CCT TECH

中建科技國際有限公司

2008 Annual Report

Stock Code : 261

contents

chairman's letter

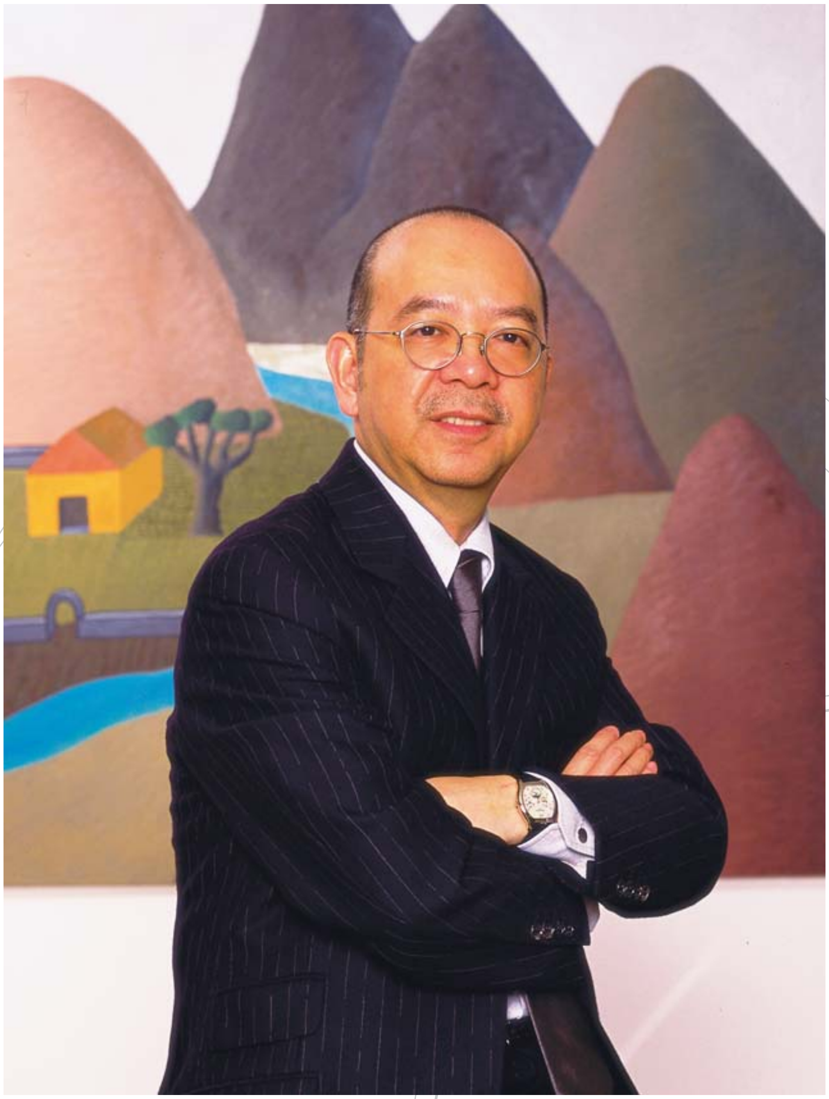
The year 2008 has turned out to be a traumatic year for every economy and every industry globally. The unprecedented financial tsunami originated from the sub-prime crisis in the U.S. has widely swept through all regions and created a serious credit crunch and a sudden squeeze in global consumption. The rippling effects from the financial tsunami on the global economy have badly shaken consumer confidence and damaged the global capital market, which have resulted in recession in the developed countries. As with many other industries and businesses, the operations and performance of the Company was adversely affected by the financial tsunami.

On behalf of the Board, I am pleased to announce the annual results of the Group for the year ended 31 December 2008.

During the year under review, the Group's turnover was HK$2,758 million, decreased by approximately HK$585 million, or 17.5% as compared with the corresponding previous year.

As disclosed in the Company's announcements dated 6 November 2008 and 15 January 2009, the Group's largest single customer in the U.S. (the "U.S. Customer") has discontinued its retail telephony activities in North America (the "Discontinuation"). As a result of the Discontinuation, the Group has written off impairment loss in the amount of HK$82 million on certain under-utilised fixed assets and intangible assets and has incurred restructuring costs in the total amount of HK$44 million associated with the Discontinuation. These exceptional impairment loss and restructuring costs have hit the Group's financial performance for the year ended 31 December 2008, substantially increasing its loss for the year.

Under the global economic contraction environment, our manufacturing business was faced with the most difficult times since its inception. Due to the contracting demand of the telecom products, high operating costs especially in the first half of 2008, and the exceptional impairment loss and restructuring costs arising from the Discontinuation, the Group reported a net loss of approximately HK$317 million for the year ended 31 December 2008. Excluding the exceptional items, the net loss of the Group in the second half of the year amounted HK$68 million, which has substantially reduced from the net loss of HK$123 million in the first half of the year. The improvement in the Group's operating result before the exceptional items in the second half of the year is encouraging and signifies the success of the measures and initiatives taken by the Group to improve its competitiveness.



OUTLOOK

The rippling effects from the financial crisis and the uncertainties on the effectiveness of steps and measures taken by the governments around the world to address the financial crisis will continue to impact the world economy in 2009. We expect the outlook of the manufacturing industry to remain uncertain and challenging for 2009. The Discontinuation is expected to have an adverse impact on the Group's turnover in 2009. However, the Discontinuation has allowed us to eliminate the loss-making U.S. business and to further streamline and restructure our operations to enhance our competitiveness and improve productivity. We have taken all necessary actions to adjust our scale to the appropriate business level. We continue to emphasize cost controls in every areas of business and will continue to diversify our customer base and mitigate market and customer risks. We will continue to make improvement to our operation to gain our competitive edge and seek opportunities to leverage on current economy crisis to develop our business to prepare the Group for next growth cycle.

In view of the uncertain economic environment, the Group will continue to adopt measures to protect its cashflow and strengthen our financial position. Stringent measures have been taken to cut costs and control capital expenditure right across the whole operations and encouraging improvement in gross margins has shown in the first few months of 2009. With our experienced management team, strong research and development capability and sound financial fundamentals, we believe that we are capable of overcome the external pressures and challenges amid the more uncertain global economic environment and we will continue with our best efforts for a successful year of 2009.

ACKNOWLEDGEMENTS

I would like to take this opportunity to express my gratitude to management, despite a most difficult environment, for their valuable input and critical analysis, all employees for their hard-working and our shareholders, customers and suppliers and bankers for their continued support and confidence in the Group.

Mak Shiu Tong, Clement
Chairman

Hong Kong, 21 April 2009

review of operations

The year 2008 was extremely difficult for every industry and business, especially for manufacturing industry. The financial turmoil, originated from the housing and financial market in the U.S. has led to a severe global credit crunch and global economic downturn which has resulted in a recession in the developed economy.

Despite our efforts to diversify customer base and mitigate market and customer risks, revenue of the Group for the year ended 31 December 2008 still recorded a significant drop from approximately HK$3,343 million in 2007 to approximately HK$2,758 million in 2008, represented a drop of 17.5%, due to lower demand under economic downturn.

The Discontinuation did not have any significant effect on the Group's turnover in 2008 as it only occurred in November last year. The customers of the Group comprise many major international distributors and operators and the U.S. Customer is only one of them. The Group's turnover derived from sales to the U.S. Customer for the year ended 31 December 2008 represents approximately 37.5% of the total turnover of the Group for the year ended 31 December 2008, compared with approximately 49.4% for the year ended 31 December 2007. The decrease in the relative proportion of sales to the U.S. customer in 2008 reflects the success of our diversification strategy by reducing our reliance on any single customer. The Discontinuation is expected to have a direct negative impact on the Group's turnover for the future years commencing 1 January 2009. However, it is expected that the loss in turnover from the U.S. Customer will be partially offset by the expected growth in sales to customers in Europe and the Asia Pacific Region. As the sales to the U.S. Customer were loss-making, the Discontinuation has enabled the Group to eliminate the loss-making U.S. business and this is expected to have a positive impact on the Group's performance for the future financial years commencing 1 January 2009. Due to the Discontinuation, certain production facilities of the Group have become under-utilised and the value of such under-utilised fixed assets and certain intangible assets relating to the business of the U.S. customer has been impaired. Furthermore, the Group has incurred certain restructuring costs in order to restructure and streamline the operations to cope with the Discontinuation. As a result, impairment losses and restructuring costs in the aggregate amount of HK$126 million have incurred associated with the Discontinuation and were charged to the Group's consolidated income statement for the year ended 31 December 2008.

Affected by the financial crisis, the sales orders from our customers slowed down in 2008 and as a result turnover decreased. High production costs especially in the first half of the year, fueled by high material costs, surge in labour costs and the appreciation of Renminbi against U.S. dollar, and the exceptional items associated with Discontinuation in the second half of the year adversely affected the performance of our business. As a result, the Group reported a loss of approximately HK$317 million for the year ended 31 December 2008, an increase of 57.7% as compared to a loss of approximately HK$201 million in the corresponding previous year. If the exceptional items are excluded, the loss in the second half of 2008 in fact showed a significant decrease from that in the first half, reflecting encouraging improvement in the operating performance of the Group's manufacturing business.

Against such uncertain conditions, the Group has taken decisive actions towards cost optimization. We have consolidated manufacturing operations, undergone capacity review and taken necessary actions in each location. In order to combat the adverse business environment, the Group has implemented a number of initiatives which include re-engineering of our products, and costs reduction and controls in order to improve our competitiveness and efficiency. Additional initiatives like (i) exploring new markets and expand its sales to Europe, the Middle East, the Asia Pacific Region, and other countries outside North America; (ii) trimming down costs and overheads relating to non-performing business units; (iii) stringent control on capital expenditures and employee recruitments; and (iv) a salary reduction plan for senior management have been implemented. These measures have shown positive effect and as a result the gross margins in the second half of 2008 has improved from that in the first half.

The weak global consumer demand and global economic downturn has led to telecom and electronic manufacturing business ever increasing needs for further cost-down and supply chain restructuring. Facing the challenges in the markets, our research and development team has continued to deliver manufacturing and services solutions to our customers in dealing with their volatile consumer demand and critical requirements for innovative product designs.

These prudent moves have enabled the Group to rationalize both variable and fixed operational expenses at a lower level and to retain a sharper focus on its remaining production capacity. The restructuring and streamline of our operations as a result of the Discontinuation enable the Group to improve efficiency. The impairment loss of fixed assets and intangible assets arising from the Discontinuation and charged to the Group's income statement for 2008 was a non-cash expense item and did not affect the liquidity position of the Group. On the contrary, the future charge for depreciation and amortisation on the impaired assets will be reduced correspondingly and in such case, the provision for impairment loss will have a positive impact on the results of the Group for the future financial years commencing 1 January 2009. Although the exceptional items relating to the Discontinuation have a short-term negative impact on the Group's results for 2008, they will improve the cost structure and efficiency of the Group in the longer term.

Measures have been implemented to look right across the whole operations for ways to drive better efficiencies and lift productivity and these measures have gradually shown positive effect.

directors and senior management

EXECUTIVE DIRECTORS

Mr. MAK Shiu Tong, Clement, aged 55, 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 32 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 chief executive officer and an executive director of CCT Telecom, whose shares are listed on the main board of the Stock Exchange, and the chairman and an executive director of CCT Resources, whose shares are listed on the growth enterprise market of the Stock Exchange.

Mr. TAM Ngai Hung, Terry, aged 55, 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 31 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 had also acted as the company secretary of the Company since November 2007 until his resignation on 30 April 2008. 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 and CCT Resources, whose shares are listed on the main board and the growth enterprise market respectively of the Stock Exchange.

Ms. CHENG Yuk Ching, Flora, aged 55, 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 29 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 and CCT Resources, whose shares are listed on the main board and the growth enterprise market respectively of the Stock Exchange.

Dr. William Donald PUTT, aged 71, 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 U.S.. Dr. Putt has over 36 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 U.S. 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 and CCT Resources, 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 53, 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. Chow is also an INED of REXLot Holdings Limited and a non-executive director of Premium Land Limited, whose shares are both listed on the main board of the Stock Exchange. Mr. Chow was also an INED of two other companies listed on the main board of the Stock Exchange, namely, China Solar Energy Holdings Limited until his retirement on 23 September 2008, and eForce Holdings Limited until his resignation on 3 July 2007.

Mr. LAU Ho Kit, Ivan, aged 50, 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 Institute of Chartered Accountants in England and Wales. Mr. Lau is also an INED of Glory Mark Hi-Tech (Holdings) Limited, whose shares are listed on the growth enterprise market of the Stock Exchange.

Mr. CHEN Li, aged 44, 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, whose shares are listed on the main board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. LI Man To, Feynman, aged 38, currently holds the position of Managing Director of the operating 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 Electronic Engineering Department in 1995. He has been in R&D of telecommunication field for more than 14 years with extensive engineering management experience. He is serving as a member of the Advisory Committee on Electronic Engineering of The Chinese University of Hong Kong.

Ms. CHIK Bik Fong, Ella, aged 55, 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 26 years of extensive experience in materials sourcing and control in the manufacturing of telecom products.

SENIOR MANAGEMENT *(Continued)*

Mr. HO Yiu Hong, Victor, aged 40, currently holds the position of Senior Finance Director in a principal subsidiary of the Company. He 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.

Ms. TONG Kam Yin, Winnie, aged 32, currently holds the position of Company Secretary of the Company. Ms. Tong graduated from The Hong Kong Polytechnic University with an Honours Degree in Language and Communication in 1998 and then obtained a Postgraduate Diploma in Corporate Administration from the City University of Hong Kong in 2001. She is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

financial review

HIGHLIGHTS ON FINANCIAL RESULTS

HK$ million	2008	2007	% increase/ (decrease)
Turnover	**2,758**	3,343	(17.5%)
Loss from operation before exceptional items	**(189)**	(189)	—
Costs in connection with the Discontinuation and restructuring, net	**(126)**	—	N/A
Loss before tax	**(315)**	(189)	66.7%
Tax	**(2)**	(12)	(83.3%)
Loss attributable to shareholders of the Company	**(317)**	(201)	57.7%

DISCUSSION ON FINANCIAL RESULTS

Turnover of the Group for the year ended 31 December 2008 amounted to HK$2,758 million which represents a decrease of approximately 17.5% as compared to the corresponding period in 2007. The drop in the turnover of the Group is primarily due to the contraction of global consumption as affected by the financial tsunami.

The loss of the Group for the year ended 31 December 2008, including the exceptional items of HK$126 million associated with the Discontinuation, was approximately HK$317 million, represented an increase of 57.7% as compared to a loss of HK$201 million in the previous financial year of 2007.

The exceptional items mainly represent impairment loss on certain under-utilized fixed assets and intangible assets due to the Discontinuation and the restructuring costs relating to the business with the U.S. Customer. Excluding the exceptional items associated with the Discontinuation, the Group reported an operation loss before taxation of approximately HK$189 million for the year ended 31 December 2008, same as financial year 2007. The operating loss (excluding the exceptional items) of the Group's business was due to the decrease in sales volume and high production costs especially in the first half of the year.

The loss of the Group before the exceptional items in the second half of the year was approximately HK$68 million, representing a decrease in loss of approximately HK$55 million or 44.7% as compared to the loss of HK$123 million in the first half of the year. The significant improvement in the operating result in the second half signals a positive sign of the Group's efforts in reviving its manufacturing business.

ANALYSIS BY BUSINESS SEGMENT

	Revenue (excluding other revenue)		Operating loss before corporate and others, finance costs and tax	
HK$ million	**2008**	2007	**2008**	2007
Manufacture and sale of telecom and electronic products (before exceptional items)	**2,758**	3,343	**(182)**	(168)
Costs in connection with the Discontinuation and restructuring, net			**(126)**	—
Manufacture and sale of telecom and electronic products (after exceptional items)			**(308)**	(168)

During the financial year 2008, manufacture and sale of telecom and electronic products remained the core business of the Group. The Group posted an operating loss (before the exceptional items associated with the Discontinuation) of approximately HK$182 million for the year ended 31 December 2008, as compared to an operating loss of HK$168 million in the previous corresponding year. The unsatisfactory results were due to the combined effect of (i) the unprecedented financial tsunami which affected global consumption and which led to a drop of the demand of telecom and electronic products in the market in North America; and (ii) high material and labour costs especially in the first half of the year which affected the gross margins of our manufacturing business. After including the exceptional items associated with the Discontinuation, the operating loss of the telecom product business of the Group increased to HK$308 million in 2008 as compared with HK$168 million in 2007 in which there was no exceptional items.

ANALYSIS BY GEOGRAPHICAL SEGMENT

	Turnover				
	2008		2007		**% increase/**
HK$ million	**Amount**	**Relative %**	Amount	Relative %	**(decrease)**
North America	**1,234**	**44.7%**	1,802	53.9%	(31.5%)
Europe	**1,130**	**41.0%**	1,114	33.3%	1.4%
Asia Pacific Region	**394**	**14.3%**	427	12.8%	(7.7%)
Total	**2,758**	**100.0%**	3,343	100.0%	(17.5%)

In order to better reflect the geographical risks of the Group's sales, the geographical classification in the current year is prepared with reference to the final locations where the Group's products were sold to consumers instead of where the Group's customers were incorporated. The geographical segment information for the prior year has been restated to conform with the current year's presentation.

During the year ended 31 December 2008, the North America was the largest market of the Group, accounting for approximately 44.7% (2007: 53.9%) of the Group's turnover. The drop in the Group's sales to North America was mainly due to the decrease in customers' orders stemming from diminishing customers' demand as a result of the financial turmoil. The Group's sales to the Europe market increased by 1.4% to approximately HK$1,130 million due to the increase in orders from the Group's European customers, and contributed approximately 41.0% (2007: 33.3%) of the Group's total turnover. The sales to the Asia Pacific Region accounted for approximately 14.3% (2007: 12.8%) of the Group's turnover. The change in the geographical demography in 2008 reflects that our market diversification policy over the years has proven to be a sound strategy and has reduced our reliance on a single market.

HIGHLIGHTS ON FINANCIAL POSITION

HK$ million	2008	2007	% increase/ (decrease)
Property, plant and equipment	**449**	569	(21.1%)
Other intangible assets	**–**	25	(100.0%)
Other non-current assets	**247**	248	(0.4%)
Inventories	**106**	186	(43.0%)
Trade and bill receivables	**402**	689	(41.7%)
Cash and cash equivalents	**455**	476	(4.4%)
Non-current liabilities	**2**	35	(94.3%)
Shareholders' funds	**735**	1,051	(30.1%)

DISCUSSION ON FINANCIAL POSITION

As at 31 December 2008, the balance of property, plant and equipment decreased significantly by approximately 21.1% to approximately HK$449 million, attributable mainly to depreciation of the fixed assets during the year and the impairment in the value of the under-utilised production facilities arisen from the Discontinuation.

Other intangible assets represent the carrying value of the capitalised deferred development costs relating to products developed and designed for the U.S. Customer. Due to the Discontinuation, the value of the capitalized deferred developments cost has impaired entirely. As a result, the capitalized deferred development costs brought forward in the amount of approximately HK$22 million was written off and was charged to the consolidated income statement of the Group for the year ended 31 December 2008.

Other non-current assets represent investment properties, prepaid land lease payments and goodwill. The carrying value of the other non-current assets decreased by approximately 0.4%, attributable mainly to amortisation of prepaid land lease payment during the year.

As at 31 December 2008, inventories of the Group amounted to approximately HK$106 million, a drop of approximately 43.0% as compared to the balance as at 31 December 2007. The significant decrease in inventories is in line with the decrease in turnover of the Group and reflects improvement in inventory control during the year under review. 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 19.2 days (2007: 20.8 days). Given the uncertain global business environment, the Group's inventories level was maintained at a reasonable low level.

As at 31 December 2008, trade and bills receivable of the Group dropped by approximately 41.7% to approximately HK$402 million. The reduction in trade and bills receivable is in line with the decrease in the Group's turnover and reflects good payment records of the Group's customers even during the financial turmoil.

Non-current liability decreased due to re-classification of certain bank borrowings to current liabilities.

Shareholders' funds decreased from HK$1,051 million to HK$735 million as at 31 December 2008. The decrease in the shareholders' funds was due to the loss attributable to the equity shareholders of the Company during the year.

CAPITAL STRUCTURE AND GEARING RATIO

	31 December 2008		31 December 2007	
HK$ million	**Amount**	**Relative %**	Amount	Relative %
Total bank and other borrowings	**265**	**26.5%**	220	17.3%
Equity	**735**	**73.5%**	1,051	82.7%
Total capital employed	**1,000**	**100.0%**	1,271	100.0%

The Group's gearing ratio increased to approximately 26.5% as at 31 December 2008 from 17.3% as at 31 December 2007 as a result of new bank loans raised by the Group and the decrease in equity due to the loss of the year. Although the gearing ratio increased, it is still maintained at a low level. 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$276 million.

As at 31 December 2008, 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$184 million and HK$81 million respectively (31 December 2007: HK$189 million and HK$31 million respectively). All the Group's bank borrowings were borrowed to finance the ordinary business of the Group. There is no material effect of seasonality on the Group's borrowing requirements.

LIQUIDITY AND FINANCIAL RESOURCES

HK$ million	**31 December 2008**	31 December 2007
Current assets	**1,081**	1,488
Current liabilities	**1,040**	1,244
Current ratio	**103.9%**	119.6%

The current ratio of the Group changed from 119.6% as at 31 December 2007 to 103.9% as at 31 December 2008, reflecting a healthy liquidity position during the financial turmoil. The slight decrease in the current ratio is partly due to the re-classification of certain bank borrowings to current liability. Despite the substantial operating loss in 2008 (most of which was attributable to non-cash loss), the Group's cash balance was only slightly reduced from HK$561 million as at 31 December 2007 to HK$541 million as at 31 December 2008, of which HK$86 million (31 December 2007: HK$85 million) was pledged for general banking facilities. Almost all of the Group's cash was placed on deposits with licensed banks in Hong Kong.

In view of the Group's current level of cash and bank balances, funds generated internally from our operations and the unutilized banking facilities available, the Board is confident that the Group will have sufficient resources to meet its debt repayment and finance its operations during the financial turmoil.

CAPITAL COMMITMENTS

As at 31 December 2008, the capital commitment of the Group was approximately HK$2 million (2007: HK$16 million). 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 U.S. dollars, with some in Hong Kong dollars and the Euro. Payments were mainly made in Hong Kong dollars, U.S. dollars and Renminbi and some made in Euros. Cash was generally placed in short-term deposits denominated in Hong Kong dollars and U.S. dollars. The Group's borrowings were principally made on a floating rate basis.

The objective of the Group's treasury policies is to minimize 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 U.S. dollar in terms of receipts and the Renminbi in terms of the production costs (including mainly wages and overheads) in China. For U.S. dollar exposure, since the Hong Kong dollar remains pegged to the U.S. dollar, the exchange fluctuation is not expected to be significant. In addition, as most of the Group's purchases are also made in U.S. dollars, which are to be paid out of our sales receipts in U.S. dollars, the management considers that the foreign exchange exposure risk for the U.S. dollar is not material.

For Renminbi exposure, as our wages and overheads in our factories in China are paid in Renminbi, our production costs may rise due to the possible further appreciation of Renminbi. The Group will continue to explore ways and methods to hedge future appreciation of Renminbi and will only consider entering into any forward contracts at appropriate costs and pricing.

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 2008 (31 December 2007: Nil).

PLEDGE OF ASSETS

As at 31 December 2008, certain of the Group's assets with net book value of HK$475 million (31 December 2007: HK$497 million) and time deposits of approximately HK$86 million (31 December 2007: HK$85 million) were pledged to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2008, corporate guarantees of HK$960 million (31 December 2007: HK$892 million) were given by the Company to banks in connection with facilities granted to subsidiaries of the Company, of which approximately HK$305 million (31 December 2007: HK$322 million) were utilised.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group as at 31 December 2008 was 7,892 (31 December 2007: 12,919). 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 2007: Nil) issued by the Company as at 31 December 2008.

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
William Donald Putt

Independent Non-executive Directors

Chow Siu Ngor
Lau Ho Kit, Ivan
Chen Li

COMPANY SECRETARY

Tong Kam Yin, Winnie

PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited
Wing Hang Bank Limited

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
2 Ice House Street
Central
Hong Kong

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

TELEPHONE NUMBER

+852 2102 8138

FAX NUMBER

+852 2102 8100

COMPANY WEBSITE

www.cct-tech.com.hk

STOCK CODE

261

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 2008, 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. Currently, the Board is composed of four 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.

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Code Provision A.4.2 *(Continued)*

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.

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 2008.

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;

THE BOARD *(Continued)*

— 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 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 2008, the Board held 16 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		16/16
Cheng Yuk Ching, Flora		16/16
Tam Ngai Hung, Terry		16/16
William Donald Putt		12/16
Chow Siu Ngor		13/16
Lau Ho Kit, Ivan		13/16
Chen Li		13/16
Li Man To, Feynman	*(Resigned on 3 December 2008)*	13/16

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

During the financial year under review, Mr. Li Man To, Feynman resigned as an executive Director on 3 December 2008. Mr. Li continues to serve the Company as the managing director of the operating subsidiaries of the Company after his resignation so as to focus his time and efforts on the daily operations of the Group.

As at the date of this Annual Report, the Board comprises four executive directors, namely Mr. Mak Shiu Tong, Clement (also acting as the Chairman and the CEO), Ms. Cheng Yuk Ching, Flora (also acting as the deputy Chairman), Mr. Tam Ngai Hung, Terry 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.

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 2008. 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.

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 2008, the Remuneration Committee held one meeting. The attendance of the members of the Remuneration Committee at the Remuneration Committee's meeting (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	1/1
Lau Ho Kit, Ivan	1/1
Chen Li	1/1
Mak Shiu Tong, Clement	1/1
Tam Ngai Hung, Terry	1/1

BOARD COMMITTEES *(Continued)*

Remuneration of the Directors *(Continued)*

For the financial year ended 31 December 2008, the Remuneration Committee met on one occasion 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 9 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.

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.

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

During the financial year ended 31 December 2008, 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 2008, 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 2008, 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 six-month period ended 30 June 2008 and the annual results for the year ended 31 December 2008 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 2008, 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	1,500
Non-audit services:	
Tax compliance services	138
Other services	234
Total	1,872

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 2008.

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 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 38 to 97.

The directors do not recommend payment of any dividend for the year (2007: Nil).

FIVE YEAR 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 98. 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 15 and 16 to the financial statements, respectively.

SHARE CAPITAL

There was no movement in the Company's authorised and issued share capital during the year.

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 2008, 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 to 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 (2007: 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	
	2008	2007	**2008**	2007
Largest customer	**37%**	49%		
Five largest customers in aggregate	**81%**	85%		
Largest supplier			**8%**	11%
Five largest suppliers in aggregate			**22%**	34%

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
William Donald Putt
Li Man To, Feynman *(Resigned on 3 December 2008)*

Independent non-executive Directors:

Chow Siu Ngor
Lau Ho Kit, Ivan
Chen Li

DIRECTORS *(Continued)*

In accordance with the bye-laws of the Company, Dr. William Donald Putt and Mr. Chow Siu Ngor 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 7 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 2008, there were no share options outstanding under the Share Option Scheme. No share options has been granted, exercised, cancelled and has lapsed under the Share Option Scheme during the year.

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 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 OPTION SCHEME *(Continued)*

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.

DIRECTORS' INTERESTS

As at 31 December 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 as at 31 December 2008

Long positions in the Shares:

Name of the Director	Number of the Shares interested and nature of interest Personal	 Corporate	 Total	Approximate percentage of the total issued share capital (%)
Mak Shiu Tong, Clement (Note)	120,000,000	33,026,391,124	33,146,391,124	50.67
Cheng Yuk Ching, Flora	18,000,000	—	18,000,000	0.03
Tam Ngai Hung, Terry	20,000,000	—	20,000,000	0.03
Chen Li	10,000,000	—	10,000,000	0.02

Note: Included in the shareholdings in which Mr. Mak Shiu Tong, Clement was interested, 33,026,391,124 Shares were held by CCT Telecom through its indirect wholly-owned subsidiaries. Mr. Mak Shiu Tong, Clement is deemed to be interested in such Shares under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of CCT Telecom.

DIRECTORS' INTERESTS *(Continued)*

(b) Interests and short positions in the shares and the underlying shares of an associated corporation — CCT Telecom as at 31 December 2008

Long positions in the shares of CCT Telecom:

Name of the Director	Number of the shares interested and nature of interest: Personal	Family	Corporate	Total	Approximate percentage of the total issued share capital (%)
Mak Shiu Tong, Clement (Note 1)	715,652	—	294,775,079	295,490,731	34.62
Cheng Yuk Ching, Flora (Note 2)	14,076,713	160,000	—	14,236,713	1.67
Tam Ngai Hung, Terry	500,000	—	—	500,000	0.06
William Donald Putt	591,500	—	—	591,500	0.07

Notes:

1. Included in the shareholdings in which Mr. Mak Shiu Tong, Clement was interested, 294,775,079 shares of CCT Telecom were held by Capital Force International Limited, New Capital Industrial Limited and Capital Winner Investments Limited, all of which are corporations wholly-owned by him, his spouse and his two sons. Mr. Mak Shiu Tong, Clement is deemed to be interested in such shares of CCT Telecom under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Capital Force International Limited, New Capital Industrial Limited and Capital Winner Investments Limited.

2. 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 of CCT Telecom under the provisions of Part XV of the SFO.

(c) Interests and short positions in the shares and the underlying shares of the share options of an associated corporation — CCT Resources as at 31 December 2008

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

Name of the Director	Number of the shares interested and nature of interest: Personal	Corporate	Total	Approximate percentage of the total issued share capital (%)
Mak Shiu Tong, Clement (Note)	19,344,000	2,031,764,070	2,051,108,070	64.03
Tam Ngai Hung, Terry	7,500,000	—	7,500,000	0.23

Note: Included in the shareholdings in which Mr. Mak Shiu Tong, Clement was interested, 2,031,764,070 shares of CCT Resources were held by CCT Telecom through its wholly-owned subsidiary. Mr. Mak Shiu Tong, Clement is deemed to be interested in such shares of CCT Resources under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of CCT Telecom.

DIRECTORS' INTERESTS *(Continued)*

(c) Interests and short positions in the shares and the underlying shares of the share options of an associated corporation — CCT Resources as at 31 December 2008 *(Continued)*

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

Name of the Director	Date of grant of the share options	Exercise period of the share options	Exercise price per share HK$	Number of the share options outstanding	Number of the total underlying shares	Approximate percentage of the total issued share capital (%)
Mak Shiu Tong, Clement	14/8/2006	14/8/2006 – 13/8/2011	0.038	22,500,000	22,500,000	0.70
Cheng Yuk Ching, Flora	14/8/2006	14/8/2006 – 13/8/2011	0.038	5,000,000	5,000,000	0.16
Tam Ngai Hung, Terry	14/8/2006	14/8/2006 – 13/8/2011	0.038	18,000,000	18,000,000	0.56
William Donald Putt	14/8/2006	14/8/2006 – 13/8/2011	0.038	5,000,000	5,000,000	0.16

Save as disclosed above, as at 31 December 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 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 2008, the following persons (other than the Directors or the chief executive of the Company) 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:

Long positions in the Shares as at 31 December 2008:

Name of the Shareholder	Number of the Shares held	Approximate percentage of the total issued share capital (%)
CCT Telecom (Note 1)	33,026,391,124	50.49
CCT Technology Investment Limited (Note 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.

Save as disclosed above, as at 31 December 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.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the two years ended 31 December 2008, 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.

		Year ended 31 December	
HK$ million	**Notes**	**2008**	2007
Fellow subsidiaries:			
Purchase of components	(i)	**420**	484
Factory rental income	(ii)	**6**	6
Factory rental expenses	(iii)	**6**	6
Office rental expenses	(iv)	**3**	3
Sale of consumer electronic products	(v)	**40**	60
Ultimate holding company:			
Management information system service fee	(vi)	**4**	4

Notes:

(i) The Company and CCT Telecom entered into a manufacturing agreement (the "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 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 Tech (HK) Limited ("CCT HK", formerly known as CCT Telecom (HK) Limited) and CCT R&D Limited ("CCT R&D"), all 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 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.

(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 (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 Components Manufacturing Agreement are referred to as the "Components Manufacturing Transactions". The transactions contemplated under the CEP Manufacturing Agreement are referred to as the "CEP Manufacturing 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 Components Manufacturing Transactions for the year ended 31 December 2008 as indicated in note (i) above did not exceed the cap amount of HK$900 million;

(b) the annual consideration of each of the Administrative Transactions for the year ended 31 December 2008 as indicated in notes (ii), (iv) and (vi) above 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 2008 as indicated in note (iii) above did not exceed the cap amount of HK$7.2 million;

(d) the aggregate value of the CEP Manufacturing Transactions for the year ended 31 December 2008 as indicated in note (v) above did not exceed the cap amount of HK$500 million;

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

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

(g) the Components Manufacturing Transactions, CEP Manufacturing 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 2008 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
21 April 2009

independent auditors' report

Ernst & Young
安永

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 38 to 97, which comprise the consolidated and company balance sheets as at 31 December 2008, 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 2008 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
21 April 2009

consolidated income statement

Year ended 31 December 2008

HK$ million	Notes	2008	2007
REVENUE	5	**2,758**	3,343
Cost of sales		**(2,781)**	(3,306)
Gross profit/(loss)		**(23)**	37
Other income and gains		**36**	25
Selling and distribution costs		**(36)**	(44)
Administrative expenses		**(149)**	(153)
Other expenses		**(8)**	(40)
Finance costs	8	**(9)**	(14)
		(189)	(189)
Costs in connection with the Discontinuation and restructuring, net	6	**(126)**	—
LOSS BEFORE TAX	7	**(315)**	(189)
Tax	11	**(2)**	(12)
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	12	**(317)**	(201)
DIVIDENDS	13	**—**	—
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic		**(HK 0.48 cents)**	(HK 0.31 cents)
Diluted		**N/A**	N/A

consolidated balance sheet

31 December 2008

HK$ million	Notes	2008	2007
NON-CURRENT ASSETS			
Property, plant and equipment	15	**449**	569
Investment properties	16	**178**	178
Prepaid land lease payments	17	**47**	48
Goodwill	18	**22**	22
Other intangible assets	19	**–**	25
Total non-current assets		**696**	842
CURRENT ASSETS			
Inventories	21	**106**	186
Trade and bills receivables	22	**402**	689
Prepayments, deposits and other receivables	23	**32**	24
Financial assets at fair value through profit or loss	24	**–**	28
Pledged time deposits	25	**86**	85
Cash and cash equivalents	25	**455**	476
Total current assets		**1,081**	1,488
CURRENT LIABILITIES			
Trade and bills payables	26	**610**	875
Tax payable		**9**	12
Other payables and accruals	27	**156**	168
Interest-bearing bank and other borrowings	28	**265**	189
Total current liabilities		**1,040**	1,244
NET CURRENT ASSETS		**41**	244
TOTAL ASSETS LESS CURRENT LIABILITIES		**737**	1,086

HK$ million	Notes	2008	2007
NON-CURRENT LIABILITIES			
Interest-bearing bank loans, secured	28	–	31
Deferred tax liabilities	30	2	4
Total non-current liabilities		2	35
Net assets		735	1,051
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	31	654	654
Reserves	33(a)	81	397
Total equity		735	1,051

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

consolidated statement of changes in equity

Year ended 31 December 2008

		Attributable to equity holders of the parent						
HK$ million	Note	**Issued capital**	**Share premium account**	**Capital reserve**	**Share option reserve**	**Exchange fluctuation reserve**	**Accumulated losses**	**Total**
At 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	32	10	56	—	(8)	—	—	58
Loss for the year		—	—	—	—	—	(201)	(201)
At 31 December 2007 and 1 January 2008		654	238*	733*	4*	—	(578)*	1,051
Exchange realignment		—	—	—	—	1	—	1
Loss for the year		—	—	—	—	—	(317)	(317)
At 31 December 2008		654	238*	733*	4*	1*	(895)*	735

* These reserve accounts comprise the consolidated reserves of HK$81 million (2007: HK$397 million) in the consolidated balance sheet.

consolidated cash flow statement

Year ended 31 December 2008

HK$ million	Notes	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(315)**	(189)
Adjustments for:			
Interest on bank and other borrowings	8	**9**	14
Bank interest income	5	**(6)**	(15)
Depreciation	7	**92**	96
Equity-settled share option expense		**–**	12
Recognition of prepaid land lease payments	7	**1**	2
Amortisation of other intangible assets	7	**24**	35
Impairment of items of property, plant and equipment	6	**60**	–
Impairment of deferred development costs	6	**22**	–
Net impairment of trade receivables	7	**48**	22
Write-off of other receivables	7	**–**	6
Write-off of deferred development costs	7	**6**	12
Write-off of items of property, plant and equipment	7	**2**	–
Provision for slow-moving and obsolete inventories	7	**17**	14
Fair value gain on financial assets at fair value through profit or loss	7	**–**	(1)
Gain on disposal of financial assets at fair value through profit or loss	7	**(1)**	–
Loss on disposal of items of property, plant and equipment	7	**1**	–
		(40)	8
Decrease/(increase) in inventories		**63**	(9)
Decrease in trade and bills receivables		**239**	111
Increase in prepayments, deposits and other receivables		**(8)**	(5)
Increase/(decrease) in trade and bills payables, other payables and accruals		**(277)**	4
Cash generated from/(used in) operations		**(23)**	109
Interest received		**6**	15
Interest paid		**(9)**	(14)
Hong Kong profits tax paid		**(3)**	(2)
PRC tax paid		**(4)**	(5)
Net cash inflow/(outflow) from operating activities		**(33)**	103

HK$ million	Notes	2008	2007
Net cash inflow/(outflow) from operating activities		**(33)**	103
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(35)**	(110)
Additions to other intangible assets		**(27)**	(35)
Purchases of financial assets at fair value through profit or loss		**—**	(27)
Proceeds from disposal of financial assets at fair value through profit or loss		**29**	—
Increase in pledged time deposits		**(1)**	(2)
Net cash outflow from investing activities		**(34)**	(174)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares upon exercise of share options	32	**—**	58
New bank loans		**112**	116
New trust receipts loans, net		**50**	19
Repayment of bank loans		**(117)**	(115)
Capital element of finance lease rental payments		**—**	(1)
Net cash inflow from financing activities		**45**	77
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(22)**	6
Cash and cash equivalents at beginning of year		**476**	470
Effect of foreign exchange rate changes, net		**1**	—
CASH AND CASH EQUIVALENTS AT END OF YEAR		**455**	476
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**297**	383
Non-pledged time deposits with original maturity of less than three months when acquired	25	**158**	93
		455	476

balance sheet

31 December 2008

HK$ million	Notes	2008	2007
NON-CURRENT ASSETS			
Interests in subsidiaries	20	**683**	636
CURRENT ASSETS			
Prepayments	23	**1**	1
Financial assets at fair value through profit or loss	24	**–**	28
Cash and cash equivalents	25	**16**	67
Total current assets		**17**	96
CURRENT LIABILITIES			
Other payables and accruals	27	**1**	29
Total current liabilities		**1**	29
NET CURRENT ASSETS		**16**	67
Net assets		**699**	703
EQUITY			
Issued capital	31	**654**	654
Reserves	33(b)	**45**	49
Total equity		**699**	703

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

notes to financial statements

31 December 2008

1. CORPORATE INFORMATION

During the year, the Group was principally involved in 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 for the year ended 31 December 2008. 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 income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to 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 interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures — Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 — Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures — Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

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

(b) HK(IFRIC)-Int 11 *HKFRS 2 — Group and Treasury Share Transactions*

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 buys 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 currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

(c) HK(IFRIC)-Int 12 *Service Concession Arrangements*

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for the obligations undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(d) HK(IFRIC)-Int 14 *HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

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, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

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.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*[1]
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*[2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*[2]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives and* HKAS 39 *Financial Instruments: Recognition and Measurement — Embedded Derivatives*[3]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*[1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*[4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*[2]
HK(IFRIC)-Int 18	*Transfer of Assets from Customers*[5]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

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

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

[2] Effective for annual periods beginning on or after 1 July 2009

[3] Effective for annual periods beginning on or after 1 July 2008

[4] Effective for annual periods beginning on or after 1 October 2008

[5] Effective for transfers of assets received on or after 1 July 2009

* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

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 7 Amendments, HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HKAS 23 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

HKFRS 3 (Revised) introduces 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.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control 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 revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The Group expects to adopt HKFRS 3 (Revised) and HKAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect future acquisitions, loss of control and transactions with minority interests.

The HKFRS 7 Amendments require enhanced disclosure about fair value measurement and liquidity risk. The Group expects to adopt the HKFRS 7 Amendments from 1 January 2009.

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 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group expects to adopt HKAS 1 (Revised) from 1 January 2009.

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

HKAS 23 been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional provisions in the revised standard, the Group shall apply the revised standard on a prospective basis to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 an 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 an impairment loss is credited to the income statement in the period in which it arises.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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 least 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

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)*

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, 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 dates 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, based on an evaluation of the terms and conditions of the arrangements, 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 2008 was HK$22 million (2007: HK$22 million). More details are given in note 18.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

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. An impairment loss of HK$22 million (2007: Nil) was recognised during the year because management determines that it is uncertain whether the deferred development costs capitalised could generate future economic benefit for the Group.

An impairment loss of HK$60 million (2007: Nil) was recognised for items of property, plant and equipment during the year because management determines that certain items of property, plant and equipment could not generate future economic benefit for the Group. Further details are given in note 15 to the financial statements.

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. There are no deferred tax assets relating to recognised tax losses at 31 December 2008 (2007: Nil). The amount of unrecognised tax losses at 31 December 2008 was HK$77 million (2007: HK$40 million). Further details are contained in note 30 to the financial statements.

Costs in connection with the Discontinuation and restructuring

Costs in connection with the Discontinuation and restructuring are recognised for all cost, provision and impairment losses in connection with the Discontinuation and restructuring. Determining the amount to be recognised requires significant management judgement and requires management to make assumptions regarding the expected future cash generation of the Group's assets. Total costs of HK$126 million (2007: Nil), was recognised during the year. Further details are contained in note 6 to the financial statements.

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.

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 final locations where the Group's products were sold to customers, and assets are attributed to the segments based on the location of the assets.

(a) Business segments

The following table presents revenue and loss for the Group's business segments for the years ended 31 December 2008 and 2007.

Group

	Telecom and electronic products		Corporate and others		Total	
HK$ million	**2008**	2007	**2008**	2007	**2008**	2007
Segment revenue:						
Sales to external customers	**2,752**	3,328	**–**	–	**2,752**	3,328
Other revenue	**35**	24	**1**	1	**36**	25
Total	**2,787**	3,352	**1**	1	**2,788**	3,353
Segment results	**(308)**	(168)	**(4)**	(22)	**(312)**	(190)
Interest income					**6**	15
Finance costs					**(9)**	(14)
Loss before tax					**(315)**	(189)
Tax					**(2)**	(12)
Loss for the year					**(317)**	(201)

No analysis of the assets and liabilities and other segment information regarding the Group's business segments for the two years ended 31 December 2008 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

	North America		Asia Pacific		Europe		Consolidated	
HK$ million	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Segment revenue:								
Sales to external customers	**1,234**	1,802	**388**	412	**1,130**	1,114	**2,752**	3,328
Other revenue	**—**	—	**36**	25	**—**	—	**36**	25
Total	**1,234**	1,802	**424**	437	**1,130**	1,114	**2,788**	3,353

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	**2008**	2007
Manufacture and sale of telecom and electronic products	**2,752**	3,328
Bank interest income	**6**	15
	2,758	3,343

6. COSTS IN CONNECTION WITH THE DISCONTINUATION AND RESTRUCTURING, NET

During the year, the holding company of a distribution company in the United States of America (the "U.S. Customer") announced its decision to exit with immediate effect its retail telephony activities in North America which were then carried on by the U.S. Customer ("the Discontinuation"). The U.S. Customer is the largest single customer of the Group for the year. As a result of the Discontinuation, certain production facilities of the Group become under utilised. In order to improve its competitiveness, the Group had implemented measures to streamline and restructure its operations. Details of the Discontinuation and restructuring are set out in the announcements of the Company dated 6 November 2008 and 15 January 2009.

The costs incurred and accrued as at 31 December 2008 in connection with the Discontinuation and restructuring are summarised below:

HK$ million	Notes	**2008**
Impairment of items of property, plant and equipment	15	**60**
Impairment of deferred development costs	19	**22**
Redundancy costs and severance payments		**27**
Other related losses		**17**
		126

7. LOSS BEFORE TAX

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

		Group	
HK$ million	Notes	**2008**	2007
Cost of inventories sold		**2,781**	3,306
Depreciation	15	**92**	97
Less: Amount capitalised in deferred development costs		**—**	(1)
		92	96
Recognition of prepaid land lease payments	17	**1**	2
Minimum lease payments under operating leases in respect of land and buildings		**14**	15
Research and development costs:			
Deferred expenditure amortised*	19	**24**	35
Current year expenditure		**87**	76
		111	111
Auditors' remuneration		**2**	3
Employee benefits expense (excluding directors' remuneration—note 9):			
Wages and salaries		**353**	376
Equity-settled share option expense		**—**	8
Pension scheme contributions*****		**1**	4
Less: Amount capitalised in deferred development costs		**(9)**	(21)
		345	367
Provision for slow-moving and obsolete inventories*		**17**	14
Loss on disposal of items of property, plant and equipment**		**1**	—
Net impairment of trade receivables**	22	**48**	22
Write-off of items of property, plant and equipment**	15	**2**	—
Impairment of items of property, plant and equipment****	15	**60**	—
Write-off of other receivables**		**—**	6
Write-off of deferred development costs**	19	**6**	12
Impairment of deferred development costs****	19	**22**	—
Foreign exchange differences, net		**10**	3
Gain on disposal of financial assets at fair value through profit or loss***		**(1)**	—
Fair value gain on financial assets at fair value through profit or loss***		**—**	(1)
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.

**** Included in "Costs in connection with the Discontinuation and restructuring, net" on the face of the 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.

8. FINANCE COSTS

	Group	
HK$ million	**2008**	2007
Interest on bank and other borrowings wholly repayable within five years	**9**	14

9. 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	**2008**	2007
Fees:		
Executive directors	**—**	—
Independent non-executive directors	**1**	1
	1	1
Executive directors' other emoluments:		
Salaries, allowances and benefits in kind	**7**	7
Performance related bonuses*	**4**	9
Equity-settled share option expense	**—**	4
Pension scheme contributions	**—**	—
	11	20
	12	21

* 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 prior 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 prior 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.

During the year, no share options were granted to the directors in respect of their services to the Group.

9. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors

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

	2008 HK$'000	2007 HK$'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 (2007: Nil).

(b) Executive directors

HK$ million	Salaries, allowances and benefits in kind	Performance related bonuses	Employee share option benefits	Pension scheme contributions	Total remuneration
2008					
Mak Shiu Tong, Clement ("Mr. Mak") (Note 1)	**3**	**4**	**–**	**–**	**7**
Tam Ngai Hung, Terry	**1**	**–**	**–**	**–**	**1**
Cheng Yuk Ching, Flora	**1**	**–**	**–**	**–**	**1**
William Donald Putt	**–**	**–**	**–**	**–**	**–**
Li Man To, Feynman*	**2**	**–**	**–**	**–**	**2**
	7	**4**	**–**	**–**	**11**

* Mr. Li Man To, Feynman resigned as an executive director on 3 December 2008 but he continues to serve as managing director of the operating subsidiaries of the Company.

9. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors *(Continued)*

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

Notes:

(1) The performance related bonuses paid to Mr. Mak during the years ended 31 December 2007 and 31 December 2008 were determined based on the Group's operating performance for the prior financial years ended 31 December 2006 and 31 December 2007, 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 year ended 31 December 2007 were determined based on the Group's operating performance for the financial year ended 31 December 2006.

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2007: four) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining one (2007: one) non-director, highest paid employee for the year are as follows:

	Group	
HK$ million	**2008**	2007
Salaries, allowances and benefits in kind	**1**	2

The remuneration of the non-director, highest paid employee for the year fell within the band of HK$1,000,001 to HK$1,500,000 (2007: the band of HK$1,500,001 to HK$2,000,000).

In the prior 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 prior year is included in the above five highest paid employees' disclosures. As at 31 December 2007, all the share options lapsed.

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

11. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. Prior year's Hong Kong profits tax had been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during that 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.

HK$ million	**2008**	2007
Group:		
Current — Hong Kong:		
Charge for the year	**—**	4
Underprovision/(overprovision) in prior years	**1**	(1)
Current — Elsewhere:		
Charge for the year	**1**	7
Underprovision in prior years	**2**	—
Deferred (note 30)	**(2)**	2
Total tax charge for the year	**2**	12

11. TAX *(Continued)*

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 — 2008

HK$ million	Hong Kong	%	PRC, excluding Hong Kong	%	Total	%
Loss before tax	**(76.1)**		**(239.3)**		**(315.4)**	
Tax at the statutory tax rate	**(12.5)**	**16.5**	**(59.7)**	**25.0**	**(72.2)**	**22.9**
Adjustments in respect of current tax of previous periods	**0.8**	**(1.1)**	**2.1**	**(0.9)**	**2.9**	**(0.9)**
Income not subject to tax	**(1.0)**	**1.3**	**—**	**—**	**(1.0)**	**0.3**
Expenses not deductible for tax	**3.1**	**(4.1)**	**33.8**	**(14.1)**	**36.9**	**(11.7)**
Tax losses utilised from previous periods	**(0.3)**	**0.4**	**—**	**—**	**(0.3)**	**0.1**
Tax losses not recognised	**8.8**	**(11.6)**	**26.5**	**(11.1)**	**35.3**	**(11.2)**
Tax charge at the Group's effective rate	**(1.1)**	**1.4**	**2.7**	**(1.1)**	**1.6**	**(0.5)**

11. TAX *(Continued)*

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 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)

In late February 2008, CCT Telecom received a letter 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, and protective tax assessments in the aggregate amount of HK$30 million for the year of assessment 2001/2002 were issued by the IRD to certain subsidiaries of the Company. Subsequent to the balance sheet date, in March 2009, protective tax assessments in the aggregate amount of HK$45 million for the year of assessment 2002/2003 were 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.

12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated loss attributable to equity holders of the parent for the year ended 31 December 2008 included a loss of HK$4 million (2007: HK$18 million) which has been dealt with in the financial statements of the Company (note 33(b)).

13. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2008 (2007: Nil).

14. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic 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$317 million (2007: HK$201 million) and the weighted average number of 65,413,993,990 (2007: 64,946,100,839) ordinary shares in issue during the year.

A diluted loss per share amount for the year ended 31 December 2008 has not been disclosed as no diluting events existed during the year.

As the exercise price of the outstanding share options during the prior year was higher than the average market price of the Company's shares during the prior year, the outstanding share options during the prior year had no dilutive effect on the basic loss per share for the prior year.

15. 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 2008							
At 31 December 2007 and at 1 January 2008:							
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
At 1 January 2008, net of accumulated depreciation	287	144	56	23	6	53	569
Additions	11	14	3	4	1	2	35
Disposal	—	—	(1)	—	—	—	(1)
Write-off	—	(2)	—	—	—	—	(2)
Impairment	(16)	(27)	(12)	(4)	(1)	—	(60)
Depreciation provided during the year	(25)	(36)	(21)	(7)	(3)	—	(92)
Transfer	50	—	—	—	—	(50)	—
At 31 December 2008, net of accumulated depreciation and impairment	307	93	25	16	3	5	449
At 31 December 2008:							
Cost	453	340	188	97	14	5	1,097
Accumulated depreciation and impairment	(146)	(247)	(163)	(81)	(11)	—	(648)
Net carrying amount	307	93	25	16	3	5	449

15. 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 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

As at 31 December 2008, no fixed assets of the Group was held under finance lease contract. 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.

At 31 December 2008, certain of the Group's buildings with a net book value of approximately HK$249 million (2007: HK$270 million) were pledged to secure certain bank loans granted to the Group (note 28(a)(i)).

An impairment of HK$60 million (2007: Nil) was recognised for certain items of property, plant and equipment because certain production facilities and fixed assets of the Group were under-utilised as a result of the Discontinuation (note 6).

16. INVESTMENT PROPERTIES

	Group	
HK$ million	**2008**	2007
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 2008 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) and note 38(a)(ii) to the financial statements.

At 31 December 2008, the Group's investment properties were pledged to secure certain bank loans granted to the Group (note 28(a)(ii)).

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%

17. PREPAID LAND LEASE PAYMENTS

	Group	
HK$ million	**2008**	2007
Carrying amount at 1 January	**49**	51
Recognised during the year	**(1)**	(2)
Carrying amount at 31 December	**48**	49
Current portion included in prepayments, deposits and other receivables	**(1)**	(1)
Non-current portion	**47**	48

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

At 31 December 2008 and 2007, the entire leasehold land was pledged as security for the bank loans granted to the Group (note 28(a)(iii)).

18. 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 2008	
At 1 January 2008 and 31 December 2008:	
Cost	**23**
Accumulated impairment	**(1)**
Net carrying amount	**22**

31 December 2007	
At 1 January 2007 and 31 December 2007:	
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 margins, 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 11.7%.

19. OTHER INTANGIBLE ASSETS

Group

HK$ million	Deferred development costs
31 December 2008	
Cost at 1 January 2008, net of accumulated amortisation	**25**
Additions—internal development	**27**
Impairment during the year (note 6 and note 7)	**(22)**
Write-off (note 7)	**(6)**
Amortisation provided during the year (note 7)	**(24)**
At 31 December 2008	**–**
At 31 December 2008:	
Cost	**52**
Accumulated amortisation and impairment	**(52)**
Net carrying amount	**–**

HK$ million	Deferred development costs
31 December 2007	
Cost at 1 January 2007, net of accumulated amortisation	36
Additions—internal development	36
Write-off (note 7)	(12)
Amortisation provided during the year (note 7)	(35)
At 31 December 2007	25
At 31 December 2007:	
Cost	82
Accumulated amortisation	(57)
Net carrying amount	25

An impairment loss of HK$22 million (2007: Nil) was recognised during the year because management determines that it is uncertain whether the deferred development costs could generate further economic benefits for the Group.

20. INTERESTS IN SUBSIDIARIES

	Company	
HK$ million	**2008**	2007
Unlisted shares, at cost	**256**	256
Loans to subsidiaries	**427**	380
	683	636

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
CCT Marketing Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	—	100	Trading of telecom products
CCT Tech (HK) Limited (formerly known as 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
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.

20. INTERESTS IN SUBSIDIARIES *(Continued)*

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.

21. INVENTORIES

	Group	
HK$ million	**2008**	2007
Raw materials	**27**	40
Work in progress	**28**	47
Finished goods	**51**	99
	106	186

22. TRADE AND BILLS RECEIVABLES

	Group	
HK$ million	**2008**	2007
Trade and bills receivables	**457**	717
Impairment	**(55)**	(28)
	402	689

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 34% (2007: 60%) and 88% (2007: 88%) 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.

22. TRADE AND BILLS RECEIVABLES *(Continued)*

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			
	2008		2007	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**136**	**34**	203	29
31 to 60 days	**112**	**28**	210	30
61 to 90 days	**139**	**34**	198	29
Over 90 days	**15**	**4**	78	12
	402	**100**	689	100

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

	Group	
HK$ million	**2008**	2007
At 1 January	**28**	14
Net impairment losses recognised (note 7)	**48**	22
Amount written off as uncollectible	**(21)**	(8)
At 31 December	**55**	28

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$55 million (2007: HK$28 million) with a carrying amount of HK$290 million (2007: HK$586 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$21 million (2007: HK$15 million), which is repayable on similar credit terms to those offered to the major customers of the Group.

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

	Group	
HK$ million	**2008**	2007
Neither past due nor impaired	**345**	524
Past due but not impaired		
— within 6 months	**57**	158
— 7 to 12 months	**—**	7
	402	689

22. TRADE AND BILLS RECEIVABLES *(Continued)*

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.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
HK$ million	**2008**	2007	**2008**	2007
Prepayments	**3**	3	**1**	1
Deposits and other receivables	**29**	21	**—**	—
	32	24	**1**	1

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.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
HK$ million	**2008**	2007	**2008**	2007
Equity-linked notes	**—**	28	**—**	28

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

25. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
HK$ million	**2008**	2007	**2008**	2007
Cash and bank balances	**297**	383	**3**	30
Time deposits	**244**	178	**13**	37
	541	561	**16**	67
Less: Time deposits pledged for bank borrowings (note 28(a)(iv))	**(86)**	(85)	**—**	—
Cash and cash equivalents	**455**	476	**16**	67

25. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS *(Continued)*

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$19 million (2007: HK$8 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.

26. 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			
	2008		2007	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**111**	**18**	191	22
31 to 60 days	**82**	**14**	237	27
61 to 90 days	**159**	**26**	182	21
Over 90 days	**258**	**42**	265	30
	610	**100**	875	100

Included in the trade and bills payables are trade payables of HK$108 million (2007: HK$111 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.

27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
HK$ million	**2008**	2007	**2008**	2007
Other payables	**24**	57	**—**	27
Accruals	**132**	111	**1**	2
	156	168	**1**	29

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

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2008			2007		
	Effective interest rate (%)	**Maturity**	**HK$ million**	Effective interest rate (%)	Maturity	HK$ million
Current						
Finance lease payables (note 29)			**—**	2.50–2.75	2008	—
Bank loans — unsecured	**1.69–6.25**	**2009**	**104**	6.00–7.00	2008	26
Bank loans — secured	**1.25–6.97**	**2009**	**161**	4.85–7.25	2008	163
			265			189
Non-current						
Bank loans — secured			**—**	5.25–6.25	2010	31
			265			220

	Group	
HK$ million	**2008**	2007
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**265**	189
In the second year	**—**	19
In the third to fifth years, inclusive	**—**	12
	265	220

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$249 million (2007: HK$270 million) (note 15);

(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 (2007: HK$178 million) (note 16);

(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$48 million (2007: HK$49 million) (note 17); and

(iv) the pledge of certain of the Group's time deposits amounting to HK$86 million (2007: HK$85 million) (note 25).

(b) The Group's bank and other borrowings with carrying amounts of HK$94 million (2007: Nil), and HK$171 million (2007: HK$213 million) are denominated in Hong Kong dollars, and United States dollars ("US$"), respectively. At 31 December 2008, no bank borrowing of the Group is denominated in RMB (2007: HK$7 million).

28. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

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

As at 31 December 2008, approximately HK$81 million bank borrowings repayable over one year were classified as current liabilities in accordance with the relevant accounting standards. The classification was resulted from an insignificant non-compliance of a financial covenant related to the amount of shareholders' fund under certain facilities agreements entered into by the Group with one of its bankers, which has been made known to the banker by the Group.

29. FINANCE LEASE PAYABLES

The Group leased certain of its motor vehicles for business use in prior years. These leases were classified as finance leases and have remaining lease terms of one year as at 31 December 2007.

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 2008**	Minimum lease payments 2007	**Present value of minimum lease payments 2008**	Present value of minimum lease payments 2007
Amounts payable:				
Within one year	**–**	–	**–**	–
Total minimum finance lease payments	**–**	–	**–**	–
Future finance charges	**–**	–		
Total net finance lease payables	**–**	–		
Portion classified as current liabilities (note 28)	**–**	–		
Non-current portion	**–**	–		

30. DEFERRED TAX

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

Deferred tax liabilities

Group

HK$ million	Depreciation allowance in excess of related depreciation **2008**	2007
Gross deferred tax liabilities at 1 January	**4**	4
Deferred tax credited to the income statement during the year (note 11)	**(2)**	—
Gross deferred tax liabilities at 31 December	**2**	4

Deferred tax assets

Group

HK$ million	Losses available for offsetting against future taxable profit **2008**	2007
Gross deferred tax assets at 1 January	**—**	2
Deferred tax charged to the income statement during the year (note 11)	**—**	(2)
Gross deferred tax assets at 31 December	**—**	—

The Group has tax losses arising in Hong Kong of HK$77 million (2007: HK$40 million) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$114 million (2007: HK$9 million) that will expire in one to five years for offsetting against future taxable profit. 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.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2008, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China as these subsidies incurred losses during the year.

31. SHARE CAPITAL

Shares

	Company	
HK$ million	**2008**	2007
Authorised:		
120,000,000,000 (2007: 120,000,000,000) ordinary shares of HK$0.01 each	**1,200**	1,200
Issued and fully paid:		
65,413,993,990 (2007: 65,413,993,990) ordinary shares of HK$0.01 each	**654**	654

A summary of the transactions involving the Company's issued ordinary share capital during the prior year was as follows:

	Number of ordinary shares of HK$0.01 each in issue	**Issued capital HK$ million**
At 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, 1 January 2008 and 31 December 2008	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 2008, there were no share options outstanding under the Share Option Scheme. No share options has been granted, exercised, cancelled and has lapsed under the Share Option Scheme during the year.

The purpose of the Share Option Scheme is to provide incentives and rewards to the eligible participants who contribute to the success of the operations 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.

32. SHARE OPTION SCHEME *(Continued)*

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.

	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 prior year was HK$0.073.

The fair value of the share options granted during the prior 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.

32. SHARE OPTION SCHEME *(Continued)*

The fair value of equity-settled share options granted during the prior 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 directors' 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 prior 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.

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 41 of the financial statements.

(b) Company

HK$ million	Notes	Special reserve	Share premium account	Share option reserve	Accumulated losses	Total
At 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	12	—	—	—	(18)	(18)
At 31 December 2007 and 1 January 2008		(56)	238	4	(137)	49
Loss for the year	12	—	—	—	(4)	(4)
At 31 December 2008		(56)	238	4	(141)	45

34. CONTINGENT LIABILITIES

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

	Company	
HK$ million	**2008**	2007
Corporate guarantees given to banks in connection with facilities granted to subsidiaries	**960**	892

As at 31 December 2008, 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$305 million (2007: HK$322 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 28(a) to the financial statements.

36. OPERATING LEASE COMMITMENTS

(a) As lessor

The Group leases its investment properties (note 16 to the financial statements) under operating lease arrangements with leases negotiated for terms of three years.

At 31 December 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
HK$ million	**2008**	2007
Within one year	**6**	6
In the second to fifth years, inclusive	**12**	—
	18	6

(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 2008, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
HK$ million	**2008**	2007	**2008**	2007
Within one year	**7**	3	**3**	—
In the second to fifth years, inclusive	**9**	1	**6**	—
	16	4	**9**	—

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	**2008**	2007
Contracted, but not provided for:		
Construction in progress	**2**	13
Purchases of plant and machinery and equipment	**—**	3
	2	16

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	**2008**	2007
Fellow subsidiaries:			
Purchase of components	(i)	**420**	484
Factory rental income	(ii)	**6**	6
Factory rental expenses	(iii)	**6**	6
Office rental expenses	(iv)	**3**	3
Sale of consumer electronic products	(v)	**40**	60
Ultimate holding company:			
Management information system service fee	(vi)	**4**	4

Notes:

(i) The Company and CCT Telecom entered into a manufacturing agreement dated 9 November 2006, pursuant to which CCT Telecom agree 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 electronics 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 a 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.

(iv) The office rental expenses were charged to CCT Tech (HK) Limited ("CCT HK") and CCT R&D Limited ("CCT R&D"), all 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 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 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.

38. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Outstanding balances with related parties:

Details of Group's balances with its fellow subsidiaries at the balance sheet date are disclosed in notes 22 and 26 to the financial statements.

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

HK$ million	**2008**	2007
Short term employee benefits	**18**	28
Post-employment benefits	**—**	—
Total compensation paid to key management personnel	**18**	28

Further details of directors' emoluments are included in note 9 to the financial statements.

39. FINANCIAL INSTRUMENTS BY CATEGORY

Other than the financial assets at fair value through profit or loss as disclosed in note 24 to the financial statements, all financial assets and liabilities of the Group and the Company as at 31 December 2007 and 2008, are loans and receivables, and financial liabilities at amortised cost, respectively.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans 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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk *(Continued)*

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

	Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in loss before tax HK$ million**
2008		
US$	**100**	**2**
US$	**(100)**	**(2)**
HK$	**100**	**1**
HK$	**(100)**	**(1)**
2007		
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 Euro, US$ and RMB exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities).

	Group	
	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in loss before tax HK$ million
2008		
If US$ strengthens against RMB	**3.90**	**1**
If US$ weakens against RMB	**(3.90)**	**(1)**
If Euro strengthens against HKD	**20.17**	**(3)**
If Euro weakens against HKD	**(20.17)**	**3**
2007		
If US$ strengthens against RMB	6.222	4
If US$ weakens against RMB	(6.222)	(4)

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 22 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, 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 the balance sheet date.

As at 31 December 2008

	Group		
HK$ million	Within one year or on demand	In the second year	Total
Trade and bills payables	610	—	610
Other payables	24	—	24
Interest-bearing bank and other borrowings	270	—	270
	904	—	904

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	201	32	233
	1,133	32	1,165

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 shareholders' 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. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2008 and 31 December 2007.

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 borrowings in the total borrowings. Capital includes equity attributable to the equity holders of the parent.

	Group	
HK$ million	**2008**	2007
Interest-bearing bank and other borrowings	**265**	220
Total borrowings	**265**	220
Total capital	**735**	1,051
Total capital and borrowings	**1,000**	1,271
Gearing ratio	**26.5%**	17.3%

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 April 2009.

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	**2008**	2007	2006	2005	2004
REVENUE	**2,758**	3,343	3,858	3,795	3,847
Cost of sales	**(2,781)**	(3,306)	(3,579)	(3,438)	(3,511)
Gross profit/(loss)	**(23)**	37	279	357	336
Other income and gains	**36**	25	83	46	37
Gain on disposal of subsidiaries	**—**	—	—	—	20
Selling and distribution costs	**(36)**	(44)	(53)	(52)	(46)
Administrative expenses	**(149)**	(153)	(138)	(142)	(129)
Other expenses	**(8)**	(40)	(22)	(24)	(24)
Finance costs, net	**(9)**	(14)	(33)	(54)	(55)
	(189)	(189)	116	131	139
Costs in connection with the Discontinuation and restructuring, net	**(126)**	—	—	—	—
PROFIT/(LOSS) BEFORE TAX	**(315)**	(189)	116	131	139
Tax	**(2)**	(12)	(16)	(18)	(16)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**(317)**	(201)	100	113	123

ASSETS AND LIABILITIES

	As at 31 December				
HK$ million	**2008**	2007	2006	2005	2004
TOTAL ASSETS	**1,777**	2,330	2,435	2,464	2,178
TOTAL LIABILITIES	**(1,042)**	(1,279)	(1,253)	(2,038)	(1,878)
	735	1,051	1,182	426	300

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 Resources	CCT Resources Holdings Limited (formerly known as Tradeeasy Holdings Limited), a company listed on the Growth Enterprise Market of the Stock Exchange and an associated corporation of the Company
CCT Telecom	CCT Telecom Holdings Limited, a company listed on the Main Board of the Stock Exchange and 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
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$0.01 each in the share capital of the Company
Shareholder(s)	Holder(s) of the Share(s)
Share Option Scheme	A share option scheme adopted by the Company on 17 September 2002 and took effect on 7 November 2002
Stock Exchange	The Stock Exchange of Hong Kong Limited
U.S.	The United States of America
US$	United States dollar(s), the lawful currency of US
%	Per cent.

FINANCIAL TERMS

Gearing Ratio	Total borrowings (representing bank and 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