and 2006.

Group

	Telecom and electronic products		Corporate and others		Total	
HK$ million	**2007**	2006	**2007**	2006	**2007**	2006
Segment revenue:						
Sales to external customers	**3,328**	3,848	**—**	—	**3,328**	3,848
Other revenue	**24**	59	**1**	—	**25**	59
Total	**3,352**	3,907	**1**	—	**3,353**	3,907
Segment results	**(168)**	128	**(22)**	(13)	**(190)**	115
Interest income					**15**	10
Unallocated gains					**—**	24
Finance costs					**(14)**	(33)
Profit/(loss) before tax					**(189)**	116
Tax					**(12)**	(16)
Profit/(loss) for the year					**(201)**	100

No analysis of the assets and liabilities and other segment information regarding the Group's business segments for the two years ended 31 December 2007 has been presented as over 90% of the Group's revenue is derived from the telecom and electronic products segment.

4. **SEGMENT INFORMATION** (continued)

(b) Geographical segments

The following table presents revenue for the Group's geographical segments. Over 90% of the Group's assets are located in the People's Republic of China (the "PRC") including Hong Kong. Accordingly, no analysis of the assets and capital expenditure by geographical segment is presented.

Group

	United States of America		Asia Pacific		Europe		Consolidated	
HK$ million	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Segment revenue:								
Sales to external customers	**1,688**	2,040	**1,215**	1,187	**425**	621	**3,328**	3,848
Other revenue	**—**	—	**25**	59		—	**25**	59
Total	**1,688**	2,040	**1,240**	1,246	**425**	621	**3,353**	3,907

5. **REVENUE**

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and interest income.

Revenue from the following activities has been included in turnover:

	Group	
HK$ million	**2007**	2006
Manufacture and sale of telecom and electronic products	**3,328**	3,848
Bank interest income	**15**	10
	3,343	3,858

6. PROFIT/(LOSS) BEFORE TAX

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

		Group	
HK$ million	Notes	**2007**	2006
Cost of inventories sold		**3,306**	3,579
Depreciation	14	**97**	93
Less: Amount capitalised in deferred development costs		**(1)**	(2)
		96	91
Recognition of prepaid land lease payments	16	**2**	1
Minimum lease payments under operating leases in respect of land and buildings		**15**	14
Research and development costs:			
Deferred expenditure amortised*	18	**35**	46
Current year expenditure		**76**	58
		111	104
Auditors' remuneration		**3**	3
Employee benefits expense (excluding directors' remuneration — note 8):			
Wages and salaries		**376**	341
Equity-settled share option expense		**8**	—
Pension scheme contributions****		**4**	4
Less: Amount capitalised in deferred development costs		**(21)**	(20)
		367	325
Provision for slow-moving and obsolete inventories*		**14**	30
Impairment of trade receivables**	21	**22**	8
Write-off of other receivables**		**6**	—
Write-off of deferred development costs**	18	**12**	14
Foreign exchange differences, net		**3**	(7)
Fair value gain on financial assets at fair value profit or loss***		**(1)**	—
Waiver of interest on the 2008 Convertible Note***	38(b)(i)	**—**	(20)
Compensation income received from a supplier***	38(b)(ii)	**—**	(19)
Gross rental income***	38(a)(ii)	**(6)**	(6)

* Included in "Cost of sales" on the face of the consolidated income statement.

** Included in "Other expenses" on the face of the consolidated income statement.

*** Included in "Other income and gains" on the face of the consolidated income statement.

**** The effect of forfeited contributions on the Group's contributions to the pension schemes for the year, and the amounts of forfeited contributions available to reduce contributions in future years, were not material.

7. FINANCE COSTS

	Group	
HK$ million	**2007**	2006
Interest on bank loans and other borrowings wholly repayable within five years	**14**	12
Interest on convertible notes	**—**	21
Total interest expense on financial liabilities not at fair value through profit or loss	**14**	33

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
HK$ million	**2007**	2006
Fees:		
Executive directors	**—**	—
Independent non-executive directors	**1**	1
	1	1
Executive directors' other emoluments:		
Salaries, allowances and benefits in kind	**7**	10
Performance related bonuses*	**9**	8
Employee share option benefits	**4**	—
Pension scheme contributions	**—**	—
	20	18
	21	19

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the performance of the Group's operations.

During the year, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the year is included in the above directors' remuneration disclosures. As at 31 December 2007, all the share options have been either exercised or have lapsed.

No share options were granted to the directors in respect of their services to the Group for the prior year.

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2007 HK$'000	2006 HK$'000
Chow Siu Ngor	**240**	240
Lau Ho Kit, Ivan	**240**	240
Chen Li	**240**	240
	720	720

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

(b) Executive directors

HK$ million	Salaries, allowances and benefits in kind	Performance related bonuses	Employee share option benefits	Pension scheme contributions	Total remuneration
2007					
Mak Shiu Tong, Clement ("Mr. Mak") (Note 1)	**3**	**4**	**1**	**—**	**8**
Tam Ngai Hung, Terry (Note 2)	**1**	**2**	**1**	**—**	**4**
Cheng Yuk Ching, Flora (Note 2)	**1**	**2**	**1**	**—**	**4**
William Donald Putt	**—**	**—**	**—**	**—**	**—**
Li Man To, Feynman (Note 2)	**2**	**1**	**1**	**—**	**4**
	7	**9**	**4**	**—**	**20**

HK$ million	Salaries, allowances and benefits in kind	Performance related bonuses	Employee share option benefits	Pension scheme contributions	Total remuneration
2006					
Mak Shiu Tong, Clement (Note 1)	3	3	—	—	6
Tam Ngai Hung, Terry (Note 2)	1	2	—	—	3
Cheng Yuk Ching, Flora (Note 2)	1	2	—	—	3
William Donald Putt	—	—	—	—	—
Li Man To, Feynman* (Note 2)	1	—	—	—	1
Tong Chi Hoi**	4	1	—	—	5
	10	8	—	—	18

* appointed on 1 June 2006, the remuneration paid to Mr. Li Man To, Feynman for the period from 1 January 2006 to 31 May 2006 (not included in the above directors' remuneration disclosure) was approximately HK$1 million.

** resigned on 11 November 2006

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors (continued)

Notes:

(1) The performance related bonuses paid to Mr. Mak during the years ended 31 December 2006 and 31 December 2007 were determined based on the Group's operating performance for the financial years ended 31 December 2004 and 31 December 2005, respectively.

(2) The performance related bonuses paid to Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and Mr. Li Man To, Feynman during the years ended 31 December 2006 and 31 December 2007 were determined based on the Group's operating performance for the financial years ended 31 December 2005 and 31 December 2006, respectively.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2006: five) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2006: Nil) non-director, highest paid employee for the year are as follows:

	Group
HK$ million	2007
Salaries, allowances and benefits in kind	2

The remuneration of the non-director, highest paid employee for the year fell within the band of HK$1,500,001 to HK$2,000,000.

During the year, the non-director, highest paid employee was granted share options, in respect of his services to the Group under the share option scheme of the Company. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the year is included in the above five highest paid employees' disclosures. As at 31 December 2007, all the share options have lapsed.

No share options were granted to the non-director, highest paid employee in respect of his services to the Group for the prior year.

10. TAX

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 year. 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.

10. TAX (continued)

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, followed by a 50% reduction in the PRC income tax for the next three consecutive years.

HK$ million	2007	2006
Group:		
Current — Hong Kong:		
Charge for the year	4	7
Overprovision in prior years	(1)	—
Current — Elsewhere:		
Charge for the year	7	8
Deferred (note 30)	2	1
Total tax charge for the year	12	16

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the locations in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group — 2007

HK$ million	Hong Kong	%	PRC, excluding Hong Kong	%	Total	%
Profit/(Loss) before tax	18.8		(207.7)		(188.9)	
Tax at the statutory or appropriate tax rate	3.3	17.5	(68.5)	33.0	(65.2)	34.5
Lower tax rate for specific provinces or local authority	—	—	3.6	(1.7)	3.6	(1.9)
Adjustments in respect of current tax of previous periods	(0.8)	(4.2)	—	—	(0.8)	0.4
Tax exemption	—	—	(3.3)	1.6	(3.3)	1.7
Income not subject to tax	(2.1)	(11.2)	(1.4)	0.7	(3.5)	1.9
Expenses not deductible for tax	3.7	19.7	11.9	(5.8)	15.6	(8.3)
Tax losses utilised from previous periods	(3.4)	(18.1)	—	—	(3.4)	1.8
Tax losses not recognised	4.2	22.4	65.2	(31.4)	69.4	(36.7)
Tax charge at the Group's effective rate	4.9	26.1	7.5	(3.6)	12.4	(6.6)

10. TAX (continued)

Group — 2006

HK$ million	Hong Kong	%	PRC, excluding Hong Kong	%	Total	%
Profit before tax	41		75		116	
Tax at the statutory or appropriate tax rate	7.2	17.5	24.7	33.0	31.9	27.5
Lower tax rate for specific provinces or local authority	—	—	(3.3)	(4.4)	(3.3)	(2.8)
Tax exemption	—	—	(33.7)	(44.9)	(33.7)	(29.1)
Income not subject to tax	(5.1)	(12.4)	(1.6)	(2.1)	(6.7)	(5.8)
Expenses not deductible for tax	4.2	10.2	14.4	19.2	18.6	16.0
Tax losses utilised from previous periods	(0.1)	(0.2)	—	—	(0.1)	—
Tax losses not recognised	1.7	4.1	7.2	9.6	8.9	7.7
Tax charge at the Group's effective rate	7.9	19.2	7.7	10.4	15.6	13.5

Subsequent to the balance sheet date, CCT Telecom received a letter in late February 2008 from the Hong Kong Inland Revenue Department (the "IRD") in respect of a review on the tax affairs of CCT Telecom and its subsidiaries, including the Group, for the past years. Protective tax assessments in the aggregate amount of HK$30 million for the year of assessment 2001/2002 have been issued by the IRD to certain subsidiaries of the Company. Objection has been lodged by those subsidiaries against the protective tax assessments. The directors of the Company believe that there are valid grounds to contest the protective tax assessments. In view that the tax review by the IRD is only at the initial stage, there is still uncertainty about the outcome of the case. Up to the date of approval of these financial statements, the directors of the Company consider that adequate tax provision has been made in the financial statements.

11. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit/(loss) attributable to equity holders of the parent for the year ended 31 December 2007 included a loss of HK$18 million (2006: HK$11 million) which has been dealt with in the financial statements of the Company (note 33(b)).

12. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2007 (2006: Nil).

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

The calculation of basic earnings/(loss) per share amount for the year is based on the loss for the year attributable to ordinary equity holders of the parent of HK$201 million (2006: profit of HK$100 million) and the weighted average number of 64,946,100,839 (2006: 47,383,823,736) ordinary shares in issue during the year.

As the exercise price of the outstanding share options during the year was higher than the average market price of the Company's shares during the year, the outstanding share options during the year has no dilution effect on the basic loss per share for the year. Therefore, no diluted loss per share amount for the year has been disclosed. The calculation of diluted earnings per share amount for the prior year is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on convertible notes and waiver of interest on the 2008 Convertible Note, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the prior year, 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.

The calculation of the diluted earnings per share for the prior year is based on:

	2006 HK$ million
Earnings	
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	100
Interest on convertible notes (note 7)	21
Waiver of interest on the 2008 Convertible Note (note 38(b)(i))	(20)
Profit attributable to ordinary equity holders of the parent before interest on convertible notes and waiver of interest on the 2008 Convertible Note	101

	Number of shares
Shares	
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	47,383,823,736
Effect of dilution — weighted average number of ordinary shares:	
Convertible notes	16,983,170,254
	64,366,993,990

14. PROPERTY, PLANT AND EQUIPMENT

Group

HK$ million	Buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
31 December 2007							
At 31 December 2006 and at 1 January 2007:							
Cost	379	310	167	87	17	17	977
Accumulated depreciation	(81)	(162)	(106)	(62)	(10)	—	(421)
Net carrying amount	298	148	61	25	7	17	556
At 1 January 2007, net of accumulated depreciation	298	148	61	25	7	17	556
Additions	6	33	19	7	2	43	110
Depreciation provided during the year	(24)	(37)	(24)	(9)	(3)	—	(97)
Transfer	7	—	—	—	—	(7)	—
At 31 December 2007, net of accumulated depreciation	287	144	56	23	6	53	569
At 31 December 2007:							
Cost	392	343	186	94	19	53	1,087
Accumulated depreciation	(105)	(199)	(130)	(71)	(13)	—	(518)
Net carrying amount	287	144	56	23	6	53	569

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

HK$ million	Buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
31 December 2006							
At 31 December 2005 and at 1 January 2006:							
Cost	378	278	141	79	18	1	895
Accumulated depreciation	(60)	(130)	(85)	(53)	(8)	—	(336)
Net carrying amount	318	148	56	26	10	1	559
At 1 January 2006, net of accumulated depreciation	318	148	56	26	10	1	559
Additions	3	36	27	8	1	16	91
Disposals	—	—	—	—	(1)	—	(1)
Depreciation provided during the year	(23)	(36)	(22)	(9)	(3)	—	(93)
At 31 December 2006, net of accumulated depreciation	298	148	61	25	7	17	556
At 31 December 2006:							
Cost	379	310	167	87	17	17	977
Accumulated depreciation	(81)	(162)	(106)	(62)	(10)	—	(421)
Net carrying amount	298	148	61	25	7	17	556

The net book value of fixed assets of the Group held under finance leases included in the total amounts of motor vehicles as at 31 December 2007, amounted to approximately HK$2 million (2006: HK$4 million).

At 31 December 2007, certain of the Group's buildings with a net book value of approximately HK$270 million (2006: HK$287 million) were pledged to secure certain bank loans granted to the Group (note 27).

15. INVESTMENT PROPERTIES

	Group	
HK$ million	**2007**	2006
Carrying amount at 1 January and 31 December	**178**	178

The Group's investment properties are situated in the PRC and are held under medium term leases.

The Group's investment properties were revalued on 31 December 2007 by Grant Sherman Appraisal Limited, independent professionally qualified valuers, using a depreciated replacement cost approach. The investment properties are leased to an indirectly wholly-owned subsidiary of CCT Telecom under operating leases, further summary details of which are included in note 36(a) to the financial statements.

At 31 December 2007, the Group's investment properties with an amount of HK$178 million (2006: HK$178 million) were pledged to secure certain bank loans granted to the Group (note 27).

Further particulars of the Group's investment properties are as follows:

Location	Use	Tenure	Attributable interest of the Group
A factory complex with a total gross floor area of approximately 67,000 square metres located at Sanhan Development District, Danshui Town, Huiyang City, Guangdong Province, PRC	Industrial	Medium term lease	100%

16. PREPAID LAND LEASE PAYMENTS

	Group	
HK$ million	**2007**	2006
Carrying amount at 1 January	**51**	52
Recognised during the year	**(2)**	(1)
Carrying amount at 31 December	**49**	51
Current portion included in prepayments, deposits and other receivables	**(1)**	(1)
Non-current portion	**48**	50

The leasehold land is held under a medium term lease and is situated in the PRC.

At 31 December 2007 and 2006, the entire leasehold land was pledged as security for the bank loans granted to the Group (note 27).

17. GOODWILL

The amount of the goodwill capitalised as an asset and recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries, is as follows:

Group

HK$ million	
31 December 2007	
At 1 January 2007 and 31 December 2007:	
Cost	**23**
Accumulated impairment	**(1)**
Net carrying amount	**22**
31 December 2006	
At 1 January 2006 and 31 December 2006:	
Cost	23
Accumulated impairment	(1)
Net carrying amount	22

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the telecom products cash-generating unit. For the purpose of impairment testing, the recoverable amount of goodwill is determined based on a value-in-use calculation. The value-in-use calculation uses cash flow projections based on financial budgets covering a period of five years approved by management. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures, long term growth rates and selection of discount rates. Management prepares the financial budgets reflecting actual and prior year performance and market development expectations. Judgement is required to determine the key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections. The discount rate applied to the cash flow projections is 18%.

18. OTHER INTANGIBLE ASSETS

Group

HK$ million	Deferred development costs
31 December 2007	
Cost at 1 January 2007, net of accumulated amortisation	**36**
Additions — internal development	**36**
Write-off	**(12)**
Amortisation provided during the year (note 6)	**(35)**
At 31 December 2007	**25**
At 31 December 2007:	
Cost	**82**
Accumulated amortisation	**(57)**
Net carrying amount	**25**

HK$ million	Deferred development costs
31 December 2006	
Cost at 1 January 2006, net of accumulated amortisation	44
Additions — internal development	52
Write-off	(14)
Amortisation provided during the year (note 6)	(46)
At 31 December 2006	36
At 31 December 2006:	
Cost	89
Accumulated amortisation	(53)
Net carrying amount	36

19. INTERESTS IN SUBSIDIARIES

	Company	
HK$ million	**2007**	2006
Unlisted shares, at cost	**256**	308
Loans to subsidiaries	**380**	389
	636	697
Impairment	**—**	(53)
	636	644

The amounts advanced to the subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts due from subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Empire Success Holdings Limited	British Virgin Islands	US$16,501 Ordinary	100	—	Investment holding
CCT Marketing Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	—	100	Trading of telecom products
CCT Telecom (HK) Limited	Hong Kong	HK$2,600,000 Ordinary	—	100	Sourcing of telecom products, raw materials and components
CCT Tech Advanced Products Limited	Hong Kong	HK$2 Ordinary	—	100	Research and development on telecom and electronic products
Huiyang CCT Telecommunications Products Co., Ltd.	People's Republic of China	HK$120,000,000 Registered^	—	100	Manufacture of telecom products
Dongguan Eswire Electronics Co., Ltd.	People's Republic of China	HK$68,000,000 Registered^	—	100	Manufacture of telecom products

19. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Dongguan CCT Digital Products Company Limited	People's Republic of China	HK$7,000,000 Registered^	—	100	Manufacture of electronic products
CCT Tech (Chao Yang) Company Limited	People's Republic of China	US$6,950,000 Registered^	—	100	Manufacture of telecom and electronic products

^ Registered as wholly-foreign-owned enterprises under the PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

20. INVENTORIES

	Group	
HK$ million	**2007**	2006
Raw materials	**40**	44
Work in progress	**47**	52
Finished goods	**99**	95
	186	191

21. TRADE AND BILLS RECEIVABLES

	Group	
HK$ million	**2007**	2006
Trade and bills receivables	**717**	836
Impairment	**(28)**	(14)
	689	822

21. TRADE AND BILLS RECEIVABLES (continued)

The Group's trading terms with its customers are mainly on credit with an average credit period of 30 to 90 days, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the balance sheet date, the Group has certain concentration of credit risk as 60% (2006: 46%) and 88% (2006: 85%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

Trade and bills receivables are non-interest-bearing.

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:

	Group			
	2007		2006	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**203**	**29**	303	37
31 to 60 days	**210**	**30**	234	28
61 to 90 days	**198**	**29**	239	29
Over 90 days	**78**	**12**	46	6
	689	**100**	822	100

The movements in provision for impairment of trade receivables are as follows:

	Group	
HK$ million	**2007**	2006
At 1 January	**14**	18
Impairment losses recognised (note 6)	**22**	8
Amount written off as uncollectible	**(8)**	(12)
At 31 December	**28**	14

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$28 million (2006: HK$14 million) with a carrying amount of HK$586 million (2006: HK$401 million). The individually impaired trade receivables relate to customers that were in default and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

Included in the Group's trade receivables is an amount due from a subsidiary of CCT Telecom of HK$15 million (2006: HK$8 million), which is repayable on similar credit terms to those offered to the major customers of the Group.

21. TRADE AND BILLS RECEIVABLES (continued)

An analysis of trade and bills receivables that were past due but not impaired is as follows:

HK$ million	Group 2007	Group 2006
Neither past due nor impaired	**524**	608
Past due but not impaired		
— within 6 months	**158**	197
— 7 to 12 months	**7**	16
— over 1 year	**—**	1
	689	822

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
HK$ million	2007	2006	2007	2006
Prepayments	**3**	3	**1**	1
Deposits and other receivables	**21**	22	**—**	—
	24	25	**1**	1

Included in the Group's other receivables at 31 December 2006 is an amount due from a subsidiary of CCT Telecom of HK$7 million.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
HK$ million	**2007**	2006	**2007**	2006
Equity-linked notes	**28**	—	**28**	—

The above equity-linked notes at 31 December 2007 were classified as held for trading.

24. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
HK$ million	**2007**	2006	**2007**	2006
Cash and bank balances	**383**	368	**30**	4
Time deposits	**178**	185	**37**	3
	561	553	**67**	7
Less: Time deposits pledged for bank borrowings (note 27)	**(85)**	(83)	**—**	—
Cash and cash equivalents	**476**	470	**67**	7

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$8 million (2006: HK$5 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rate. Short term time deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

25. 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:

	Group			
	2007		2006	
HK$ million	Balance	Percentage	Balance	Percentage
Current to 30 days	**191**	**22**	245	26
31 to 60 days	**237**	**27**	234	25
61 to 90 days	**182**	**21**	186	20
Over 90 days	**265**	**30**	264	29
	875	**100**	929	100

Included in the trade and bills payables are trade payables of HK$111 million (2006: HK$127 million) due to Neptune Holding Limited ("Neptune") and Electronic Sales Limited ("ESL"), being wholly-owned subsidiaries of CCT Telecom, which are unsecured, interest-free and are repayable within 90 days from the invoice date.

The trade payables are non-interest-bearing and have an average term of 90 to 120 days.

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
HK$ million	2007	2006	2007	2006
Other payables	**57**	21	**27**	—
Accruals	**111**	89	**2**	1
	168	110	**29**	1

Other payables are non-interest-bearing and have an average term of three months.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2007			2006		
	Effective interest rate (%)	**Maturity**	**HK$ million**	Effective interest rate (%)	Maturity	HK$ million
Current						
Finance lease payables (note 28)	**2.50–2.75**	**2008**	**—**	2.50–3.00	2007	1
Bank loans — unsecured	**6.00–7.00**	**2008**	**26**	6.60–7.00	2007	22
Bank loans — secured	**4.85–7.25**	**2008**	**163**	5.508–7.25	2007	149
			189			172
Non-current						
Bank loans — secured	**5.25–6.25**	**2010**	**31**	5.508–6.25	2008	29
			220			201

	Group	
HK$ million	**2007**	2006
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**189**	171
In the second year	**19**	29
In the third to fifth years, inclusive	**12**	—
	220	200
Other borrowings repayable within one year or on demand	**—**	1
	220	201

27. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) the pledge of the Group's buildings situated in the PRC, which had an aggregate carrying value at the balance sheet date of approximately HK$270 million (2006: HK$287 million) (note 14);

(ii) the pledge of the Group's investment properties situated in the PRC, which had an aggregate carrying value at the balance sheet date of approximately HK$178 million (2006: HK$178 million) (note 15);

(iii) the pledge of the Group's leasehold land situated in the PRC, which had an aggregate carrying value at the balance sheet date of approximately HK$49 million (2006: HK$51 million) (note 16); and

(iv) the pledge of certain of the Group's time deposits amounting to HK$85 million (2006: HK$83 million) (note 24).

(b) The Group's bank and other borrowings with carrying amounts of nil (2006: HK$1 million), HK$7 million (2006: HK$23 million) and HK$213 million (2006: HK$177 million) are denominated in Hong Kong dollars, RMB and United States dollars, respectively.

The carrying amounts of the Group's borrowings approximate to their fair values.

28. FINANCE LEASE PAYABLES

The Group leased certain of its motor vehicles for business use. These leases were classified as finance leases and have remaining lease terms ranging of one year.

At the balance sheet date, the total future minimum lease payments under finance leases and their present value were as follows:

Group

HK$ million	Minimum lease payments 2007	Minimum lease payments 2006	Present value of minimum lease payments 2007	Present value of minimum lease payments 2006
Amounts payable:				
Within one year	—	1	—	1
Total minimum finance lease payments	—	1	—	1
Future finance charges	—	—		
Total net finance lease payables	—	1		
Portion classified as current liabilities (note 27)	—	(1)		
Non-current portion	—	—		

29. CONVERTIBLE NOTES

(a) On 17 May 2002, a directly wholly-owned subsidiary of the Company, issued a convertible note with a principal amount of HK$45 million to an indirectly wholly-owned subsidiary of CCT Telecom with the original due date on 17 May 2005. The convertible note was subsequently extended to 31 December 2007 and the convertible note was replaced by the convertible note (the “2007 Convertible Note”) issued by the Company. The 2007 Convertible Note provided the holder an option right to convert the principal amount into ordinary shares of HK$0.01 each of the Company on any business day prior to the fifth business day prior to the maturity of the 2007 Convertible Note at a conversion price of HK$0.01 per share (subject to adjustment according to the terms of the 2007 Convertible Note).

The 2007 Convertible Note with a principal amount of HK$45 million was fully converted into 4,500,000,000 shares in the Company in the prior year.

29. CONVERTIBLE NOTES (continued)

(b) On 30 June 2003, the Company issued a convertible note due 2008 (the "2008 Convertible Note") with a principal amount of HK$768 million to an indirectly wholly-owned subsidiary of CCT Telecom, as the consideration for the acquisition of the entire interest in Empire Success Holdings Limited from an indirectly wholly-owned subsidiary of CCT Telecom. The 2008 Convertible Note provided the holder with the right to convert the principal amount into the Company's ordinary shares of HK$0.01 each on any business day prior to the fifth business day prior to the maturity of the convertible note at a conversion price of HK$0.014 per share (subject to adjustment according to the terms of the 2008 Convertible Note). The 2008 Convertible Note bears interest at the prime or best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited for Hong Kong dollar loans plus 2% per annum and will mature on the fifth anniversary of the date of its issue.

The 2008 Convertible Note with a principal amount of HK$615 million was fully converted into 43,928,571,428 shares in the Company in the prior year.

30. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group HK$ million	**2007** **Depreciation allowance in excess of related depreciation**
Gross deferred tax liabilities at 1 January 2007 and at 31 December 2007	**4**

Deferred tax assets

Group HK$ million	**2007** **Losses available for offsetting against future taxable profit**
At 1 January 2007	**2**
Deferred tax charged to the income statement during the year (note 10)	**(2)**
Gross deferred tax assets at 31 December 2007	**—**

30. DEFERRED TAX (continued)

Deferred tax liabilities

Group HK$ million	2006 Depreciation allowance in excess of related depreciation
At 1 January 2006	3
Deferred tax charged to the income statement during the year (note 10)	1
Gross deferred tax liabilities at 31 December 2006	4

Deferred tax assets

Group HK$ million	2006 Losses available for offsetting against future taxable profit
Gross deferred tax assets at 1 January 2006 and 31 December 2006	2

The Group has tax losses arising in Hong Kong of HK$40 million (2006: HK$42 million) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2007, there was no significant unrecognised deferred tax liability (2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

31. SHARE CAPITAL

Shares

HK$ million	Company 2007	Company 2006
Authorised:		
120,000,000,000 (2006: 120,000,000,000) ordinary shares of HK$0.01 each	**1,200**	1,200
Issued and fully paid:		
65,413,993,990 (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 year is as follows:

	Number of ordinary shares of HK$0.01 each in issue	Issued capital HK$ million
At 1 January 2006	15,938,422,562	159
Conversion of convertible notes	48,428,571,428	485
At 31 December 2006 and 1 January 2007	64,366,993,990	644
Issue of new shares upon exercise of share options	1,047,000,000	10
At 31 December 2007	65,413,993,990	654

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 32 to the financial statements.

32. 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 31 December 2007, there were no share options outstanding under the Share Option Scheme.

The purpose of the Share Option Scheme is to provide incentives and rewards to the eligible participants who contribute to the success of the operation of the Group. Eligible participants of the Share Option Scheme include any employee, executive or officer of the Group (including executive and non-executive directors of the Group) and any supplier, consultant, agent, adviser, shareholder, customer, partner or business associate who, at the sole discretion of the Board, will contribute or has contributed to the Group.

Pursuant to the Share Option Scheme, the maximum number of Shares in respect of which share options may be granted under the Share Option Scheme is such number of Shares, when aggregated with the Shares subject to any other share option scheme(s) of the Company, must not exceed 10% of the issued share capital of the Company upon the listing of the Shares on the Stock Exchange or 30% of the issued share capital of the Company from time to time. The general limit on grant of the share options under the Share Option Scheme was refreshed to 10% of the Shares in issue as at the date of approval by the Shareholders and the shareholders of CCT Telecom, the ultimate holding company of the Company, on 23 May 2007. As at the date of this Annual Report, the total number of Shares available for issue in respect thereof is 6,231,582,011 which represents approximately 9.53% of the total issued share capital of the Company as at the date of this Annual Report.

The maximum number of Shares issuable upon exercise of the share options granted under the Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period is limited to 1% of the Shares in issue as at the date of grant. Any further grant of the share options in excess of this 1% limit shall be subject to the issue of a circular by the Company (and if required, the holding company) and the Shareholders' approval (and if required, the approval of the shareholders of the holding company) at a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to the approval in advance by the INEDs of the Company (and if required, the approval of the INEDs of the holding company), excluding the INED(s) of the Company and the holding company who is/are the grantee(s) of the share options. In addition, any share option granted to a substantial Shareholder or an INED of the Company, or to any of their respective associates, in excess of 0.1% of the Shares in issue as at the date of grant or with an aggregate value (based on the closing price of the Shares as at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to the issue of a circular by the Company (and if required, the holding company) and the Shareholders' approval (and if required, the approval of the shareholders of the holding company) in advance at a general meeting.

The offer of a grant of the share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than 10 years from the date of grant of the share options or the expiry date of the Share Option Scheme, whichever is earlier.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Shares.

32. SHARE OPTION SCHEME (continued)

	2007	
	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	—	—
Granted during the year	0.055	1,550,000
Exercised during the year	0.055	(1,047,000)
Expired during the year	0.055	(503,000)
At 31 December	—	—

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.073.

The fair value of the share options granted during the year was HK$12 million (HK$0.0077 each) of which the Group recognised a share option expense of HK$12 million during the year ended 31 December 2007.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the Black-Scholes model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

	2007
Dividend yield (%)	—
Expected volatility (%)	74.83
Historical volatility (%)	74.83
Risk-free interest rate (%)	3.89
Expected life of share options (year)	0.25
Weighted average share price (HK$)	0.055

The expected life of the share options is based on the director's estimation and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The 1,047,000,000 share options exercised during the year resulted in the issue of 1,047,000,000 ordinary shares of the Company and new share capital of HK$10 million and share premium of HK$48 million (before issue expenses), as further detailed in note 31 to the financial statements.

During the year, all the remaining share options expired and no share options were outstanding as at 31 December 2007.

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 52 of the financial statements.

(b) Company

HK$ million	Notes	Special reserve	Share premium account	Share option reserve	Equity component of convertible notes	Accumulated losses	Total
Balance at 1 January 2006		(56)	4	—	7	(108)	(153)
Issue of new shares upon conversion of convertible notes	29,31	—	178	—	(7)	—	171
Loss for the year	11	—	—	—	—	(11)	(11)
At 31 December 2006 and 1 January 2007		(56)	182	—	—	(119)	7
Equity-settled share option arrangement	32	—	—	12	—	—	12
Issue of new shares upon exercise of share options	32	—	56	(8)	—	—	48
Loss for the year	11	—	—	—	—	(18)	(18)
At 31 December 2007		(56)	238	4	—	(137)	49

34. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Company	
HK$ million	**2007**	2006
Corporate guarantees given to banks in connection with facilities granted to subsidiaries	**892**	754
	892	754

As at 31 December 2007, the banking facilities granted to the subsidiaries subject to corporate guarantees given to the banks by the Company were utilised to the extent of approximately HK$322 million (2006: HK$327 million).

35. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group, are included in note 27(a) to the financial statements.

36. OPERATING LEASE COMMITMENTS

(a) As Lessor

The Group leases its investment properties (note 15 to the financial statements) under operating lease arrangements with leases negotiated for terms of three years.

At 31 December 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
HK$ million	**2007**	2006
Within one year	**6**	6
In the second to fifth years, inclusive	**—**	6
	6	12

(b) As Lessee

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

At 31 December 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
HK$ million	**2007**	2006
Within one year	**3**	3
In the second to fifth years, inclusive	**1**	2
	4	5

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
HK$ million	**2007**	2006
Contracted, but not provided for:		
Construction in progress	**13**	1
Purchases of plant and machinery and equipment	**3**	32
	16	33

At the balance sheet date, the Company had no significant commitments.

38. RELATED PARTY TRANSACTIONS

(a) In addition to those detailed elsewhere in these financial statements, during the current year, the Group had the following transactions with CCT Telecom and its subsidiaries other than the Group (the “CCT Telecom Remaining Group”):

HK$ million	Notes	**2007**	2006
Fellow subsidiaries:			
Purchase of components	(i)	**484**	466
Factory rental income	(ii)	**6**	6
Factory rental expenses	(iii)	**6**	6
Office rental expenses	(iv)	**3**	3
Sale of consumer electronic products	(v)	**60**	26
Ultimate holding company:			
Management information system service fee	(vi)	**4**	4

Notes:

(i) On 9 November 2006, the Company and CCT Telecom entered into a new manufacturing agreement (the “New Components Manufacturing Agreement”), pursuant to which the Group agreed to manufacture through the CCT Telecom Remaining Group certain power supply components, transformers, plastic casings and components and toolings for the production of telecom and electronic products for the Group.

The purchase prices were determined based on the direct material costs plus a mark-up of no more than 150%.

(ii) The factory rental income was charged to Shine Best Developments Limited (“Shine Best”), an indirectly wholly-owned subsidiary of CCT Telecom, by CCT Enterprise Limited (“CCT Ent”), an indirectly wholly-owned subsidiary of the Company, for the provision of factory space in Huiyang, the PRC, at a rate determined in accordance with the terms and conditions set out in a tenancy agreement entered into between Shine Best and CCT Ent on 5 December 2005.

(iii) The factory rental expenses were charged to the Group by the CCT Telecom Remaining Group, for the provision of factory spaces in Dongguan, the PRC, at rates determined in accordance with the terms and conditions set out in a tenancy agreement entered into between the Company and CCT Telecom on 9 November 2006.

38. RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

(iv) The office rental expenses were charged to CCT Telecom (HK) Limited ("CCT HK") and CCT R&D Limited ("CCT R&D"), both being indirectly wholly-owned subsidiaries of the Company, by Goldbay Investments Limited ("Goldbay"), an indirectly wholly-owned subsidiary of CCT Telecom, for the provision of office spaces in Hong Kong, at rates determined in accordance with the terms and conditions set out in the tenancy agreements entered into between CCT HK and Goldbay on 12 October 2006, and between CCT R&D and Goldbay on 12 October 2006.

(v) The selling prices of the consumer electronic products were determined based on the direct material costs of the products plus a mark-up of up to 120% of such direct material costs pursuant to a consumer electronic products manufacturing agreement entered into between the Company and CCT Telecom on 14 July 2006.

(vi) The management information system service fee was charged to CCT Telecom by CCT HK 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 an agreement entered into between CCT Telecom and CCT HK on 5 December 2005.

The above related party transactions also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Other transactions with related parties:

(i) In the prior year, CCT Telecom waived the interest on the 2008 Convertible Note in the amount of approximately HK$20 million for the period from 1 January 2006 to 9 May 2006 (the date of conversion of the 2008 Convertible Note).

(ii) In the prior year, the Group received a compensation from Neptune amounting to HK$19 million for the substandard plastic materials supplied to the Group by Neptune.

(c) Outstanding balances with related parties:

Details of Group's balances with its fellow subsidiaries at the balance sheet date are disclosed in notes 21, 22 and 25 to the financial statements.

(d) Compensation of Key Management Personnel of The Group

HK$ million	**2007**	2006
Short term employee benefits	**28**	28
Post-employment benefits	**—**	—
Total compensation paid to key management personnel	**28**	28

Further details of directors' emoluments are included in note 8 to the financial statements.

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2007 **Group**

HK$ million

Financial Assets

	Financial assets at fair value through profit or loss — held for trading	Loans and receivables	Total
Trade and bills receivables	—	689	689
Financial assets included in prepayments, deposits and other receivables	—	21	21
Financial assets at fair value through profit or loss	28	—	28
Pledged time deposits	—	85	85
Cash and cash equivalents	—	476	476
	28	1,271	1,299

Financial Liabilities

	Financial liabilities at amortised cost
Trade and bills payables	875
Financial liabilities included in other payables and accruals	57
Interest-bearing bank and other borrowings	220
	1,152

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2006 — **Group**

HK$ million

Financial Assets

	Loans and receivables
Trade and bills receivables	822
Financial assets included in prepayments, deposits and other receivables	22
Pledged time deposits	83
Cash and cash equivalents	470
	1,397

Financial Liabilities

	Financial liabilities at amortised cost
Trade and bills payables	929
Financial liabilities included in other payables and accruals	21
Interest-bearing bank and other borrowings	201
	1,151

2007 — **Company**

HK$ million

Financial Assets

	Financial assets at fair value through profit or loss — held for trading	Loans and receivables	Total
Financial assets included in interests in subsidiaries (note 19)	—	380	380
Financial assets at fair value through profit or loss	28	—	28
Cash and cash equivalents	—	67	67
	28	447	475

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2007

HK$ million **Financial Liabilities**	**Company** **Financial liabilities at amortised cost**
Financial liabilities included in other payables and accruals	**27**

2006

HK$ million **Financial Assets**	**Company** **Loans and receivables**
Financial assets included in interests in subsidiaries (note 19)	389
Cash and cash equivalents	7
	396

Financial Liabilities	**Financial liabilities at amortised cost**
Financial liabilities included in other payables and accruals	—

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, convertible notes, finance leases, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group operates at a low gearing ratio and as the market rates are stable and are maintained at low level, the Group's interest rate risk is not significant.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/(loss) before tax (through the impact on floating rate borrowings).

	Group	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit/ (loss) before tax HK$ million
2007		
United States dollars ("US$")	**100**	**(2)**
US$	**(100)**	**2**
2006		
US$	100	(2)
US$	(100)	2

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by or expenditure of operating units in currencies other than the units' functional currency. During the year, the Group did not use any financial instruments for hedging purposes.

The following table demonstrates the sensitivity to a reasonably possible change in US$ and RMB exchange rates, with all other variables held constant, of the Group's profit/(loss) before tax (due to changes in the fair value of monetary assets and liabilities).

	Group	
	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit/ (loss) before tax
	%	HK$ million
2007		
If US$ strengthens against RMB	**6.222**	**4**
If US$ weakens against RMB	**(6.222)**	**(4)**
2006		
If US$ strengthens against RMB	3.280	1
If US$ weakens against RMB	(3.280)	(1)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and certain derivative instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentration of credit risk is managed by counterparty.

There is no significant concentration of credit risk in relation to the Group's financial assets, other than trade receivables. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, convertible notes, other interest-bearing loans and finance leases. In addition, banking facilities have been put in place for contingency purposes.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

As at 31 December 2007

	Group		
HK$ million	Within one year or on demand	In the second year	Total
Trade and bills payables	**875**	**—**	**875**
Other payables	**57**	**—**	**57**
Interest-bearing bank and other borrowings	**189**	**31**	**220**
	1,121	**31**	**1,152**

As at 31 December 2006

	Group		
HK$ million	Within one year or on demand	In the second year	Total
Trade and bills payables	929	—	929
Other payables	21	—	21
Interest-bearing bank and other borrowings	172	29	201
	1,122	29	1,151

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total capital plus total borrowings. The Group includes interest-bearing bank and other borrowing in the total borrowings. Capital includes equity attributable to the equity holders of the parent.

	Group	
HK$ million	**2007**	2006
Interest-bearing bank and other borrowings	**220**	201
Total borrowings	**220**	201
Total capital	**1,051**	1,182
Total capital and borrowings	**1,271**	1,383
Gearing ratio	**17.3%**	14.5%

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 14 April 2008.

five year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

RESULTS

	Year ended 31 December				
HK$ million	**2007**	2006	2005	2004	2003
REVENUE	**3,343**	3,858	3,795	3,847	1,926
Cost of sales	**(3,306)**	(3,579)	(3,438)	(3,511)	(1,710)
Gross profit	**37**	279	357	336	216
Other income and gains	**25**	83	46	37	12
Gain on disposal of subsidiaries	**—**	—	—	20	—
Selling and distribution costs	**(44)**	(53)	(52)	(46)	(26)
Administrative expenses	**(153)**	(138)	(142)	(129)	(63)
Other expenses	**(40)**	(22)	(24)	(24)	(28)
Finance costs, net	**(14)**	(33)	(54)	(55)	(31)
PROFIT/(LOSS) BEFORE TAX	**(189)**	116	131	139	80
Tax	**(12)**	(16)	(18)	(16)	(9)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**(201)**	100	113	123	71

ASSETS AND LIABILITIES

	As at 31 December				
HK$ million	**2007**	2006	2005	2004	2003
TOTAL ASSETS	**2,330**	2,435	2,464	2,178	2,074
TOTAL LIABILITIES	**(1,279)**	(1,253)	(2,038)	(1,878)	(1,929)
	1,051	1,182	426	300	145

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
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
New Labour Contract Law	The New Labour Contract Law in the PRC
N/A	Not applicable
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
%	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 year
Current Ratio	Current assets divided by current liabilities

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