



中建電訊集團有限公司

2008 Interim Report

Stock Code : 138







# chairman's letter

## FINANCIAL HIGHLIGHTS

HK\$ million	Six months ended 30 June		% increase/ (decrease)
	<b>2008</b> <b>(Unaudited)</b>	2007 (Unaudited)	
<b>Key Financial Results Highlights</b>			
Turnover	<b>1,483</b>	1,713*	(13.4%)
Profit/(loss) for the period	<b>(402)</b>	484	N/A
Profit/(loss) attributable to:			
Equity holders of the Company	<b>(337)</b>	498	
Minority interests	<b>(65)</b>	(14)	
	<b>(402)</b>	484	N/A
Earnings/(loss) per share	<b>(HK\$0.423)</b>	HK\$0.626	N/A
Dividends per share	<b>HK\$0.025</b>	HK\$0.025	—

\* As restated in accordance with the guidance from the HKICPA.

I am pleased to announce the interim results of CCT Telecom Holdings Limited and its subsidiaries for the six months ended 30 June 2008.

The first half of the year was a challenging and difficult period for the Group's core businesses. Due to financial crisis and slowing economy in the US, sales to our major market in the US dropped, resulting in a decrease of the turnover of the Group by approximately 13.4% to approximately HK\$1,483 million. The adverse business and market environment prevailing in the first half of 2008 seriously affected the performance of our manufacturing business and securities investment business. Our manufacturing business continued to report a loss in the first half of 2008 as in 2007 due to reduction in average prices of our products and rising production costs, compounded by inflation and appreciation of RMB. Although the Group's securities investment business delivered significant gains in the year 2007, the volatility and deep downturn of the stock market in Hong Kong during the first half of 2008 has resulted in substantial unrealized fair value losses amounted to HK\$226 million from our investment in listed equity securities and financial instruments. As a result, the Group's result for the six months ended 30 June 2008 turned into a loss of approximately HK\$402 million, as compared to a profit of approximately HK\$484 million in the corresponding previous period.

Despite difficult business conditions, our financial position remains healthy. Our strong balance sheet allow us to strengthen our competitive position and also enable us to grow into new business. In this regard, I am pleased to report that the Group has achieved significant development in its diversification of business. The newly established property development business has already acquired a total of four pieces of land with aggregate total areas of approximately 503,000 square metres located in the Liaoning Province, the PRC. These projects will be developed by phases and certain units will be pre-sold in mid 2009 and will contribute revenue and profitability to the Group. I am also happy to report that the acquisition of a forestry project in Indonesia by our GEM listed subsidiary, Tradeeasy was completed in August 2008. Thereafter, the Group will be engaged in the business of upstream and downstream forestry operations in the natural forest concessions of approximately 313,500 hectares in the Papua Province of Indonesia. This signifies that the Group has entered into the high-growth natural resources business.

In order to streamline its business operations, Tradeeasy entered into a conditional sale and purchase agreement on 8 August 2008 for the disposal of the e-commerce business (the "B2B Business") and certain related assets to an independent third party (the "Disposal") at a consideration of approximately HK\$12 million. The Disposal will enable Tradeeasy to dispose of the loss-making B2B Business at an unaudited gain of approximately HK\$3.5 million.

Subject to the approval by the shareholders of Tradeeasy and the Registrar of Companies in the Cayman Islands approving the change of company name, the company name of Tradeeasy will be changed from "Tradeeasy Holdings Limited" to "CCT Resources Holdings Limited" and upon the name change becoming effective, the Chinese name of "中建資源集團有限公司" for Tradeeasy will be adopted to replace "易貿通集團有限公司" so as to better reflect the future business development of this group.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK\$0.025 per Share for 2008 (30 June 2007: HK\$0.025 per Share) to be payable from the Company's retained profits. The interim dividend of HK\$0.025 per Share will be payable on or around Wednesday, 22 October 2008 to the Shareholders whose names appear on the register of members of the Company on Friday, 10 October 2008. The Board is confident in the long-term future of the Group's businesses and proposes an interim dividend for the current period even though the Group reported a loss.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 8 October 2008 to Friday, 10 October 2008 (both days inclusive), during which period no transfer of share(s) will be effected. In order to qualify for the interim dividend of HK\$0.025 per share, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Monday, 6 October 2008.

## **REVIEW OF OPERATIONS**

During the period under review, the principal businesses of the Group are (i) manufacture and sale of telecom and electronic products; (ii) manufacture and sale of plastic and electronic components; (iii) manufacture and sale of infant and child products; (iv) securities investment business; (v) property investment and development; and (vi) provision of e-commerce services.

### **Telecom and electronic products business**

Affected by the falling US domestic demand and the weakening of the global economy stemmed from the downturn of the housing market and the sub-prime mortgage financial crisis in the US, the sales orders from our customers slowed down. Average selling price of our products decreased as a result of market competition and weakening demand. These factors directly affected the performance of our telecom and electronic products business for the six months ended 30 June 2008 which recorded a significant drop in turnover during the period under review by approximately 13.9% to HK\$1,364 million.

The runaway petroleum price in the first half of 2008 pushed up costs of oil-based materials, especially plastic resins. The robust economy in the developing countries including the PRC also caused prices of commodities to increase. Higher commodity prices fed into increased costs of materials and components used in our manufacturing. Another factor that affected our performance most is the deteriorating operating environment for factories operating in the Guangdong Province. Our Guangdong factories continued to encounter acute shortage of labour, shortage of electricity, surge in the costs of labour, energy and overheads, and the appreciation of RMB which all have adverse impact to our production costs and efficiency. The combined effect of the drop in turnover and selling price on one hand and the jump in costs and overheads on the other hand undermined the margin of our telecom and electronic products business. As a result, this business segment reported a significant operating loss of approximately HK\$145 million for the six months ended 30 June 2008, as compared to a loss of approximately HK\$48 million for the six months ended 30 June 2007, representing an increase of approximately 202.1%.

In order to combat the adverse business conditions which are out of our control, the Group has undertaken a number of initiatives which include re-engineering of products, increasing production automation and costs reduction and controls in order to improve competitiveness and efficiency. Such strategies have gradually shown effect. The loss of the telecom and electronic products business for the first half of 2008 is less than that for the second half of 2007.

Despite the difficult environment, the Group maintains its leading position in the manufacturing of cordless phones. Our customer base includes many of the global leading distributors, renowned brands and major fixed line telephone operators. Technology remains our core strength. Our strong research and development team continues to be our key strength which has continued to bring in new technology to our product development as well as in the areas of the costs and efficiencies improvement. We have also adopted a wide range of strategies to gain our competitive edge. Measures have been implemented to look right across the whole operations for ways to drive better efficiencies and lift productivity.

### **Manufacturing of plastic and electronic components**

Our plastic and electronic component (including plastic casing, power supply and transformers) manufacturing business mainly provides vertical support to our telecom and electronic products business. Some of the plastic component products were sold to independent third parties. Same as most of other manufacturing businesses, our plastic and electronic component manufacturing business also faced the production issues of high materials costs, high labour costs and appreciation of Renminbi. As a result, the profit margin was eroded and the business reported an operating loss during the six months ended 30 June 2008.



### **Infant and child products business**

During the period under review, despite slowing global economy, the turnover of the infant and child products business amounted to approximately HK\$77 million, up approximately 35.1% as compared with that in the previous corresponding period. Despite keen market competition and high production costs, this business division posted an operating profit of approximately HK\$7 million. The management will continue to devote efforts to expand the product range in order to offer customers with more quality products at competitive prices. As the demand of more quality infant and child products is still high even in a weakening economy, we believe that infant and child products business group will continue to grow at a reasonable pace and expect it to contribute a satisfactory return to the Group in the coming years.

### **Securities investment business**

The securities investment business division performed very well last year, delivered significant gains of approximately HK\$130 million in the year of 2007. However, the stock market in Hong Kong was very volatile and market sentiment and investor confidence reversed in the first half of 2008, due to the financial crisis in the US coupled with macro economic controls and downturn of the A-share market in the mainland of the PRC. As a result, the Hang Seng Index fell by approximately 10,000 points from its historical high of 32,000 points in October 2007 to 22,000 points as at 30 June 2008. However, the Group could still achieve a realised gain of HK\$14 million on disposal of the Group's investments in the first half of the year. The downturn in the stock market in the first half of 2008 adversely affected the performance of the Group's securities investment business. As a result, substantial unrealized fair value loss amounted to approximately HK\$226 million was recorded based on the market value of the Group's investment in listed shares and financial instruments as at 30 June 2008. Under adverse capital market conditions, this business division reported a net loss of HK\$212 million in the first half of the year as compared to a gain of HK\$56 million in the first half of 2007.

Most of our investments are H-shares and Hang Seng Index constituent stocks in Hong Kong. We have no investments in bonds or equity securities listed outside of Hong Kong. We do not have any investments in or dealings with Lehman Brothers. We believe as the capital market in Hong Kong recovers, the value of our investment will rebound.

## **Properties investment and development**

We are optimistic about the property markets in Hong Kong and China due to the strong economic growth and the strong demand for housing in the region in the long run. As at 30 June 2008, the Group had land bank with an aggregate total areas of approximately 346,000 square metres, approved for both residential and commercial development purposes. These projects are located in the Chaoyang City and the Anshan City of the Liaoning Province of the PRC, whose housing market still recorded growth and increase in prices in the first half of the year. These projects are progressing as planned and one of the Anshan projects is due to commence construction in the first quarter of the year 2009. We plan to pre-sell units of one of the Anshan projects in mid 2009.

We continued to expand our land portfolio in the mainland of the PRC. On 2 July 2008, the Group successfully won bid for one additional piece of land located in the prime residential area in the Anshan City, with an area of approximately 157,000 square metres approved for both residential and commercial development purpose, which increased the total aggregate area of land bank of the Group to approximately 503,000 square metres. We believe that the property development business has great potential and will generate business growth and attractive returns for years to come.

## **Provision of e-commerce services**

The provision of e-commerce service is carried out by Tradeeasy. During the period under review, the e-commerce services business contributed a turnover of approximately HK\$18 million to the Group. Affected by the difficult operating environment and keen competition, most of the SME exporters in Mainland China adopted cautious promotional strategy and reduced their marketing related activities in order to control their overall operating costs. The e-commerce business was inevitably suffered. During the period under review, the e-commerce business reported a loss of approximately HK\$9 million.

The acquisition of the forest project in Indonesia which was announced by Tradeeasy in October 2007 and March 2008 was finally completed on 12 August 2008. It represents an expansion and diversification of the principal activities of Tradeeasy into high-growth resource business.

On 8 August 2008, Tradeeasy announced the Disposal. After the Disposal, Tradeeasy will be engaged in the on-line and off-line trading business and the newly acquired forestry business. The Disposal represents a good opportunity for Tradeeasy to dispose of the loss-making B2B business so that Tradeeasy can focus and redirect its resources into the trading business and the new forest project. The Disposal transaction has not yet been completed and is subject to the certain conditions precedent.

## OUTLOOK

The outlook of global economy is still uncertain and remains difficult and full of challenges. The bankruptcy of the US investment bank, Lehman Brothers, has widened and deepened the financial turmoil in the US. It is uncertain as to when the credit crunch and the woes of the US economy will be resolved. The weak global demand of our telecom products, the production issues and rising production costs will remain key challenges to our manufacturing business in the near future. However, we are still cautiously optimistic in the long-term future of our core manufacturing business. We believe our strong and resilient management team will enable the Group to weather out the storm and regain a strong financial foothold. The measures and initiatives taken by the Group to improve its competitiveness have shown effect. I am pleased to report that the margin of our core manufactures business has shown improvement after 30 June 2008, which is an encouraging sign. We believe that as the financial crisis settles down and the global economy recovers in the future, with our strength and competitiveness, we will be well placed to revive our manufacturing business.

The outlook of the investment market in Hong Kong in the current year is volatile and uncertain and will be affected by external factors and performance of the overseas and PRC markets. However, we believe in the long-term economic growth in Hong Kong and the PRC. We hope that the stock market may recover in the future and we hope that part or all of the unrealized fair value loss of our investments may be written back in the future as when share prices of our investments increase.

We are optimistic in the new property development business and the forestry natural resource business. We believe these new businesses have good potential to grow and can become the major growth driver for revenue and profitability of the Group.

The Group will continue to look for business opportunities for business growth and development. The Group will also maintain its healthy capital ratios in order to support its business and maximize shareholders' value.

## ACKNOWLEDGEMENTS

I would like to take this opportunity to express my gratitude to the members of the board for their diligent guidance and support, and to thank the Group's management team for their leadership and management, the staff for their hard work, and our shareholders, customers and suppliers, business partners and bankers for their continued support and confidence in the Group.

**Mak Shiu Tong, Clement**

*Chairman*

Hong Kong, 19 September 2008

# financial review

## HIGHLIGHTS ON FINANCIAL RESULTS

HK\$ million	Six months ended 30 June		% increase/ (decrease)
	<b>2008</b> <b>(Unaudited)</b>	2007 (Unaudited)	
Turnover	<b>1,483</b>	1,713*	(13.4%)
Profit/(loss) for the period	<b>(402)</b>	484	N/A
Profit/(loss) attributable to:			
— Equity holders of the parent	<b>(337)</b>	498	
— Minority interests	<b>(65)</b>	(14)	
	<b>(402)</b>	484	N/A

\* As restated in accordance with the guidance from the HKICPA.

## DISCUSSION ON FINANCIAL RESULTS

The Group reported a turnover of HK\$1,483 million for the six months ended 30 June 2008, which represents a decrease of approximately 13.4% over the restated turnover of the Group for the six months ended 30 June 2007. The decrease in turnover is attributable to decrease in turnover from our telecom and electronic products business.

Due to the keen market competition and weakening customers' demand in the US, the sales orders and the average selling prices of our telecom and electronic products dropped in the period under review. As a result, the turnover from our telecom and electronic products business dropped significantly during the period under review.

Loss attributable to equity holders of the Company reported a substantial loss of approximately HK\$337 million, as compared to a profit of approximately HK\$498 million in the corresponding previous period. The performance of the Group for the period under review arose mainly from the substantial unrealized fair value loss from our investment in financial instruments and the listed equity securities and the increased loss of our manufacturing business.

## ANALYSIS BY BUSINESS SEGMENT

HK\$ million	Turnover (including bank interest income)				
	Six months ended 30 June				
	2008		2007		% increase/ (decrease)
Amount (Unaudited)	Relative %	Amount (Unaudited) (Restated)	Relative %		
Telecom and electronic products	<b>1,364</b>	<b>92.0%</b>	1,584	92.5%	(13.9%)
Infant and child products	<b>77</b>	<b>5.2%</b>	57	3.3%	35.1%
Securities investment business	<b>10</b>	<b>0.7%</b>	37	2.2%	(73.0%)
Property investment and development	<b>1</b>	—	2	—	(50.0%)
Corporate and others	<b>31</b>	<b>2.1%</b>	33	2.0%	(6.1%)
<b>Total</b>	<b>1,483</b>	<b>100.0%</b>	1,713	100.0%	(13.4%)

HK\$ million	Operating profit/(loss) (before bank interest income, finance costs and tax)		
	Six months ended 30 June		
	2008 (Unaudited)	2007 (Unaudited)	% increase/ (decrease)
Telecom and electronic products	(145)	(48)	202.1%
Infant and child products	7	6	16.7%
Securities investment business	(212)	56	N/A
Property investment and development	(3)	—	N/A
Corporate and others	(49)	489	N/A
<b>Total</b>	<b>(402)</b>	<b>503</b>	<b>N/A</b>

During the period under review, the telecom and electronic products business continued to be the principal business of the Group (which is principally engaged by the Company's listed subsidiary, CCT Tech International Limited), accounting for approximately 92.0% (corresponding period: 92.5%) of the Group's total turnover. The drop in turnover from the telecom and electronic products business is mainly due to the decrease in the turnover from this business division, resulting from difficult business conditions.

Although the infant and child product business division remained small and accounted for approximately 5.2% (corresponding period: 3.3%) of the Group's total turnover, the business division reported impressive revenue growth of approximately 35.1% in adverse business conditions. The telecom and electronic products business reported a significant increase of loss by approximately 202.1% to approximately HK\$145 million for the six months ended 30 June 2008. The increase in loss was mainly caused by decrease in sale and reduction in average selling prices of our consumer telecom products and substantial increase in operating costs arising from the high material prices, increase in labour costs and appreciation of Renminbi during the period under review.

The infant and child product business reported an operating profit of HK\$7 million despite difficult business environment due to successful efforts of the management to improve efficiency and control costs.

The performance of our securities investment business was adversely affected by volatility and the downturn of Hong Kong stock market in the first half of the financial year 2008. As a result of drop in share prices, the Group's securities investment business recorded a substantial loss of HK\$212 million, attributable mainly to a substantial unrealized fair value loss from investment in financial instruments and the listed equity securities for the six months ended 30 June 2008. This business division, however, posted a gain of approximately HK\$56 million for the six months ended 30 June 2007, attributable to gains and income from listed shares and equity-linked notes in the buoyant Hong Kong stock market in the first half of year 2007.

Corporate and others represent head office income and administrative expenses and the loss of the e-commerce service business. The gain in the corporate and others segment for the six months ended 30 June 2007 mainly attributable to the one-off gain derived from disposal of our partial interests in CCT Tech during the previous period ended 30 June 2007.

## ANALYSIS BY GEOGRAPHICAL SEGMENT

HK\$ million	Turnover (including bank interest income)				
	Six months ended 30 June				
	2008		2007		
	Amount (Unaudited)	Relative %	Amount (Unaudited) (Restated)	Relative %	% increase/ (decrease)
US	709	47.8%	847	49.5%	(16.3%)
Asia Pacific region	520	35.1%	602	35.1%	(13.6%)
Europe	254	17.1%	264	15.4%	(3.8%)
Total	1,483	100.0%	1,713	100.0%	(13.4%)

The US market remained the major market of the Group accounting for approximately 47.8% (corresponding period: 49.5%) of the Group's total turnover for the period ended 30 June 2008. The drop in our sales in the US market was mainly due to the adverse market conditions as explained above. Sales to the Asia Pacific region accounted for approximately 35.1% (corresponding period: 35.1%) of the Group's total turnover, down 13.6%. Affected by the slowdown of the economy in Europe, sales to the Europe market slightly decreased by 3.8% to HK\$254 million, contributing approximately 17.1% (corresponding period: 15.4%) of the Group's total turnover.

## HIGHLIGHTS ON FINANCIAL POSITION AND MAJOR BALANCE SHEET ITEMS

HK\$ million	30 June 2008 (Unaudited)	31 December 2007 (Audited)	% increase/ (decrease)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	1,252	1,287	(2.7%)
Investment properties	279	315	(11.4%)
Available-for-sale financial assets	4	11	(63.6%)
<b>CURRENT ASSETS</b>			
Properties under development	234	—	N/A
Deposits for acquisition of properties for development	199	225	(11.6%)
Financial assets at fair value through profit or loss	548	398	37.7%
Cash and cash equivalents	994	1,673	(40.6%)
<b>CURRENT LIABILITIES</b>			
Current interest-bearing bank loans and other borrowings	235	212	10.8%
Derivative financial instruments	118	62	90.3%
<b>EQUITY AND NON-CURRENT LIABILITIES</b>			
Non-current interest-bearing bank loans and other borrowings	256	224	14.3%
Minority interests	486	550	(11.6%)
Equity attributable to shareholders' of the Company	2,892	3,225	(10.3%)

## DISCUSSION ON FINANCIAL POSITION AND MAJOR BALANCE SHEET ITEMS

The property, plant and equipment were held by the Group for use in its core manufacturing business. The slight decrease in the net book value of these assets was mainly due to depreciation for the first half of the year offset by additions of fixed assets to cope with the needs of production.

Decrease in the investment properties from HK\$315 million as at 31 December 2007 to HK\$279 million as at 30 June 2008 was mainly due to the disposal of an investment property during the period under review.



Available-for-sale financial assets decreased by 63.6% to HK\$4 million as at 30 June 2008, attributable to disposal of a club debenture during the six months ended 30 June 2008.

Properties for development represented the land cost of two pieces of land located in the Liaoning Province, the acquisition of which was completed in the first half of 2008 and their costs of acquisition were reclassified from the deposits account to the properties for development account.

Deposits for acquisition of properties for development decreased by 11.6% to HK\$199 million due to successful bid of additional land in the Anshan City, the acquisition of which had not been completed as at 30 June 2008 and reclassification of the deposits account to properties for development account in relation to two pieces of land located in the Liaoning Province, the acquisition of which was completed in the current period.

The increase in financial assets at fair value through profit or loss was mainly attributable to our additional investment in Hong Kong listed equity investments.

Cash and cash equivalents decreased by 40.6% to HK\$994 million as at 30 June 2008 mainly due to cash outflow for our additional investment in Hong Kong listed equity investments and acquisition of additional land portfolio in the Liaoning Province during the current period.

Total interest-bearing bank loans and other borrowings increased during the current period was attributable to the new bank loans raised to fund capital expenditure and working capital for our operations.

Derivative financial instruments represented the fair value of the obligations under the financial instruments. Increase in amount during the current period was mainly due change in fair value as a result of the volatile and downturn Hong Kong stock market in the first half of year 2008.

Decrease in minority interests was mainly due to the sharing of loss by the minority shareholders in CCT Tech.

Shareholders' funds decreased from HK\$3,225 million as at 31 December 2007 to HK\$2,892 million as at 30 June 2008 was mainly due to the loss attributable to the equity holders of the Company for the period.

## Capital Structure and Gearing Ratio

HK\$ million	30 June 2008		31 December 2007	
	Amount (Unaudited)	Relative %	Amount (Audited)	Relative %
Bank loans	441	13.0%	385	10.5%
Convertible bonds (liability component)	44	1.3%	43	1.2%
Finance lease payable	6	0.2%	8	0.2%
Total borrowings	491	14.5%	436	11.9%
Equity	2,892	85.5%	3,225	88.1%
Total capital employed	3,383	100.0%	3,661	100.0%

The Group's gearing ratio was approximately 14.5% as at 30 June 2008 (31 December 2007: 11.9%). The increase in gearing ratio was mainly due to the increase in net bank borrowings for our manufacturing business. The gearing ratio maintained at low level which reflects a healthy financial position and the prudent financial policy of the Group. Taking into account the cash on hand, the Group in fact did not have any net borrowings.

Outstanding bank borrowings amounted to HK\$441 million at 30 June 2008 (31 December 2007: HK\$385 million). Approximately 75.1% of these bank borrowings was arranged on a short-term basis for the ordinary business of the Group and was repayable within one year. The remaining 24.9% of the bank borrowings was of long-term nature, principally comprised of mortgage loans on properties used by the Group.

Acquisition of certain of the Group's assets was financed by way of finance leases and the total outstanding finance lease payables for the Group as at 30 June 2008 amounted to approximately HK\$6 million (31 December 2007: HK\$8 million).

As at 30 June 2008, the maturity profile of the bank and other borrowings and convertible bonds of the Group falling due within one year, in the second to the fifth year and in the sixth to the tenth year amounted to HK\$235 million, HK\$207 million and HK\$49 million, respectively (31 December 2007: HK\$212 million, HK\$163 million and HK\$61 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

The convertible bonds of the Group were subsequently converted into shares of the Company on 2 July 2008.

## Liquidity and Financial Resources

HK\$ million	<b>30 June 2008 (Unaudited)</b>	31 December 2007 (Audited)
Current assets	<b>3,194</b>	3,538
Current liabilities	<b>1,391</b>	1,456
Current ratio	<b>230%</b>	243%

Current ratio as at 30 June 2008 was 230% (31 December 2007: 243%). The strong liquid position was attributable to our effective financial management of the Group.

As at 30 June 2008 the Group's total cash balance amounted to HK\$1,247 million (31 December 2007 HK\$1,923 million), of which HK\$253 million (31 December 2007: HK\$250 million) was pledged for general banking facilities. Almost all of the Group's cash was placed on deposits with licensed banks in Hong Kong.

## Commitments

During the period under review, the Group incurred capital expenditure to acquire fixed assets and addition of intangible assets amounted to approximately HK\$72 million, which was mainly related to the core manufacturing businesses of the Group.

The Group's capital and properties development commitments amounted to approximately HK\$205 million (31 December 2007: HK\$79 million) as at 30 June 2008, of which HK\$193 million (31 December 2007: HK\$51 million) was mainly related to commitment for properties development expenditure and HK\$12 million (31 December 2007: HK\$28 million) was related to capital expenditure for the manufacturing business of the Group. All of which will be financed 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 period under review, the Group's receipts were mainly denominated in US dollars, with some in Hong Kong dollars and the Euro. Payments were mainly made in Hong Kong dollars, US dollars and Renminbi and some made in Euros. Cash was generally placed in short-term deposits and medium-term deposits denominated in Hong Kong dollars and US dollars. As at 30 June 2008, the Group's borrowings were mainly denominated in Hong Kong dollars and US dollars. As at 30 June 2008, other than the convertible bonds in an aggregate principal amount of approximately HK\$48 million which is interest-free, the Group's borrowings were principally made on a floating rate basis.

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

For Renminbi exposure, as our wages and overheads in our factories in China are paid in Renminbi, our production costs will be increased by the possible further appreciation of Renminbi. Any further appreciation of the Renminbi in future will be of concern to all manufacturers with manufacturing facilities in China. The Group will continue to explore ways and methods to hedge future appreciation of Renminbi and will only consider to enter into any forward contracts at appropriate costs and pricing. We have also invested some of our surplus funds on listed shares that we believe will benefit from appreciation of Renminbi. We hope that the returns and gains that we may derive from these listed shares will hedge partly against the potential appreciation of the Renminbi.

## **Acquisition and Disposal of Material Subsidiaries and Associates**

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

## **Significant Investment**

The Group did not hold any significant investment as at 30 June 2008 (31 December 2007: Nil).

## **Pledge of Assets**

As at 30 June 2008, certain of the Group's assets with a net book value of HK\$750 million (31 December 2007: HK\$804 million) and time deposits of HK\$253 million (31 December 2007: HK\$250 million) were pledged to secure the general banking facilities granted to the Group.

## **Contingent Liabilities**

As at 30 June 2008, the Group did not have any significant contingent liabilities.

## **Employees and Remuneration Policy**

The total number of employees of the Group as at 30 June 2008 was 19,029 (31 December 2007: 16,278). Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. At 30 June 2008, there were no outstanding share options issued by the Company.



# interim results

The Board of the Company is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2008 together with the comparative figures for the corresponding period in 2007 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

HK\$ million	Notes	Six months ended 30 June	
		2008 (Unaudited)	2007 (Unaudited)
<b>REVENUE</b>	3	<b>1,483</b>	1,713*
Cost of sales		<b>(1,501)</b>	(1,577)*
Gross profit/(loss)		<b>(18)</b>	136
Other income and gains	4	<b>33</b>	573
Selling and distribution costs		<b>(22)</b>	(26)
Administrative expenses		<b>(138)</b>	(148)
Other expenses	5	<b>(244)</b>	(22)
Finance costs		<b>(8)</b>	(15)
<b>PROFIT/(LOSS) BEFORE TAX</b>	6	<b>(397)</b>	498
Tax	7	<b>(5)</b>	(14)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>(402)</b>	484
<b>Profit/(loss) attributable to:</b>			
Equity holders of the parent		<b>(337)</b>	498
Minority interests		<b>(65)</b>	(14)
		<b>(402)</b>	484
<b>PROPOSED INTERIM DIVIDENDS</b>	8	<b>21</b>	20
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic	9	<b>(HK\$0.423)</b>	HK\$0.626
Diluted		<b>N/A</b>	HK\$0.585

\* As restated in accordance with the guidance from the HKICPA.

## CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2008

HK\$ million	Notes	<b>30 June 2008 (Unaudited)</b>	31 December 2007 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,252	1,287
Investment properties		279	315
Prepaid land lease payments		216	219
Other intangible assets		27	32
Goodwill		55	55
Available-for-sale financial assets		4	11
Deferred tax assets		2	2
<b>Total non-current assets</b>		<b>1,835</b>	1,921
<b>CURRENT ASSETS</b>			
Inventories		237	223
Properties for development		234	—
Trade and bills receivables	11	646	718
Prepayment, deposits and other receivables		83	51
Deposits for acquisition of properties for development		199	225
Financial assets at fair value through profit or loss		548	398
Pledged time deposits		253	250
Cash and cash equivalents		994	1,673
<b>Total current assets</b>		<b>3,194</b>	3,538
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	810	851
Tax payable		31	31
Other payables and accruals		197	300
Derivative financial instruments		118	62
Interest-bearing bank loans and other borrowings		235	212
<b>Total current liabilities</b>		<b>1,391</b>	1,456
<b>NET CURRENT ASSETS</b>		<b>1,803</b>	2,082
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,638</b>	4,003



HK\$ million	Notes	30 June 2008 (Unaudited)	31 December 2007 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans and other borrowings		256	224
Deferred tax liabilities		4	4
Total non-current liabilities		260	228
Net assets		3,378	3,775
<b>EQUITY</b>			
Equity attributable to equity holders of the parent			
Issued capital	14	80	80
Reserves		2,791	3,121
Proposed interim/final dividend		21	24
Shareholders' funds		2,892	3,225
<b>Minority interests</b>		486	550
Total equity		3,378	3,775

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

HK\$ million	Attributable to equity holders of the parent											Total	Minority interests	Total equity
	Issued share capital	Share premium account	Capital Reserve	Distributable reserve	Investment revaluation reserve	Equity component of convertible bonds	Share option reserve	Exchange fluctuation reserve	Retained profits/(accumulated) losses	Proposed interim/final dividend				
At 1 January 2008	80	77	745	1,417	1	10	3	19	849	24	3,225	550	3,775	
Exchange realignment	-	-	-	-	-	-	-	30	-	-	30	-	30	
Total income and expense recognised directly in equity	-	-	-	-	-	-	-	30	-	-	30	-	30	
Loss for the period	-	-	-	-	-	-	-	-	(337)	-	(337)	(65)	(402)	
Total income and expense for the period	-	-	-	-	-	-	-	30	(337)	-	(307)	(65)	(372)	
Realisation of revaluation reserve upon disposal of investment	-	-	-	-	(1)	-	-	-	-	-	(1)	-	(1)	
Deemed disposal of interest in a subsidiary upon exercise of share options in the subsidiary	-	-	-	-	-	-	(1)	-	-	-	(1)	1	-	
2007 final dividend	-	-	-	-	-	-	-	-	-	(24)	(24)	-	(24)	
Proposed 2008 interim dividend	-	-	-	-	-	-	-	-	(21)	21	-	-	-	
At 30 June 2008	80	77	745	1,417	-	10	2	49	491	21	2,892	486	3,378	
At 1 January 2007	78	67	741	1,417	1	13	2	4	409	20	2,752	57	2,809	
Exchange realignment	-	-	-	-	-	-	-	5	-	-	5	-	5	
Total income and expense recognised directly in equity	-	-	-	-	-	-	-	5	-	-	5	-	5	
Profit for the period	-	-	-	-	-	-	-	-	498	-	498	(14)	484	
Total income and expense for the period	-	-	-	-	-	-	-	5	498	-	503	(14)	489	
Equity-settled share option Arrangements	-	-	-	-	-	-	7	-	-	-	7	6	13	
Arising from disposal of shares in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	507	507	
Deemed acquisition of minority interests upon exercise of share options in a subsidiary	-	-	5	-	-	-	(5)	-	-	-	-	38	38	
Issue of new shares upon conversion of convertible bonds	2	8	-	-	-	(3)	-	-	-	-	7	-	7	
2006 final dividend	-	-	-	-	-	-	-	-	-	(20)	(20)	-	(20)	
Proposed 2007 interim dividend	-	-	-	-	-	-	-	-	(20)	20	-	-	-	
At 30 June 2007	80	75	746	1,417	1	10	4	9	887	20	3,249	594	3,843	

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30 June 2008*

HK\$ million	<b>2008</b> <b>(Unaudited)</b>	2007 (Unaudited)
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>(336)</b>	(38)
<b>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</b>	<b>(392)</b>	898
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>	<b>31</b>	92
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(697)</b>	952
Cash and cash equivalents at beginning of period	<b>1,673</b>	865
Effect of foreign exchange rate changes, net	<b>18</b>	3
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>994</b>	1,820
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>427</b>	488
Non-pledged time deposits with original maturity of less than three months when acquired	<b>567</b>	1,332
	<b>994</b>	1,820

## **NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **1. Basis of Preparation**

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

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2007.

### **2. Principal Accounting Policies**

The accounting policies adopted are consistent with those of the consolidated financial statements for the year ended 31 December 2007.

In the current interim period, the Group has applied a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are relevant to its operations and are effective for accounting periods beginning on or after 1 January, 2008. The adoption of the new HKFRSs has no significant effect on the Group's accounting policies and amounts reported for the current and prior accounting periods in these condensed consolidated financial statements.

## 2. Principal Accounting Policies (Continued)

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The directors anticipate that the application of these new standards or interpretations will have no material impact on the results and financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>2</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 32 & 1, Amendments	Puttable Financial Instruments and Obligations Arising On Liquidation <sup>2</sup>
HKFRS 2 (Amended)	Share-based Payment — Amendments Relating to Vesting Conditions and Cancellations <sup>2</sup>
HKFRS 3 (Revised)	Business Combinations <sup>3</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>1</sup>
HK(IFRIC)-Int 15	Agreements for the construction of real estates <sup>2</sup>
HK(IFRIC)-Int 16	Hedges of a net investment in a foreign operation <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>4</sup> Effective for annual periods beginning on or after 1 October 2008

### 3. Segment Information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the telecom and electronic products segment engages in the manufacture and sale of telecom and electronic products, accessories and components;
- (b) the infant and child products segment engages in the manufacture and sale of infant and child products;
- (c) the securities investment segment engages in trading in securities and the holding of securities and treasury products;
- (d) the property investment and development segment engages in property investment and property development; and
- (e) the corporate and others segment comprises the provision of e-commerce service and corporate income and expenses items.

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

### 3. Segment Information (Continued)

#### (a) Business segments

The following tables present revenue and profit/(loss) regarding the Group's business segments for the period ended 30 June 2008 and 2007.

#### 2008

HK\$ million	Telecom and electronic products (Unaudited)	Infant and child products (Unaudited)	Securities investment (Unaudited)	Property investment and development (Unaudited)	Corporate and others (Unaudited)	Consolidated (Unaudited)
Segment revenue:						
Sales to external customers	1,364	77	10	1	18	1,470
Other revenue	20	3	6	2	2	33
Total revenue	1,384	80	16	3	20	1,503
Segment results	(145)	7	(212)	(3)	(49)	(402)
Interest income						13
Finance costs						(8)
Loss before tax						(397)
Tax						(5)
Loss for the period						(402)

#### 2007

HK\$ million	Telecom and electronic products (Unaudited)	Infant and child products (Unaudited)	Securities investment (Unaudited)	Property investment and development (Unaudited)	Corporate and others (Unaudited)	Consolidated (Unaudited)
Segment revenue:						
Sales to external customers	1,584	57	37	2	23	1,703
Other revenue	9	1	484	—	79	573
Total revenue	1,593	58	521	2	102	2,276
Segment results	(48)	6	56	—	489	503
Interest income						10
Finance costs						(15)
Profit before tax						498
Tax						(14)
Profit for the period						484

### 3. Segment Information (Continued)

(b) Geographical segments

The following tables present revenue information regarding the Group's geographical segments for the period ended 30 June 2008 and 2007.

#### 2008

HK\$ million	United States of America (Unaudited)	Asia Pacific (Unaudited)	Europe (Unaudited)	Consolidated (Unaudited)
Segment revenue:				
Sales to external customers	709	507	254	1,470
Other revenue	—	33	—	33
<b>Total revenue</b>	<b>709</b>	<b>540</b>	<b>254</b>	<b>1,503</b>

#### 2007

HK\$ million	United States of America (Unaudited)	Asia Pacific (Unaudited)	Europe (Unaudited)	Consolidated (Unaudited)
Segment revenue:				
Sales to external customers	847	592	264	1,703
Other revenue	—	573	—	573
<b>Total revenue</b>	<b>847</b>	<b>1,165</b>	<b>264</b>	<b>2,276</b>



**4. Other income and gains**

HK\$ million	Six months ended 30 June	
	<b>2008</b> <b>(Unaudited)</b>	2007 (Unaudited)
Gain on partial disposal/deemed disposal of interest in a subsidiary	<b>1</b>	532
Unrealised gain on financial assets	<b>—</b>	24
Exchange gain	<b>7</b>	—
Sample income	<b>10</b>	—
Other income	<b>15</b>	17
	<b>33</b>	573

**5. Other expenses**

HK\$ million	Six months ended 30 June	
	<b>2008</b> <b>(Unaudited)</b>	2007 (Unaudited)
Unrealised loss on financial assets	<b>226</b>	5
Write-off of deferred development costs	<b>14</b>	12
Other expenses	<b>4</b>	5
	<b>244</b>	22

**6. Profit/(Loss) before Tax**

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

HK\$ million	Six months ended 30 June	
	<b>2008</b> <b>(Unaudited)</b>	2007 (Unaudited)
Cost of inventories sold	<b>1,474</b>	1,563
Depreciation	<b>70</b>	66
Amortisation of prepaid land lease payments	<b>3</b>	3
Amortisation of deferred development costs	<b>22</b>	18
Write off of deferred development costs	<b>14</b>	12

## 7. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Certain PRC subsidiaries of the Group, which are categorised as wholly foreign-owned enterprises, are entitled to preferential tax treatments including full exemption from the PRC income tax for two years starting from their first profit-making year following by a 50% reduction for the next three consecutive years.

HK\$ million	Six months ended 30 June	
	2008 (Unaudited)	2007 (Unaudited)
Current — Hong Kong:		
Charge for the period	2	7
Current — Elsewhere	3	5
Deferred tax	—	2
Total tax charge for the period	5	14

## 8. Dividends

The board of directors has declared an interim dividend for 2008 of HK\$0.025 per share (30 June 2007: HK\$0.025 per share) to be payable from the Company's retained earnings. The interim dividend will be paid on or around Wednesday, 22 October 2008 to shareholders whose names appear on the register of members of the Company on Friday, 10 October 2008. The register of members of the Company will be closed from Wednesday, 8 October 2008 to Friday, 10 October 2008 (both date inclusive).

## 9. Earnings/(Loss) per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings/(loss) per share amount for the period is based on the loss for the period attributable to ordinary equity holders of the parent of HK\$337 million (30 June 2007: profit of HK\$498 million) and the weighted average number of 797,123,505 (30 June 2007: 795,584,050) ordinary shares in issue during the period.

## 9. Earnings/(Loss) per Share Attributable to Ordinary Equity Holders of the Parent *(Continued)*

Diluted loss per share amount for the period has not been disclosed, as the convertible bonds outstanding during the period had an anti-dilutive effect on the basic loss per share for the period. The calculation of diluted earnings per share amount for the prior period is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on convertible bonds (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the prior period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

HK\$ million	<b>Six months ended 30 June 2007 (Unaudited)</b>
<b>Earnings</b>	
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	498
Interest on convertible bonds	<u>1</u>
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	<u>499</u>
<b>Shares</b>	
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	795,584,050
Effect of dilution — weighted average number of ordinary shares:	
Convertible bonds	<u>58,036,873</u>
	<u>853,620,923</u>

## 10. Property, Plant and Equipment

During the six months ended 30 June 2008, the Group acquired fixed assets of HK\$41 million (six months ended 30 June 2007: HK\$83 million) and disposed fixed assets of HK\$13 million (six months ended 30 June 2007: HK\$2 million).

## 11. Trade and Bills Receivables

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

HK\$ million	30 June 2008 (Unaudited)		31 December 2007 (Audited)	
	Balance	Percentage	Balance	Percentage
Current to 30 days	255	40	217	30
31 to 60 days	222	34	223	31
61 to 90 days	130	20	199	28
Over 90 days	39	6	79	11
	<b>646</b>	<b>100</b>	718	100

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

## 12. Trade and Bills Payables

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

HK\$ million	30 June 2008 (Unaudited)		31 December 2007 (Audited)	
	Balance	Percentage	Balance	Percentage
Current to 30 days	247	31	184	22
31 to 60 days	222	27	229	27
61 to 90 days	150	18	159	18
Over 90 days	191	24	279	33
	<b>810</b>	<b>100</b>	851	100

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

### 13. Convertible Bonds

- (a) On 25 April 2005, the Company issued convertible bonds with an aggregate nominal value of approximately HK\$155 million to those shareholders and noteholders of CCT Tech who accepted the general offers made by a subsidiary of the Company on 31 January 2005 to take over CCT Tech and who opted for the 2010 Convertible Bonds.

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

During the prior years, the 2010 Convertible Bonds with an aggregate nominal value of approximately HK\$177 million were converted into 222,077,325 shares in the Company of HK\$0.10 each. There was no conversion of 2010 Convertible Bonds during the current period.

The 2010 Convertible Bonds were subsequently converted into shares of the Company on 2 July 2008.

### 13. Convertible Bonds (Continued)

- (b) On 23 June 2006, the Company issued convertible bond with a nominal value of HK\$30 million as part of consideration for the acquisition of a property.

The 2009 Convertible Bonds are convertible at the option of the bondholder into ordinary shares of the Company at the conversion price of HK\$1.13 per share (subject to adjustment as provided in the terms and conditions of the 2009 Convertible Bonds) at any time from the date of issue of 2009 Convertible Bonds to the fifth business day immediately prior to the maturity thereof. The 2009 Convertible Bonds are unsecured, interest-free and have a maturity date of 23 June 2009. Unless converted into the Shares or early repaid by the Company, the outstanding balance of the 2009 Convertible Bonds shall be redeemed in full on maturity. The Company may at its sole discretion repay, in whole or in part, the outstanding balance of the 2009 Convertible Bonds not yet repaid or converted into the Shares any time before maturity by giving the holders of the convertible bonds a prior written notice of 14 days. There was no conversion of the 2009 Convertible Bonds during the prior year and the current period.

The 2009 Convertible Bonds were subsequently converted into Shares on 2 July 2008.

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

### 14. Share Capital

HK\$ million	<b>30 June 2008 (Unaudited)</b>	31 December 2007 (Audited)
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	<b>200</b>	200
Issued and fully paid:		
797,123,505 (31 December 2007: 797,123,505) ordinary shares of HK\$0.10 each	<b>80</b>	80

## 15. Contingent Liabilities

As at 30 June 2008, the Group did not have any significant contingent liabilities.

## 16. Pledge of Assets

At 30 June 2008, the Group's bank borrowings were secured by:

- (i) pledge of the Group's fixed deposits amounting to approximately HK\$253 million (31 December 2007: HK\$250 million); and
- (ii) fixed charges over certain of the Group's investment properties and leasehold land and buildings with an aggregate net book value amounting to approximately HK\$750 million (31 December 2007: HK\$804 million).

## 17. Operating Lease Arrangements

### (a) As lessor

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

At 30 June 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

HK\$ million	<b>30 June 2008 (Unaudited)</b>	31 December 2007 (Audited)
Within one year	<b>1</b>	1
In the second to fifth years, inclusive	<b>2</b>	2
After five years	<b>2</b>	2
	<b>5</b>	5

## 17. Operating Lease Arrangements (Continued)

### (b) As lessee

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

At 30 June 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

HK\$ million	30 June 2008 (Unaudited)	31 December 2007 (Audited)
Within one year	10	9
In the second to fifth years, inclusive	11	9
	21	18

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases with initial lease terms ranging from fifty to fifty one years in respect of land on which certain of the Group's factories are situated falling due as follows:

HK\$ million	30 June 2008 (Unaudited)	31 December 2007 (Audited)
Within one year	2	2
In the second to fifth years, inclusive	9	11
After five years	114	116
	125	129



## 18. Commitments

In addition to the operating lease commitments detailed in note 17, the Group had the following commitments at the balance sheet date:

### (a) Capital commitments

HK\$ million	<b>30 June 2008 (Unaudited)</b>	31 December 2007 (Audited)
Contracted, but not provided for:		
Construction in progress	<b>8</b>	18
Purchases of plant and machinery and equipment	<b>4</b>	10
	<b>12</b>	28

### (b) Property development commitments

HK\$ million	<b>30 June 2008 (Unaudited)</b>	31 December 2007 (Audited)
Contracted, but not provided for	<b>193</b>	51

## 19. Related Party Transactions

Compensation of key management personnel of the Group

HK\$ million	Six months ended 30 June	
	<b>2008 (Unaudited)</b>	2007 (Unaudited)
Short term employee benefits	<b>23</b>	23
Post-employment benefits	—	—
Total compensation paid to key management personnel	<b>23</b>	23

## 20. Comparative Figures

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



# disclosure of interests

## DIRECTORS' INTERESTS

As at 30 June 2008, the Directors and the chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company:

### (a) Interests and short positions in the Shares and the underlying Shares of the convertible bonds of the Company as at 30 June 2008

#### (i) Long positions in the Shares:

Name of the Director	Number of the Shares beneficially held and nature of interest			Total	Approximate
	Personal	Family	Corporate		percentage of the total issued share capital
					(%)
Mak Shiu Tong, Clement	715,652	—	238,283,758	238,999,410	29.98
Tam Ngai Hung, Terry	500,000	—	—	500,000	0.06
Cheng Yuk Ching, Flora (Note)	14,076,713	160,000	—	14,236,713	1.79
William Donald Putt	591,500	—	—	591,500	0.07
Samuel Olenick (resigned on 5 February 2008)	—	—	545,000	545,000	0.07

Note: Included in the shareholdings in which Ms. Cheng Yuk Ching, Flora was interested, 160,000 Shares 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 the Company:*

Name of the Director	Description of equity derivatives	Notes	Number of the total underlying Shares	Approximate percentage of the total issued share capital (%)
Mak Shiu Tong, Clement	2010 convertible bonds	(1)	29,942,649	3.76
	2009 convertible bonds	(2)	26,548,672	3.33

Notes:

- (1) The 2010 convertible bonds with an outstanding principal amount of HK\$18,085,360 as at 30 June 2008, were issued by the Company to New Capital Industrial Limited (a company wholly-owned by Mr. Mak Shiu Tong, Clement and his family members) on 25 April 2005. The 2010 convertible bonds, due on 25 April 2010, were interest-free and convertible into the Shares at the conversion price of HK\$0.604 per Share (subject to adjustments according to the terms of the 2010 convertible bonds). The interest of Mr. Mak Shiu Tong, Clement in these underlying Shares has also been disclosed under the section headed "Substantial Shareholders' Interests" below. The 2010 convertible bonds were subsequently converted into the Shares by New Capital Industrial Limited on 2 July 2008.
- (2) The 2009 convertible bonds with an outstanding principal amount of HK\$30,000,000 as at 30 June 2008, were issued by the Company to Capital Winner Investments Limited (a company wholly-owned by Mr. Mak Shiu Tong, Clement and his family members) on 23 June 2006. The 2009 convertible bonds, due on 23 June 2009, were interest-free and convertible into the Shares at the conversion price of HK\$1.13 per Share (subject to adjustments according to the terms of the 2009 convertible bonds). The 2009 convertible bonds were subsequently converted into the Shares by Capital Winner Investments Limited on 2 July 2008.

**(b) Interests and short positions in the shares and the underlying shares of an associated corporation – CCT Tech as at 30 June 2008**

*Long positions in the shares of CCT Tech:*

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

**(c) Interests and short positions in the shares and the underlying shares of the share options of an associated corporation – Tradeeasy as at 30 June 2008**

*(i) Long positions in the shares of Tradeeasy:*

Name of the Director	Number of the shares held	Approximate percentage of the total issued share capital
(%)		
Mak Shiu Tong, Clement	19,344,000	1.59
Tam Ngai Hung, Terry	7,500,000	0.62

*(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	22,500,000	22,500,000	1.85
Tam Ngai Hung, Terry	14/8/2006	14/8/2006 – 13/8/2011	0.038	18,000,000	18,000,000	1.48
Cheng Yuk Ching, Flora	14/8/2006	14/8/2006 – 13/8/2011	0.038	5,000,000	5,000,000	0.41
William Donald Putt	14/8/2006	14/8/2006 – 13/8/2011	0.038	5,000,000	5,000,000	0.41

Save as disclosed above, as at 30 June 2008, 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 section headed "Directors' Interests" above, at no time during the period for the six months ended 30 June 2008 was the Company, or any of its 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 30 June 2008, the following persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

#### **(i) Long positions in the Shares as at 30 June 2008:**

Name of the Shareholder	Number of the Shares held	Approximate percentage of the total issued share capital (%)
Capital Force International Limited (Note)	96,868,792	12.15
New Capital Industrial Limited (Note)	141,414,966	17.74
	238,283,758	29.89

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

**(ii) Long positions in the underlying Shares of the 2010 convertible bonds of the Company as at 30 June 2008:**

Name of the holder of the 2010 convertible bonds	Amount of the 2010 convertible bonds  HK\$	Number of the total underlying Shares	Approximate percentage of the total issued share capital  (%)
New Capital Industrial Limited (Note)	18,085,360	29,942,649	3.76

Note: The details of the interest of Mr. Mak Shiu Tong, Clement in these underlying Shares has also been disclosed under the section headed "Directors' Interests" above.

Save as disclosed above, as at 30 June 2008, there were no other persons who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.



## share option scheme

The Share Option Scheme was adopted by the Company on 28 February 2002. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. As at 30 June 2008, there were no share options outstanding under the Share Option Scheme. No share options has been granted, exercised, lapsed and cancelled under the Share Option Scheme during the period for the six months ended 30 June 2008.



# other information

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed Shares during the six months ended 30 June 2008.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

### **Corporate Governance Practices**

In the opinion of the Directors, the Company has complied with the code provisions under the Code set out in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 June 2008, 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 the four executive Directors (including the Chairman) and the three INEDs of the Company with a balance of skills and experience appropriate for the requirements of the Group. Furthermore, the roles of the managing director and the general managers of the Company's major operating subsidiaries are performed by other individuals. The Board believes that there is no need to segregate the roles of the Chairman and the CEO as the balance of power and authority is already ensured by the current structure. The Board does not believe that the separation of the roles of the Chairman and the CEO will improve the corporate performance.

#### ***Code Provision A.4.1***

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

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

#### **Code Provision A.4.2**

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

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

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

Other information on the corporate governance practices of the Company has been disclosed in the corporate governance report contained in the 2007 Annual Report of the Company issued in April 2008.

#### **Audit Committee**

The Company has established the Audit Committee with specific written terms of reference formulated in accordance with the requirements of the Listing Rules. During the period for the six months ended 30 June 2008, the Audit Committee consisted of three members comprising the three INEDs of the Company. As at 1 January 2008, the three INEDs of the Company were Mr. Lau Ho Man, Edward, Mr. Tam King Ching, Kenny and Mr. Samuel Olenick. Mr. Samuel Olenick resigned on 5 February 2008 and a new INED of the Company, namely Mr. Chen Li was appointed on the same day as a member of the Audit Committee. Currently, two members of the Audit Committee are qualified accountants who have extensive experience in accounting and financial matters. The Audit Committee is chaired by an INED who is subject to rotation each year.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2008 and the 2008 Interim Report of the Company.

## Remuneration Committee

The Company has established the Remuneration Committee with specific written terms of reference in line with the code provisions under the Code. During the period for the six months ended 30 June 2008, the Remuneration Committee consisted of five members comprising the three INEDs of the Company and the two executive Directors. As at 1 January 2008, the three INEDs of the Company were Mr. Lau Ho Man, Edward, Mr. Tam King Ching, Kenny and Mr. Samuel Olenick, and the two executive Directors were Mr. Mak Shiu Tong, Clement and Mr. Tam Ngai Hung, Terry. Mr. Samuel Olenick resigned on 5 February 2008 and a new INED of the Company, namely Mr. Chen Li was appointed on the same day as a member of the Remuneration Committee. The Remuneration Committee is chaired by an INED who is subject to rotation each year.

## Model Code for Securities Transactions by the Directors

The Company has adopted its code of conduct regarding the securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code adopted by the Company throughout the period for the six months ended 30 June 2008.

## Independent Non-executive Directors

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of a sufficient number of the INEDs and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise throughout the period for the six months ended 30 June 2008. The Board comprises the three INEDs of the Company, two of whom have accounting and financial expertise and bring strong independent judgement, knowledge and experience to the Board.

## BOARD OF DIRECTORS

As at the date of the 2008 Interim Report, the executive Directors are Mr. Mak Shiu Tong, Clement, Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt and the INEDs of the Company are Mr. Tam King Ching, Kenny, Mr. Lau Ho Man, Edward and Mr. Chen Li.

By Order of the Board

**Mak Shiu Tong, Clement**

*Chairman*

Hong Kong, 19 September 2008

# glossary of terms

## GENERAL TERMS

2009 Convertible Bonds	The convertible bonds issued by the Company to Capital Winner on 23 June 2006, with an outstanding principal amount of HK\$30,000,000 as at 30 June 2008. The convertible bonds, due on 23 June 2009, were interest free, convertible into the Shares at the conversion price of HK\$1.13 per Share (subject to adjustments according to the terms of the convertible bonds). The 2009 Convertible Bonds were subsequently converted into Shares on 2 July 2008
2010 Convertible Bonds	The convertible bonds issued by the Company to New Capital on 25 April 2005, with an outstanding principal amount of HK\$18,085,360 as at 30 June 2008. The convertible bonds, due on 25 April 2010, were interest free, convertible into the Shares at the conversion price of HK\$0.604 per Share (subject to adjustments according to the terms of the convertible bonds). The 2010 Convertible Bonds were subsequently converted into shares on 2 July 2008
AGM	Annual general meeting
Audit Committee	The audit committee of the Company
Board	The board of Directors
Capital Winner	Capital Winner Investments Limited, a company wholly-owned by Mr. Mak Shiu Tong, Clement and his family members
CCT Tech	CCT Tech International Limited, a company listed on the Main Board of the Stock Exchange and a non wholly-owned subsidiary 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 Telecom Holdings Limited
DECT	Digital enhanced cordless telephone
Director(s)	The director(s) of the Company
Group	The Company and its subsidiaries
HK or Hong Kong	The Hong Kong Special Administrative Region of PRC
HK\$	Hong Kong dollar(s), the lawful currency of Hong Kong
INED(s)	Independent non-executive director(s)
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
Model Code	The Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules
New Capital	New Capital Industrial Limited, a company wholly-owned by Mr. Mak Shiu Tong, Clement and his family members
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
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	The ordinary share(s) of HK\$0.10 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 28 February 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 and a non wholly-owned 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 bonds and finance lease payable) divided by total capital employed (i.e. total Shareholders' fund plus total borrowings)
Earnings/(Loss) Per Share	Profit/(loss) attributable to the Shareholders divided by weighted average number of Shares in issue during the period
Current Ratio	Current assets divided by current liabilities



CCIT TELECOM

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