CCT TELECOM

中建電訊集團有限公司

2009 Interim Report

Stock Code : 138

chairman's letter

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
HK$ million	**2009 (Unaudited)**	2008 (Unaudited)	% increase/ (decrease)
Turnover	**715**	1,483	(51.8%)
Profit/(loss) for the period	**25**	(402)	N/A
Profit/(loss) attributable to:			
Owners of the parent	**38**	(337)	N/A
Minority interests	**(13)**	(65)	(80.0%)
	25	(402)	N/A
Earnings/(loss) per share	**HK$0.052**	(HK$0.423)	N/A
Dividends per share	**HK$0.030**	HK$0.025	20.0%

I am pleased to announce the interim results of CCT Telecom Holdings Limited and its subsidiaries for the six months ended 30 June 2009.

During the period, the Group achieved remarkable financial performance and managed to turn around from a loss of HK$402 million for the six months ended 30 June 2008 to a profit of HK$25 million for the six months ended 30 June 2009, despite a decrease in turnover. Results attributable to owners of the parent also turned into a profit of HK$38 million for the current period as compared to a loss of HK$337 million for the last corresponding period, which shows strong recovery of the Group's core operations.

REPURCHASE OF SHARES OF CCT TELECOM

The offer made by the Company to repurchase up to 280,000,000 of the Company's shares at the offer price of HK$0.50 per share by cash (the "Cash Offer") was completed in March 2009 under which a total of 198,558,635 Shares in aggregate were repurchased by the Company at the offer price of HK$0.50 per Share. The 198,558,635 Shares repurchased by the Company were cancelled on 11 March 2009. The total consideration under the Cash Offer of approximately HK$99.28 million was paid by the Company on 11 March 2009. Upon completion of the Cash Offer and cancellation of the repurchased 198,558,635 Shares by the Company, the issued share capital of the Company was reduced to 655,056,191 Shares. The Cash Offer provided an opportunity for the Shareholders to realise at least part of their investment in the Company at a premium to the then market price, or to increase their proportionate interest in the Company by retaining their shareholdings and participating in the future prospects of the Group.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.030 per Share for 2009 (30 June 2008: HK$0.025 per share) to be payable from the Company's distributable reserve. The interim dividend of HK$0.030 per share will be payable on or around Wednesday, 21 October 2009 to the Shareholders whose names appear on the register of members of the Company on Friday, 9 October 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 7 October 2009 to Friday, 9 October 2009 (both days inclusive), during which period no transfer of Share(s) will be effected. In order to qualify for the interim dividend of HK$0.030 per Share, all transfer of Share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 6 October 2009.

REVIEW OF OPERATIONS

During the period under review, the principal businesses of the Group are (i) the manufacture and sale of telecom and electronic products; (ii) the manufacture and sale of plastic and power supply components; (iii) the manufacture and sale of infant and child products; (iv) the securities business; (v) the property development and holding; and (vi) the upstream and downstream forestry resources business of CCT Resources.

Telecom product business

The telecom product business is carried out by the Company's principal subsidiary, CCT Tech and its subsidiaries (the "CCT Tech Group").

In the first half of 2009, the turnover of the telecom products business of the CCT Tech Group was adversely affected by the discontinuation by the CCT Tech Group's largest single customer of its retail telephony business in North America in November 2008 (the "Discontinuation") and shrinking global demand caused by the financial tsunami. As a result, the Group's turnover derived from the telecom product business dropped significantly from HK$1,352 million for the six months ended 30 June 2008 to approximately HK$625 million for the six months ended 30 June 2009 due mainly to decrease in sales to the Group's previous largest market, the US. European market accounted for 55.2% of the Group's turnover in the first half of 2009 and has replaced the US to become the largest market of the Group. The CCT Tech Group has dedicated itself to expanding its market share in Europe. It is encouraging to see that some of our European customers have outsourced more production to the CCT Tech Group in search for lower costs and good quality products. The CCT Tech Group has made good progress in penetrating into the rest of the world markets including Latin America, Middle East, Australia and the Asian Pacific countries. The result of these measures is positive and has successfully reduced our reliance in one single country and increased our market diversification.

In response to the weak market condition, the CCT Tech Group has modified its business strategies by adopting more proactive and flexible marketing strategy and strengthening the marketing development. The CCT Tech Group has dedicated more resources in product development to modify products by strengthening the product structure and enhancing the research and production ability. In addition to developing innovative and advanced telecom and electronic products, its R&D team has placed effort in re-engineering products structure in order to improve products competitiveness. In products pricing aspect, the CCT Tech Group has adopted a more proactive business strategy in positioning its products and has been able to improve the gross margin of its telecom products during the period under review.

To combat the difficult and complex business environment, the CCT Tech Group has taken decisive and swift actions toward cost optimization and enhancing efficiency. These measures to restructure and streamline the manufacturing operations of the CCT Tech Group have been implemented in all levels and to all our business locations and have successfully reduced production costs and improved production efficiency and as a result improved the profit margin significantly. In addition, the CCT Tech Group has continued to adopt a series of proactive, decisive and effective initiatives to strengthen the internal control, to improve the internal operational efficiency, to reduce production cost and administrative expenses and to reinforce staff training. Achievements have been made through these measures and both the overall profitability and efficiency of the operation have been improved. The improvement of the average gross margins demonstrates the positive effect of our measures and initiatives to revitalize the telecom product business.

Manufacturing of plastic and power supply components

The Group's component business (representing manufacture of plastic casing, power supply and transformer) continued to provide vertical support to the CCT Tech Group for production of telecom and electronic products during the period. Most of these components are sold to the CCT Tech Group and some of the plastic component products are sold to independent third parties. Affected by the decrease in sales of the CCT Tech Group, the revenues of the component business dropped correspondingly. In response to the difficult business environment, the Group has taken similar actions as the CCT Tech Group to restructure operations, cut costs and to improve productivity and efficiency of its component business. As a result, the operating loss of the component business has been reduced by approximately 27.3% to HK$16 million during the period under review. Measures of driving better efficiency and improving productivity will be continued and will gradually show its positive effect to the component operations.

Infant and child product business

The global financial tsunami has swept through all regions and affected almost every economy and every industry. Fortunately, the adverse impact to the infant and child product industry is relatively mild. In the first half of 2009, sales derived from the infant and child product business amounted to approximately HK$62 million, representing a drop of 19.5% compared with the previous corresponding period. Despite fall in sales, the Group has successfully launched a series of new products like milk bottle warmer and sterilizers in the first half of 2009, which received positive response from customers. We managed to increase the operating profit of the infant and child product business by approximately 80.0% to HK$9 million during the period. We will continue to devote efforts to offer our customers high quality products at competitive prices. We will also dedicate more resources for the development of the infant and child product business and we believe that the business has excellent growth potential and will become one of the major drivers of growth in the future.

Securities business

The stock market in Hong Kong and the A-share market in China rallied substantially in the first half of 2009 driven by liquidity. Benefited from the strong rebound of the Hong Kong stock market, the securities business contributed positive earnings of HK$89 million compared to a loss of HK$206 million, which shows a strong recovery of the securities business. The profit of the securities business during the period represents partly realized gains on disposal of some of our holdings in listed securities and partly unrealized mark-to-market gains in the value of securities held. Most of the securities held by the Group are Hand Seng Index constituent stocks and H-shares in large Chinese corporations. The share prices of these securities rebound in line with the market rally in the first half and contributed satisfactory positive returns to the Group.

Properties development and holding

In response global financial turmoil originated from the housing and financial market in the US, the central government of China quickly lowered interest rates, increased available credit and launched a RMB4 trillion package to stimulate economy. Benefited from these economic stimulus fiscal policies, the China's real estate market rebounds quickly and both the transactions volume and the transaction prices regained momentum to grow in the period. Our property development projects are located in the Liaoning Province of the PRC where housing demand and price continues to grow steadily. The property projects of our property development business will be developed by phases in accordance with the market situation and condition. The first phase of one of the projects will commence construction in the second half of 2009. Pre-sale is planned to take place in the first quarter of next year.

The Group's property holdings are mainly luxury residential properties situated in the southern side of the Hong Kong Island where property prices have risen significantly in the period due to rising demand and scarce supply under a strong liquidity situation. We believe that these investments will contribute satisfactory returns to the Group in the future.

Forestry resources business

The forestry project acquired by CCT Resources last year comprises concessions in natural tropical forest of 313,500 hectares in Papua, Indonesia. Business plans for the forestry business have been drawn up and implemented according to schedule to develop the forestry project into an integrated natural resources business, which will comprise upstream and downstream timber business, the plantation of oil palm and the production of palm oil for use as biofuel, a kind of renewable green energy. We believe that the forestry resource business of CCT Resources has excellent potential in view of the huge size of the forest concessions and the high demand and increasing prices of its products. During the period under review, CCT Resources has started to harvest trees from the forest to build the sawmills and the forest road paths. Sale of timber products is expected to commence in the second half of 2009, which will start to generate revenues to the CCT Resources group.

OUTLOOK

With the support of the governments of different countries, the economic contraction in the US and European economies has stabilized. Based on the recent economic data, more and more people believe that the global economy has hit bottom and has shown signs of recovery. We are optimistic about the future outlook of our telecom product business. The Group will commit itself to reinforcing the existing client base and increase our market share. At the same time, we will continue to explore new markets. Given that the telecom products market is still highly competitive, the Group will continue to emphasize the upgrade of existing products and development of new products in order to strengthen our competitiveness. We will continue to revitalize the telecom product business and believe that our efforts will continue to show positive effect into the operations.

The strong rally of the stock market in the first half was driven by liquidity. It is uncertain whether this liquidity-driven rally will sustain in the second half. It is widely believed that China will manage to achieve the 8% goal in economic growth. As most of our securities held are H-shares and Hang Seng Index constituent stocks, we believe they will continue to benefit from the stabilized global economy and the recovering stock market.

We are optimistic about the long-term economic growth of the PRC. The various fiscal stimulus measures taken by the central government has shown positive effect to the economy. Money supply and bank lendings escalated sharply and boosted liquidity in the first half. Domestic consumption in China remains strong. The loose monetary policy and the strong liquidity benefits the PRC real estate market and boost housing demand and pricing. We believe that our property development business has excellent potential and the business will become one of the key drivers for the Group's revenue and profitability growth in the future.

With our resilient management team and strong financial position, we believe the Group is well positioned to pull itself out of the storm and is placed to enter into next cycle of growth.

ACKNOWLEDGEMENTS

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

Mak Shiu Tong, Clement
Chairman

Hong Kong, 18 September 2009

financial review

HIGHLIGHTS ON FINANCIAL RESULTS

	Six months ended 30 June		
HK$ million	**2009 (Unaudited)**	2008 (Unaudited)	% increase/ (decrease)
Turnover	**715**	1,483	(51.8%)
Profit/(loss) for the period	**25**	(402)	N/A
Profit/(loss) attributable to:			
Owners of the parent	**38**	(337)	N/A
Minority interests	**(13)**	(65)	(80.0%)
	25	(402)	N/A
Earnings/(loss) per share	**HK$0.052**	(HK$0.423)	N/A
Dividends per share	**HK$0.030**	HK$0.025	20.0%

DISCUSSION ON FINANCIAL RESULTS

The substantial drop in turnover in the period was mainly due to the decrease in sales of our telecom products business, caused by the Discontinuation and the slump global consumer demand.

Despite a decrease in sales, the Group reported profit attributable to owners of the parent of HK$38 million for the period, significantly improved from the loss of approximately HK$337 million in the corresponding previous period. The remarkable turnaround in results in the period demonstrates the success of the Group's strategy to revitalize its core businesses and shows signs of strong recovery of its business operations. The Group's actions to restructure and streamline its operations have resulted in improvement of efficiency in the period. One major reduction of costs is the substantial decrease in depreciation and amortization charges in the current period caused by the provision for impairment loss of non-current assets arising from the Discontinuation made in last year. Loss attributable to owners of the parent in last period ended 30 June 2008 included an unrealized fair value loss of our securities business of HK$226 million.

ANALYSIS BY BUSINESS SEGMENT

	Turnover (including bank interest income)				
	Six months ended 30 June				
	2009		2008		
HK$ million	**Amount (Unaudited)**	**Relative %**	Amount (Unaudited)	Relative %	% increase/ (decrease)
Telecom product business	**625**	**87.4%**	1,352	91.2%	(53.8%)
Component business	**108**	**15.1%**	228	15.4%	(52.6%)
Infant and child product business	**62**	**8.7%**	77	5.2%	(19.5%)
Securities business	**24**	**3.4%**	10	0.6%	140.0%
Property development and holding	**3**	**0.4%**	8	0.5%	(62.5%)
Unallocated items	**—**	**—**	31	2.1%	N/A
Inter-segments transactions	**(107)**	**(15.0%)**	(223)	(15.0%)	(52.0%)
Total	**715**	**100.0%**	1,483	100.0%	(51.8%)

	Profit/(loss) before tax		
	Six months ended 30 June		
HK$ million	**2009 (Unaudited)**	2008 (Unaudited)	% increase/ (decrease)
Telecom product business	**(23)**	(115)	(80.0%)
Components business	**(16)**	(22)	(27.3%)
Infant and child product business	**9**	5	80.0%
Securities business (gain/(loss))	**89**	(206)	N/A
Property development and holding	**(4)**	(9)	(55.6%)
Unallocated items	**(28)**	(50)	(44.0%)
Total	**27**	(397)	N/A

During the period, the telecom product business continued to be the principal business of the Group which accounted for approximately 87.4% of the Group's total turnover. Affected by the Discontinuation and the shrinking global demand, revenues from the telecom product business fell significantly by 53.8% over the last corresponding period to approximately HK$625 million in the period. Loss before tax from the telecom product business, however, narrowed substantially from HK$115 million in the last corresponding period to only HK$23 million in the current period, which shows strong signs of recovery of the manufacturing business.

Revenues derived from the components business dropped by 52.6% to HK$108 million for the six months ended 30 June 2009, in line with the reduction in sales of the telecom product business to which the component business supplies most of its components. The components product business reported a loss of approximately HK$16 million in the first half of 2009, as compared to a loss of approximately HK$22 million in previous corresponding period, which demonstrates positive effect of its restructure actions.

Under weak business environment, performance of our infant and child products business in the period is however encouraging. Profit before tax from the infant and child product business surged 80.0% to HK$9 million for the period, despite a decrease in sales. The strong financial results was caused by launch of new products which were well-received by the market and effective actions taken by the Group to improve efficiency.

The Group's securities business contributed earnings before tax of HK$89 million for the six months ended 30 June 2009, as compared to a net loss of HK$206 million from the same period last year. The strong turnaround in performance of the securities business was caused by the rebound of the Hong Kong stock market in the second quarter of 2009.

The property business reported a net loss of approximately HK$4 million for the six months ended 30 June 2009 and was mainly due to the depreciation and mortgage loan interest of the properties held as the property development business has not yet commenced to generate revenue.

Unallocated items represent mainly head office administrative expenses.

ANALYSIS BY GEOGRAPHICAL SEGMENT

	Turnover				
	Six months ended 30 June				
	2009		2008		
HK$ million	**Amount (Unaudited)**	**Relative %**	Amount (Unaudited)	Relative %	% increase/ (decrease)
Europe	**395**	**55.2%**	499	33.7%	(20.8%)
US	**167**	**23.4%**	782	52.7%	(78.6%)
Asia Pacific and others	**153**	**21.4%**	202	13.6%	(24.3%)
Total	**715**	**100.0%**	1,483	100.0%	(51.8%)

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

Due to the Discontinuation, US was no longer the largest market of the Group during the six months ended 30 June 2009. Instead, the European market has overtaken the US to become the largest market of the Group during the period under review and contributed approximately 55.2% of the Group's total turnover. The sale to the US and the Asia Pacific region accounted for 23.4% and 21.4%, respectively, of the Group's total turnover. As a result of our market diversification strategy, we have reduced reliance on any single country or customer. We will continue to dedicated resources to increase our market share in Europe and the emerging markets

HIGHLIGHTS ON FINANCIAL POSITION AND MAJOR BALANCE SHEET ITEMS

HK$ million	**30 June 2009 (Unaudited)**	31 December 2008 (Audited)	% increase/ (decrease)
NON-CURRENT ASSETS			
Property, plant and equipment	**840**	886	(5.2%)
Investment properties	**178**	171	4.1%
Interest in an associate	**203**	229	(11.4%)
CURRENT ASSETS			
Inventories	**106**	135	(21.5%)
Trade and bills receivables	**214**	422	(49.3%)
Properties for development	**423**	113	274.3%
Financial assets at fair value through profit or loss	**405**	446	(9.2%)
Cash and cash equivalents	**471**	786	(40.1%)
CURRENT LIABILITIES			
Current interest-bearing bank loans and other borrowings	**253**	351	(27.9%)
EQUITY AND NON-CURRENT LIABILITIES			
Non-current interest-bearing bank loans and other borrowings	**113**	124	(8.9%)
Minority interests	**351**	364	(3.6%)
Equity attributable to owners of the parent	**2,111**	2,213	(4.6%)

DISCUSSION ON FINANCIAL POSITION AND MAJOR BALANCE SHEET ITEMS

As at 30 June 2009, the amount of the property, plant and equipment decreased slightly by 5.2% to approximately HK$840 million. The decrease was mainly attributable to the deprecation charge of HK$48 million net off against additions to fixed assets of approximately HK$4 million during the period.

Increase in the amount of the investment properties from HK$171 million as at 31 December 2008 to HK$178 million as at 30 June 2009 was mainly caused by the unrealized fair value gain on the Group's investment properties as at 30 June 2009.

Decrease in the amount of the interest in an associate was due to the share of loss of CCT Resources for the six months ended 30 June 2009.

As at 30 June 2009, inventories of the Group decreased to HK$106 million, represented a drop of approximately 21.5%, as compared to that as at 31 December 2008. The drop in inventories level is in line with the decrease in the turnover of the Group's manufacturing businesses and also reflects our improvement in inventory control during the period under review.

Trade and bills receivables of the Group decreased from HK$422 million as at 31 December 2008 to HK$214 million, represented a drop of 49.3%. The drop in amount of trade and bills receivables is in line with the decrease in the Group's sales of telecom products and also reflects the good creditability and payment records of our customers.

As at 30 June 2009, the balance of the properties for development represents the land cost of two pieces of land located in the Liaoning Province, the PRC. The increase in amount was caused by payment of the remaining balance of the cost of acquisition of land in the Liaoning Province during the period.

The decrease in the balance of the financial assets at fair value through profit or loss was attributable to the aggregate effect of the disposal of part of our holdings in Hong Kong listed shares during the period and increase in fair value of the listed shares held as at 30 June 2009.

Cash and cash equivalents decreased by 40.1% to HK$471 million as at 30 June 2009 mainly due to cash outflow for payment of trade payables, payment for balance of acquisition costs of land in the Liaoning Province and the partial repayment of bank and other borrowings during the period under review.

The amount of bank and other borrowings decreased from approximately HK$475 million as at 31 December 2008 to approximately HK$366 million as at 30 June 2009, representing a decrease of 22.9%. The decrease was mainly attributable to part repayment of bank and other borrowings during the six months ended 30 June 2009.

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

The decrease of the shareholders' funds from HK$2,213 million as at 31 December 2008 to HK$2,111 million as at 30 June 2009 was primarily due to the cancellation of the issued share capital and the share premium relating to the repurchase of shares under the Cash Offer and the dividend paid in cash during the period, net off against the profit attributable to the owners of the parent for the period.

Capital Structure and Gearing Ratio

HK$ million	30 June 2009 Amount (Unaudited)	30 June 2009 Relative %	31 December 2008 Amount (Audited)	31 December 2008 Relative %
Bank loans	**363**	**14.7%**	470	17.5%
Finance lease payable	**3**	**0.1%**	5	0.2%
Total borrowings	**366**	**14.8%**	475	17.7%
Equity	**2,111**	**85.2%**	2,213	82.3%
Total capital employed	**2,477**	**100.0%**	2,688	100.0%

The Group's gearing ratio was approximately 14.8% as at 30 June 2009 (31 December 2008: 17.7%). The decrease in gearing ratio was mainly caused by the net repayment of bank and other borrowings during the six months ended 30 June 2009. The gearing ratio was maintained at low level which reflects a healthy financial position and the prudent financial policy of the Group. Taking into account the cash on hand, the Group in fact did not have any net borrowings.

Outstanding bank borrowings amounted to HK$363 million at 30 June 2009 (31 December 2008: HK$470 million). Approximately 69.1% of these bank borrowings was arranged on a short-term basis for the ordinary business activities of the Group and was repayable within one year. The remaining 30.9% of the bank borrowings was of long-term nature, principally comprised of mortgage loans on properties held by the Group.

Acquisition of certain of the Group's assets was financed by way of finance leases and the total outstanding finance lease payables for the Group as at 30 June 2009 amounted to approximately HK$3 million (31 December 2008: HK$5 million).

As at 30 June 2009, the maturity profile of the bank and other borrowings of the Group falling due within one year, in the second to the fifth year and in the sixth to the tenth year amounted to HK$253 million, HK$84 million and HK$29 million, respectively (31 December 2008: HK$351 million, HK$85 million and HK$39 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

Liquidity and Financial Resources

HK$ million	30 June 2009 (Unaudited)	31 December 2008 (Audited)
Current assets	**1,879**	2,334
Current liabilities	**792**	1,189
Current ratio	**237.2%**	196.3%

The Group's current ratio as at 30 June 2009 was 237.2% (31 December 2008: 196.3%). The strong liquid position was attributable to the effective financial management of the Group.

As at 30 June 2009 the Group's cash balance amounted to HK$560 million (31 December 2008 HK$875 million), of which HK$89 million (31 December 2008: HK$89 million) was pledged for general banking facilities. Almost all of the Group's cash was placed on deposits with licensed banks in Hong Kong.

Commitments

As at 30 June 2009, capital commitment of the Group amounted to approximately HK$3 million (31 December 2008: HK$208 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 period under review, the Group's receipts were mainly denominated in US dollars, with some in Hong Kong dollars and the Euros. Payments were mainly made in Hong Kong dollars, US dollars and Renminbi and some made in Euros. Cash was generally placed in short-term deposits and medium-term deposits denominated in Hong Kong dollars and US dollars. As at 30 June 2009, the Group's borrowings were mainly denominated in Hong Kong dollars and US dollars. As at 30 June 2009, the Group's borrowings were principally made on a floating rate basis.

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

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

Acquisition and Disposal of Material Subsidiaries and Associates

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

Significant Investment

The Group did not hold any significant investment as at 30 June 2009 (31 December 2008: Nil).

Pledge of Assets

As at 30 June 2009, certain of the Group's assets with a net book value of HK$828 million (31 December 2008: HK$714 million) and time deposits of HK$89 million (31 December 2008: HK$89 million) were pledged to secure the general banking facilities granted to the Group.

Contingent Liabilities

As at 30 June 2009, the Group did not have any significant contingent liabilities.

Employees and Remuneration Policy

The total number of employees of the Group as at 30 June 2009 was 7,475 (31 December 2008: 10,943). The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitive remuneration package to employees. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. At 30 June 2009, there were no outstanding share options issued by the Company.

interim results

The Board of the Company is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2009 together with the comparative figures for the corresponding period in 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

HK$ million	Notes	Six months ended 30 June **2009 (Unaudited)**	 2008 (Unaudited)
REVENUE	3	**715**	1,483
Cost of sales		**(641)**	(1,501)
Gross profit/(loss)		**74**	(18)
Other income and gains	4	**86**	33
Selling and distribution costs		**(12)**	(22)
Administrative expenses		**(105)**	(138)
Other expenses	5	**(11)**	(244)
Finance costs		**(3)**	(8)
Share of loss of an associate		**(2)**	—
PROFIT/(LOSS) BEFORE TAX	6	**27**	(397)
Tax	7	**(2)**	(5)
PROFIT/(LOSS) FOR THE PERIOD		**25**	(402)
Profit/(loss) attributable to:			
Owners of the parent		**38**	(337)
Minority interests		**(13)**	(65)
		25	(402)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	9		
Basic		**HK$0.052**	(HK$0.423)
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

HK$ million	Six months ended 30 June **2009 (Unaudited)**	2008 (Unaudited)
Profit/(loss) for the period	**25**	(402)
Other comprehensive income/(loss):		
Exchange differences on translation of foreign operations	**5**	30
Share of other comprehensive loss of an associate	**(24)**	—
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**6**	(372)
Total comprehensive income/(loss) attributable to:		
Owners of the parent	**19**	(307)
Minority interests	**(13)**	(65)
	6	(372)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2009

HK$ million	Notes	30 June 2009 (Unaudited)	31 December 2008 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**840**	886
Investment properties		**178**	171
Prepaid land lease payments		**210**	213
Goodwill		**55**	55
Interest in an associate		**203**	229
Available-for-sale financial assets		**4**	4
Deferred tax assets		**1**	1
Total non-current assets		**1,491**	1,559
Current assets			
Inventories		**106**	135
Property for development		**423**	113
Property held for sale		**87**	87
Trade and bills receivables	11	**214**	422
Prepayment, deposits and other receivables		**84**	256
Financial assets at fair value through profit or loss		**405**	446
Pledged time deposits		**89**	89
Cash and cash equivalents		**471**	786
Total current assets		**1,879**	2,334
Total assets		**3,370**	3,893

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

30 June 2009

HK$ million	Notes	30 June 2009 (Unaudited)	31 December 2008 (Audited)
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital	13	**65**	85
Reserves		**2,046**	2,128
Shareholders' funds		**2,111**	2,213
Minority interests		**351**	364
Total equity		**2,462**	2,577
Non-current liabilities			
Interest-bearing bank loans and other borrowings		**113**	124
Deferred tax liabilities		**3**	3
Total non-current liabilities		**116**	127
Current liabilities			
Trade and bills payables	12	**313**	551
Tax payable		**28**	29
Other payables and accruals		**169**	211
Derivative financial instruments		**29**	47
Interest-bearing bank loans and other borrowings		**253**	351
Total current liabilities		**792**	1,189
Total liabilities		**908**	1,316
Total equity and liabilities		**3,370**	3,893

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Attributable to owners of the parent												
HK$ million	Issued share capital	Share premium account	Capital Reserve	Distributable reserve	Investment revaluation reserve	Equity component of convertible bonds	Share option reserve	Capital redemption reserve	Exchange fluctuation reserve	Retained profits/(accumulated) losses	Total	Minority interests	Total equity
At 1 January 2009	85	125	745	1,417	1	86	2	–	47	(295)	2,213	364	2,577
Profit for the period	–	–	–	–	–	–	–	–	–	38	38	(13)	25
Other comprehensive income/(loss)	–	–	–	–	–	(30)	–	–	11	–	(19)	–	(19)
Total comprehensive income/(loss)	–	–	–	–	–	(30)	–	–	11	38	19	(13)	6
Cancellation on repurchase of own shares	(20)	(101)	–	–	–	–	–	20	–	–	(101)	–	(101)
2008 final dividend paid	–	–	–	(20)	–	–	–	–	–	–	(20)	–	(20)
At 30 June 2009	65	24	745	1,397	1	56	2	20	58	(257)	2,111	351	2,462
At 1 January 2008	80	77	745	1,417	1	10	3	–	19	873	3,225	550	3,775
Loss for the period	–	–	–	–	–	–	–	–	–	(337)	(337)	(65)	(402)
Other comprehensive income	–	–	–	–	–	–	–	–	30	–	30	–	30
Total comprehensive income/(loss)	–	–	–	–	–	–	–	–	30	(337)	(307)	(65)	(372)
Realisation of revaluation reserve upon disposal of investment	–	–	–	–	(1)	–	–	–	–	–	(1)	–	(1)
Deemed disposal of interest in a subsidiary upon exercise of share options in the subsidiary	–	–	–	–	–	–	(1)	–	–	–	(1)	1	–
2007 final dividend paid	–	–	–	–	–	–	–	–	–	(24)	(24)	–	(24)
At 30 June 2008	80	77	745	1,417	–	10	2	–	49	512	2,892	486	3,378

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2009

HK$ million	Six months ended 30 June **2009 (Unaudited)**	2008 (Unaudited)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**(176)**	(336)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	**86**	(392)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**(230)**	31
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(320)**	(697)
Cash and cash equivalents at beginning of period	**786**	1,673
Effect of foreign exchange rate changes, net	**5**	18
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**471**	994
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**411**	427
Non-pledged time deposits with original maturity of less than three months when acquired	**60**	567
	471	994

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation

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

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2008 (the "2008 Annual Report").

2. Principal Accounting Policies

The accounting policies adopted are consistent with those of the consolidated financial statements for the year ended 31 December 2008.

The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group's 2008 Annual Report, except for the impact of the adoption of the Standards and Interpretation described below.

HKAS 1 (Revised) Presentation of Financial Statements *(effective for annual periods beginning on or after 1 January 2009)*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). The Group has elected to present a separate income statement and a statement of comprehensive income.

HKFRS 8 Operating Segments *(effective for annual periods beginning on or after 1 January 2009)*

HKFRS 8 is a disclosure standard that has resulted in a re-designation of the Group's reportable segments and disclosure of information about business segments, but has no impact on the results or financial positions of the Group.

2. Principal Accounting Policies *(Continued)*

The following amendments and interpretations issued by the HKICPA which are or have become effective and did not have any significant impact on the accounting policies of the Group.

HKFRSs (Amendments)	Improvements to HKFRSs
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*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*
HKAS 23 (Revised)	*Borrowing Costs*
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*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*

3. Segment Information

The Group has adopted HKFRS 8 "*Operating Segments*" with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. HKFRS 8 replaces the requirement under HKAS 14 to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of HKFRS 8 did not have any effect on the Group's results of operations or financial position.

The Group determines that in accordance with HKFRS 8, there are five business reportable segments which are telecom and electronic products, components, infant and child products, securities business, and property development and holding.

3. Segment Information *(Continued)*

Segment information about the business segment of the Group for the period ended 30 June 2009 and 2008 is presented as below:

2009

HK$ million	Telecom and electronic products (Unaudited)	Components (Unaudited)	Infant and child products (Unaudited)	Securities business (Unaudited)	Property development and holding (Unaudited)	Reporting segments totals (Unaudited)	Reconciliations (Unaudited)	Group totals (Unaudited)
Segment revenues:								
Revenues from external customer	625	3	62	24	1	715	–	715
Inter-segment revenues	–	105	–	–	2	107	(107)	–
Total Revenues	625	108	62	24	3	822	(107)	715
Operating profit/(loss)	(21)	(16)	9	89	(3)	58	–	58
Finance cost	(2)	–	–	–	(1)	(3)	–	(3)
Reconciled items:								
Unallocated corporate head office expenses	–	–	–	–	–	–	(26)	(26)
Share of loss of an associate	–	–	–	–	–	–	(2)	(2)
Profit/(loss) before tax	(23)	(16)	9	89	(4)	55	(28)	27
Expenditures for non-current assets	4	–	–	–	–	4	–	4
Depreciation and amortisation	(37)	(8)	(1)	–	(4)	(50)	(1)	(51)
Other material non-cash items:								
Unrealised gain on financial assets	–	–	–	65	–	65	–	65
Unrealised gain on investment properties	–	–	–	–	7	7	–	7
Net impairment of trade receivables	(11)	–	–	–	–	(11)	–	(11)

3. Segment Information *(Continued)*

2008

HK$ million	Telecom and electronic products (Unaudited)	Components (Unaudited)	Infant and child products (Unaudited)	Securities business (Unaudited)	Property development and holding (Unaudited)	Reporting segments totals (Unaudited)	Reconciliations (Unaudited)	Group totals (Unaudited)
Segment revenues:								
Revenue from external customers	1,352	12	77	10	1	1,452	31	1,483
Inter-segment revenues	–	216	–	–	7	223	(223)	–
Total Revenues	1,352	228	77	10	8	1,675	(192)	1,483
Operating profit/(loss)	(118)	(22)	5	(212)	(6)	(353)	–	(353)
Interest income	7	–	–	6	–	13	–	13
Finance cost	(4)	–	–	–	(3)	(7)	(1)	(8)
Reconciled items:								
Unallocated corporate head office expenses	–	–	–	–	–	–	(49)	(49)
Loss before tax	(115)	(22)	5	(206)	(9)	(347)	(50)	(397)
Expenditures for non-current assets	41	13	10	–	2	66	2	68
Depreciation and amortisation	(78)	(14)	(3)	–	–	(95)	–	(95)
Other material non-cash items:								
Unrealised loss on financial assets	–	–	–	(226)	–	(226)	–	(226)
Write off of deferred development costs	(14)	–	–	–	–	(14)	–	(14)
Net impairment of trade receivables	(2)	–	–	–	–	(2)	–	(2)

3. Segment Information *(Continued)*

30 June 2009

HK$ million	Telecom and electronic products (Unaudited)	Components (Unaudited)	Infant and child products (Unaudited)	Securities business (Unaudited)	Property development and holding (Unaudited)	Reporting segments totals (Unaudited)	Reconciliations (Unaudited)	Group totals (Unaudited)
Segment assets	1,227	314	79	405	922	2,947	–	2,947
Reconciled items:								
Unallocated corporate assets	–	–	–	–	–	–	219	219
Interest in an associate	–	–	–	–	–	–	203	203
Deferred tax assets	–	–	–	–	–	–	1	1
Total assets	1,227	314	79	405	922	2,947	423	3,370
Segment liabilities	558	45	23	91	157	874	–	874
Reconciled items:								
Unallocated corporate liabilities	–	–	–	–	–	–	3	3
Tax payable	–	–	–	–	–	–	28	28
Deferred tax liabilities	–	–	–	–	–	–	3	3
Total liabilities	558	45	23	91	157	874	34	908

31 December 2008

HK$ million	Telecom and electronic products (Audited)	Components (Audited)	Infant and child products (Audited)	Securities business (Audited)	Property development and holding (Audited)	Reporting segments totals (Audited)	Reconciliations (Audited)	Group totals (Audited)
Segment assets	1,684	313	65	447	917	3,426	–	3,426
Reconciled items:								
Unallocated corporate assets	–	–	–	–	–	–	237	237
Interest in an associate	–	–	–	–	–	–	229	229
Deferred tax assets	–	–	–	–	–	–	1	1
Total assets	1,684	313	65	447	917	3,426	467	3,893
Segment liabilities	920	69	15	108	165	1,277	–	1,277
Reconciled items:								
Unallocated corporate liabilities	–	–	–	–	–	–	7	7
Tax payable	–	–	–	–	–	–	29	29
Deferred tax liabilities	–	–	–	–	–	–	3	3
Total liabilities	920	69	15	108	165	1,277	39	1,316

The accounting policies of the reportable segments are the same as the Group's accounting policies. Central corporate office income and expenses, assets and liabilities that are not directly related to reportable segments have not been allocated to the operating segments. Performance is evaluated on the basis of profit or loss from operations before taxation. Taxation charge/(credit) is not allocated to reportable segments.

3. Segment Information *(Continued)*

Additional disclosures on segments information by geographical location for the period ended 30 June 2009 and 2008 are shown below:

2009

HK$ million	Europe (Unaudited)	US (Unaudited)	Asia Pacific and others (Unaudited)	Group totals (Unaudited)
Revenues	**395**	**167**	**153**	**715**

2008

HK$ million	Europe (Unaudited)	US (Unaudited)	Asia Pacific and others (Unaudited)	Group totals (Unaudited)
Revenues	499	782	202	1,483

Revenues are attributed to regions with reference to the final locations where the Group's products were sold to consumers. The geographical information for the prior period which allocated revenues to regions where the Group's customers were incorporated has been restated to conform with the current period's basis of allocation.

For the six months ended 30 June 2009, revenues from each of three major customers of the telecom and electronic products segment represent HK$145 million, HK$144 million and HK$89 million of the Group's total revenues respectively.

For the six months ended 30 June 2008, revenues from each of two major customers of the telecom and electronic products segment represent HK$625 million and HK$164 million of the Group's total revenues respectively.

4. Other Income and Gains

HK$ million	Six months ended 30 June 2009 (Unaudited)	2008 (Unaudited)
Unrealised gain on financial assets	**65**	—
Unrealised gain on investment properties	**7**	—
Exchange gain	**2**	7
Sample income	**5**	10
Gain on partial disposal/deemed disposal of interest in a subsidiary	**—**	1
Other income	**7**	15
	86	33

5. Other Expenses

HK$ million	Six months ended 30 June 2009 (Unaudited)	2008 (Unaudited)
Unrealised loss on financial assets	**—**	226
Write-off of deferred development costs	**—**	14
Other expenses	**11**	4
	11	244

6. Profit/(Loss) Before Tax

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

HK$ million	Six months ended 30 June 2009 (Unaudited)	2008 (Unaudited)
Cost of inventories sold	**622**	1,474
Depreciation	**48**	70
Amortisation of prepaid land lease payments	**3**	3
Amortisation of deferred development costs	**—**	22
Write off of deferred development costs	**—**	14

7. Tax

HK$ million	Six months ended 30 June 2009 (Unaudited)	2008 (Unaudited)
Charge for the period:		
Current — Hong Kong	**1**	2
Current — Elsewhere	**1**	3
Deferred tax	**—**	—
Total tax charge for the period	**2**	5

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

There were no income tax relating to the other comprehensive income during the period (2008: Nil).

8. Dividends

The board of directors has declared an interim dividend for 2009 of HK$0.030 per share (30 June 2008: HK$0.025 per share) to be payable from the Company's distributable reserve. The interim dividend will be paid on or around Wednesday, 21 October 2009 to shareholders whose names appear on the register of members of the Company on Friday, 9 October 2009. The register of members of the Company will be closed from Wednesday, 7 October 2009 to Friday, 9 October 2009 (both date inclusive).

9. Earnings/(Loss) Per Share Attributable to Owners of the Parent

The calculation of the basic earnings/(loss) per share amount for the period is based on the profit for the period attributable to owners of the parent of HK$38 million (30 June 2008: loss of HK$337 million) and the weighted average number of 731,846,823 (30 June 2008: 797,123,505) ordinary shares in issue during the period.

Diluted earnings per share amount for the period has not been disclosed as no diluting events existed during the period. Diluted loss per share amount for the prior period has not been disclosed, as the convertible bonds outstanding during the period had an anti-dilutive effect on the basic loss per share for the period.

10. Property, Plant and Equipment

During the six months ended 30 June 2009, the Group acquired fixed assets of HK$4 million (six months ended 30 June 2008: HK$41 million) and disposed fixed assets of nil (six months ended 30 June 2008: HK$13 million).

11. Trade and Bills Receivables

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

	30 June 2009 (Unaudited)		31 December 2008 (Audited)	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**101**	**47**	147	35
31 to 60 days	**87**	**41**	113	27
61 to 90 days	**20**	**9**	149	35
Over 90 days	**6**	**3**	13	3
	214	**100**	422	100

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

12. Trade and Bills Payables

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

	30 June 2009 (Unaudited)		31 December 2008 (Audited)	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**111**	**35**	106	19
31 to 60 days	**57**	**18**	76	14
61 to 90 days	**63**	**20**	134	24
Over 90 days	**82**	**27**	235	43
	313	**100**	551	100

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

13. Share Capital

HK$ million	30 June 2009 (Unaudited)	31 December 2008 (Audited)
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200**	200
Issued and fully paid:		
655,056,191 (31 December 2008: 853,614,826) ordinary shares of HK$0.10 each	**65**	85

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

	Number of shares in issue	Issued capital HK$ million
At 1 January 2009	853,614,826	85
Cancellation on repurchase of own shares	(198,558,635)	(20)
At 30 June 2009	655,056,191	65

14. Contingent Liabilities

As at 30 June 2009, the Group did not have any significant contingent liabilities.

15. Pledge of Assets

At 30 June 2009, the Group's bank borrowings were secured by:

(i) pledge of the Group's fixed deposits amounting to approximately HK$89 million (31 December 2008: HK$89 million); and

(ii) fixed/floating charges over certain of the Group's investment properties, leasehold land and buildings and certain financial assets with an aggregate net book value amounting to approximately HK$828 million (31 December 2008: HK$714 million).

16. Operating Lease Arrangements

(a) As lessor

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

At 30 June 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

HK$ million	**30 June 2009 (Unaudited)**	31 December 2008 (Audited)
Within one year	**1**	1
In the second to fifth years, inclusive	**2**	2
After five years	**2**	2
	5	5

(b) As lessee

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

At 30 June 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

HK$ million	**30 June 2009 (Unaudited)**	31 December 2008 (Audited)
Within one year	**8**	9
In the second to fifth years, inclusive	**7**	7
	15	16

16. Operating Lease Arrangements *(Continued)*

(b) As lessee (Continued)

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

HK$ million	**30 June 2009 (Unaudited)**	31 December 2008 (Audited)
Within one year	**3**	3
In the second to fifth years, inclusive	**11**	11
After five years	**127**	127
	141	141

17. Commitments

In addition to the operating lease commitments detailed in note 16, the Group had the following commitments at the balance sheet date:

HK$ million	**30 June 2009 (Unaudited)**	31 December 2008 (Audited)
Contracted, but not provided for:		
Construction in progress	**2**	2
Purchases of plant and machinery and equipment	**1**	—
Land	**—**	206
	3	208

18. Related Party Transactions

Compensation of key management personnel of the Group

HK$ million	For the six months ended 30 June 2009 (Unaudited)	2008 (Unaudited)
Short term employee benefits	**13**	23
Post-employment benefits	**—**	—
Total compensation paid to key management personnel	**13**	23

19. Comparative Figures

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

disclosure of interests

DIRECTORS' INTERESTS

As at 30 June 2009, 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 30 June 2009

Long positions in the Shares:

Name of the Directors	Personal	Number of the Shares interested and nature of interest Family	Corporate	Total	Approximate percentage of the total issued share capital of the Company
					(%)
Mak Shiu Tong, Clement (Note 1)	715,652	–	294,775,079	295,490,731	45.11
Tam Ngai Hung, Terry	500,000	–	–	500,000	0.08
Cheng Yuk Ching, Flora (Note 2)	14,076,713	160,000	–	14,236,713	2.17
William Donald Putt	591,500	–	–	591,500	0.09

Notes:

1. Included in the shareholdings in which Mr. Mak Shiu Tong, Clement was interested, an aggregate of 294,775,079 Shares were beneficially 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 under the SFO as he controls 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 were beneficially owned by the spouse of Ms. Cheng Yuk Ching, Flora, who is deemed to be interested in such Shares under the provisions of Part XV of the SFO.

(b) Interests and short positions in the shares and the underlying shares of an associated corporation — CCT Tech as at 30 June 2009

Long positions in the shares of CCT Tech:

Name of the Directors	Number of the shares interested and nature of interest Personal	Corporate	Total	Approximate percentage of the total issued share capital of CCT Tech
				(%)
Mak Shiu Tong, Clement (Note)	120,000,000	33,026,391,124	33,146,391,124	50.67
Tam Ngai Hung, Terry	20,000,000	—	20,000,000	0.03
Cheng Yuk Ching, Flora	18,000,000	—	18,000,000	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 of CCT Tech were held by the Company through its indirect wholly-owned subsidiaries. Mr. Mak Shiu Tong, Clement is deemed to be interested in such shares of CCT Tech 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 the Company through his interest in the shareholdings of 45.11% of the total issued share capital in the Company as at 30 June 2009.

(c) Interests and short positions in the shares and the underlying shares of the share options of an associated corporation — CCT Resources as at 30 June 2009

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

Name of the Directors	Number of the shares interested and nature of interest Personal	Corporate	Total	Approximate percentage of the total issued share capital of CCT Resources
				(%)
Mak Shiu Tong, Clement (Note)	19,344,000	2,031,764,070	2,051,108,070	48.80
Tam Ngai Hung, Terry	7,500,000	—	7,500,000	0.18

Note: Included in the shareholdings in which Mr. Mak Shiu Tong, Clement was interested, 2,031,764,070 shares of CCT Resources were beneficially held by Manistar Enterprises Limited (an indirect wholly-owned subsidiary of the Company). 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 the Company through his interest in the shareholdings of 45.11% of the total issued share capital in the Company as at 30 June 2009.

(ii) *Long positions in the underlying shares of the share options granted under the share option scheme of CCT Resources:*

Name of the Directors	Date of grant of the share options	Exercise period of the share options	Exercise price per share	Number of the share options outstanding	Number of the total underlying shares	Approximate percentage of the total issued share capital of CCT Resources
			HK$			(%)
Mak Shiu Tong, Clement	5/7/2006	14/8/2006 – 13/8/2011	0.038	22,500,000	22,500,000	0.54
Tam Ngai Hung, Terry	5/7/2006	14/8/2006 – 13/8/2011	0.038	18,000,000	18,000,000	0.43
Cheng Yuk Ching, Flora	5/7/2006	14/8/2006 – 13/8/2011	0.038	5,000,000	5,000,000	0.12
William Donald Putt	5/7/2006	14/8/2006 – 13/8/2011	0.038	5,000,000	5,000,000	0.12

Save as disclosed above, as at 30 June 2009, none of the Directors and the chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the section headed "Directors' Interests" above, at no time during the period for the six months ended 30 June 2009 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and the chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2009, the following persons (not being 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 30 June 2009:

Name of the Shareholders	Number of the Shares held	Approximate percentage of the total issued share capital of the Company
		(%)
Capital Force International Limited (Note)	96,868,792	14.79
New Capital Industrial Limited (Note)	171,357,615	26.16

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

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any party who, as at 30 June 2009, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

share option scheme

The Share Option Scheme was adopted by the Company on 28 February 2002. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. As at 30 June 2009, there were no share options outstanding under the Share Option Scheme. No share options has been granted, exercised, lapsed and cancelled under the Share Option Scheme during the period for the six months ended 30 June 2009.

other information

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES

During the six months ended 30 June 2009, the Company has repurchased a total of 198,558,635 Shares on 2 March 2009 by the Cash Offer (details of which are set out in the offer document of the Company dated 23 January 2009) at the offer price of HK$0.50 per Share and the total consideration paid pursuant thereto was HK$99,279,317.50. The Shares repurchased were then cancelled on 11 March 2009.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed Shares during the six months ended 30 June 2009.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Corporate Governance Practices

In the opinion of the Directors, the Company has complied with the code provisions under the Code set out in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 June 2009, except for the following deviations from the code provisions of the Code:

Code Provision A.2.1

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

Mr. Mak Shiu Tong, Clement currently assumes the roles of both the Chairman and the CEO. Mr. Mak has substantial experience and a firmly established reputation in the telecom industry that is essential to fulfilling the role of the Chairman. At the same time, Mr. Mak has the appropriate management skills and business acumen that are the pre-requisites for assuming the role of the CEO in the day-to-day management of the Group. The Board is composed of 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 least once every three years at the AGM of the Company in accordance with the bye-laws of the Company.

Code Provision A.4.2

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

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

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

Other information on the corporate governance practices of the Company has been disclosed in the corporate governance report contained in the 2008 Annual Report of the Company issued in April 2009.

Audit Committee

The Company has established the Audit Committee with specific written terms of reference formulated in accordance with the requirements of the Listing Rules. The Audit Committee consists of three members comprising the three INEDs of the Company, namely Mr. Lau Ho Man, Edward, Mr. Tam King Ching, Kenny and Mr. Chen Li, two of whom are qualified accountants and have extensive experience in accounting and financial matters. The Audit Committee is chaired by an INED who is subject to rotation each year.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2009 and the 2009 Interim Report of the Company.

Remuneration Committee

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

Model Code for Securities Transactions by the Directors

The Company has adopted its code of conduct regarding the securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code adopted by the Company throughout the period for the six months ended 30 June 2009.

Independent Non-executive Directors

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of a sufficient number of the INEDs and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise throughout the period for the six months ended 30 June 2009. The Board comprises the three INEDs of the Company, two of whom have accounting and financial expertise and bring strong independent judgement, knowledge and experience to the Board.

Disclosure on Change of Information of Director Pursuant to Rule 13.51B(1) of the Listing Rules

Mr. Lau Ho Man, Edward has been appointed as an INED of Singamas Container Holdings Limited, a company listed on the Main Board of the Stock Exchange, with effect from 1 May 2009.

BOARD OF DIRECTORS

As at the date of the 2009 Interim Report, the executive Directors are Mr. Mak Shiu Tong, Clement, Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt and the INEDs of the Company are Mr. Tam King Ching, Kenny, Mr. Lau Ho Man, Edward and Mr. Chen Li.

By Order of the Board
Mak Shiu Tong, Clement
Chairman

Hong Kong, 18 September 2009

glossary of terms

GENERAL TERMS

AGM	Annual general meeting
Audit Committee	The audit committee of the Company
Board	The board of Directors
CCT Resources	CCT Resources Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange and an associated corporation of the Company
CCT Tech	CCT Tech International Limited, a company listed on the Main Board of the Stock Exchange and a non wholly-owned subsidiary of the Company
CEO	The chief executive officer of the Company
Chairman	The chairman of the Company
Code	The Code on Corporate Governance Practices under the Listing Rules
Company	CCT Telecom Holdings Limited
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$0.10 each in the share capital of the Company
Shareholder(s)	Holder(s) of the Share(s)
Share Option Scheme	A share option scheme adopted by the Company on 28 February 2002
Stock Exchange	The Stock Exchange of Hong Kong Limited
US	The United States of America
US$	United States dollar(s), the lawful currency of US
%	Per cent.

FINANCIAL TERMS

Gearing Ratio	Total borrowings (representing bank & other borrowing 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 owners of the parent divided by weighted average number of Shares in issue during the period
Current Ratio	Current assets divided by current liabilities