



CCITTECH

中建科技國際有限公司

2009 ANNUAL REPORT

Stock Code : 261



contents

| | |
|-----|--|
| 002 | Chairman's letter |
| 006 | Directors and senior management |
| 009 | Financial review |
| 014 | Corporate information |
| 015 | Corporate governance report |
| 023 | Report of the directors |
| 036 | Independent auditors' report |
| 038 | Consolidated income statement |
| 039 | Consolidated statement of comprehensive income |
| 040 | Consolidated statement of financial position |
| 041 | Consolidated statement of changes in equity |
| 042 | Consolidated statement of cash flows |
| 044 | Statement of financial position |
| 045 | Notes to financial statements |
| 094 | Five year financial summary |
| 095 | Glossary of terms |

chairman's letter

On behalf of the Board of CCT Tech International Limited, I present herein the results of the Group for the year ended 31 December 2009. I am pleased to report that the Group has achieved significant improvement in result performance during the year, amidst extremely difficult and challenging business conditions.

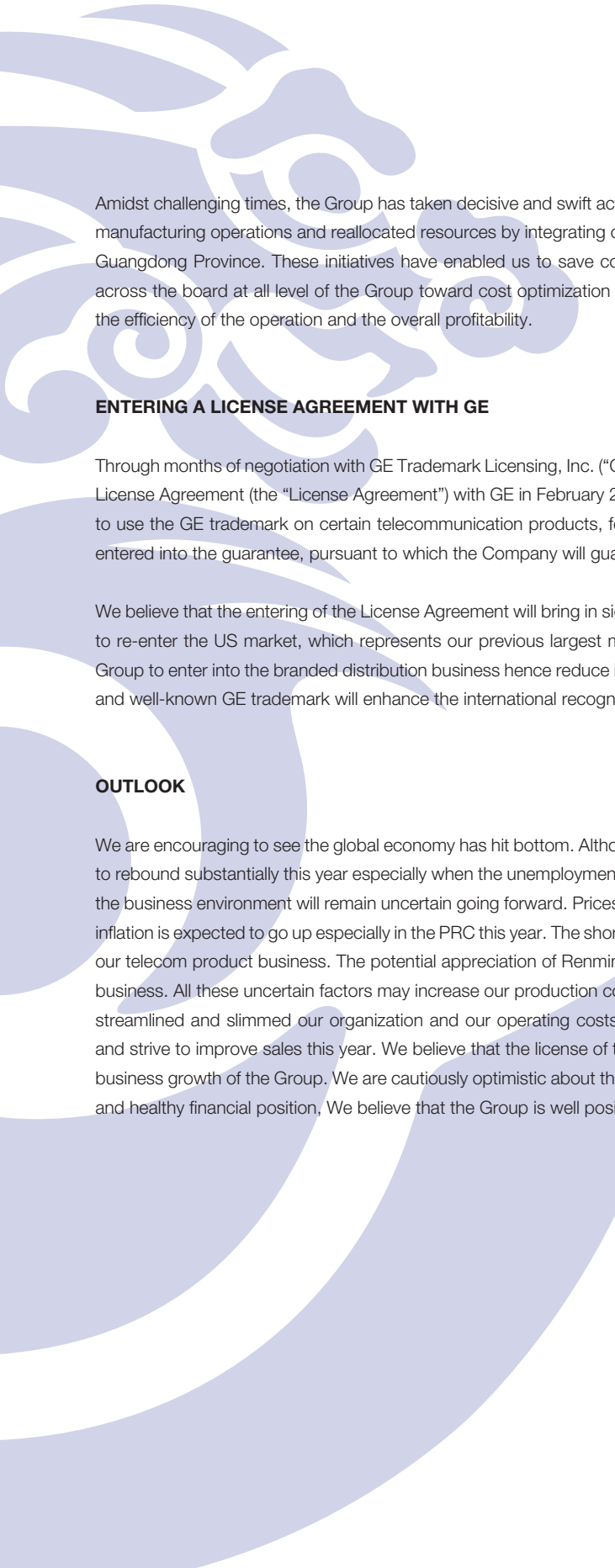
During the year, the Group managed to achieve a positive EBITDA (earnings before interest, tax, depreciation and amortisation) of approximately \$50 million for the year, compared to a LBITDA (loss before interest, tax, depreciation and amortisation) of approximately \$189 million for the last corresponding year. Loss attributable to owners of the parent has also narrowed substantially from \$317 million for the previous corresponding year to only \$19 million for the year. The strong improvement in result performance reflects resilience of the Group's management in bringing difficult business situation under control. Group's revenue for the year, however, declined by 47.6% to \$1,446 million, caused by the poor world economy and the exit of the Group's previous single largest customer from the North American telephony market (the "Discontinuation").

REVIEW OF OPERATIONS

The financial year 2009 is again another difficult and challenging year for the Group, given the continued impact of global financial tsunami that has dragged down the world economy since 2008. Shrinking of consumer demand on telecom products and the Discontinuation significantly affected the Group's turnover. The Group's sales to North America, our previous largest market, decreased sharply by 87.5% from approximately \$1,234 million for 2008 to approximately \$154 million for 2009. In response to the weak market situation, the Group has modified its business strategies by adopting more proactive and flexible marketing strategy and strengthening the market development. Greater emphasis has been put on exploring new markets in Europe and emerging markets in the rest of the world. During the year, European market replaced the North American market to become the largest market of the Group and accounted for 73.8% of the Group's turnover in the current financial year. The Group has dedicated itself to expand its market share in Europe. It is encouraging to see that some of our European customers outsourced more production to us during the year. Our effort to nurturing our business in emerging markets has shown result as the Group has made good progress in penetrating into new markets including Latin America, Middle East, the PRC and the Asian Pacific countries. The result of these measures is positive and has successfully reduced our reliance in any one single country and increased our market diversification.

During the economic downturn, the Group remained committed to product research and development. To increase competitiveness, we have continuously enhanced product offerings and actively pursued design improvements for our products. Our investment in research and development has paid off and has improved our profit margins and attracted new customers.





Amidst challenging times, the Group has taken decisive and swift actions to restructure and revitalize our manufacturing operations. We have consolidated manufacturing operations and reallocated resources by integrating our production facilities in three different locations into the main factory in Huiyang, the Guangdong Province. These initiatives have enabled us to save costs and improve efficiency. Furthermore, various measures have been implemented across the board at all level of the Group toward cost optimization and enhancing efficiency. In turn, achievements have been made on improvement of the efficiency of the operation and the overall profitability.

ENTERING A LICENSE AGREEMENT WITH GE

Through months of negotiation with GE Trademark Licensing, Inc. ("GE"), two subsidiaries of the Company (the "Licensees") entered into the GE Trademark License Agreement (the "License Agreement") with GE in February 2010, pursuant to which GE has agreed to grant to the Licensees the license and right to use the GE trademark on certain telecommunication products, for sale and distribution by the Licensees worldwide. At the same time, the Company entered into the guarantee, pursuant to which the Company will guarantee the obligations of the Licensees under the License Agreement in favor of GE.

We believe that the entering of the License Agreement will bring in significant potential benefits to the Group. The License Agreement will enable the Group to re-enter the US market, which represents our previous largest market before the Discontinuation. In addition, the License Agreement will enable the Group to enter into the branded distribution business hence reduce its reliance on its ODM business. Furthermore, the license by the Group of such strong and well-known GE trademark will enhance the international recognition of the Company and the Group's products.

OUTLOOK

We are encouraging to see the global economy has hit bottom. Although the global economy has stabilized, we do not expect global consumer confidence to rebound substantially this year especially when the unemployment rates are still in high level in the United States and European countries. We anticipate the business environment will remain uncertain going forward. Prices of commodity, materials and wages are expected to rise amidst market recovery and inflation is expected to go up especially in the PRC this year. The shortage of labor in the Guangdong Province has becoming acute and has already affected our telecom product business. The potential appreciation of Renminbi against US dollar is another risk that may affect performance of our manufacturing business. All these uncertain factors may increase our production costs and affect our profit margin in the coming years. On the positive side, as we have streamlined and slimmed our organization and our operating costs, we are in a good position to seize the opportunity arising from market turnaround and strive to improve sales this year. We believe that the license of the GE trademark under the License Agreement will open a new avenue for the future business growth of the Group. We are cautiously optimistic about the future outlook of our telecom product business. With our resilient management team and healthy financial position, We believe that the Group is well positioned not only to pull itself out of the storm, but to grow even stronger.

APPRECIATION

On behalf of the Board, I would like to express our gratitude to the directors, the management and all employees of the Group for their strong commitment and contribution towards the execution of the Group's strategies and operations. We would also like to express our sincere thanks to our shareholders, bankers, investors, customers and suppliers for their continued encouragement and strong support to the Group.

Mak Shiu Tong, Clement

Chairman

Hong Kong, 20 April 2010



directors and senior management

EXECUTIVE DIRECTORS

Mr. MAK Shiu Tong, Clement, aged 56, 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 33 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 and CCT Resources, whose shares are listed on the Main Board and the Growth Enterprise Market respectively of the Stock Exchange. He is also a director of certain subsidiaries of the Company, CCT Telecom and CCT Resources.

Ms. CHENG Yuk Ching, Flora, aged 56, 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 30 years of experience in the electronics industry. She 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. She is also a director of certain subsidiaries of the Company, CCT Telecom and CCT Resources.

Mr. TAM Ngai Hung, Terry, aged 56, 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 32 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 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 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. He is also a director of certain subsidiaries of the Company, CCT Telecom and CCT Resources.

Dr. William Donald PUTT, aged 72, has served as an executive Director since September 2003. Dr. Putt is responsible for the overseas business development and also assists the Chairman/CEO in setting the overall strategic direction of the Group. Dr. Putt obtained his PhD in Management from the Massachusetts Institute of Technology in the US. Dr. Putt has over 37 years of experience in the telecom industry, and was the president and co-founder of TeleConcepts Corporation, which specialised in the design, production and distribution of telecom products. Dr. Putt also serves on the boards of several foundations and non-profit organisations in the US and is on the Leadership Council 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 54, 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. King & Wood, Hong Kong. Mr. Chow is also an INED of REXLot Holdings Limited and a non-executive director of China Gamma Group Limited (formerly known as 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Mr. LAU Ho Kit, Ivan, aged 51, 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 45, 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 39, joined the Company in September 1999. Mr. Li is currently holding the position of Deputy Chairman of a principal subsidiary 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 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 15 years with extensive engineering management experience. He is also a director of certain subsidiaries of the Company.

Mr. CHAN Chuen Lok, Eric, aged 55, joined the Group in February 2009. Mr. Chan is currently holding the position of Manufacturing Director in the Group and is responsible for overseeing the manufacturing, production, material control, warehousing, production engineering/industrial engineering, testing engineering and trial run activities of the telecom and all other products of the Group. He has more than 26 years of experience in the manufacturing industry. In addition, Mr. Chan has good knowledge in Lean Manufacturing and Six Sigma management.

Mr. LAI Chi Keung, Francis, aged 54, joined the Group in September 2009. Mr. Lai is currently holding the position of Material Director in the Group and is responsible for the material sourcing and purchasing functions of the telecom and all other products of the Group. He obtained a Master's Degree in Business Administration from the Columbia Southern University, Alabama, US in 2006. Mr. Lai has over 30 years of experience in material sourcing, purchasing and material control in the electronic and manufacturing industry.

Mr. WONG Tze Kin, aged 56, joined the Group in September 2009. Mr. Wong is currently holding the position of Quality Assurance Director in the Group and is responsible for the quality assurance of the telecom and all other products of the Group. He graduated from the McMaster University in Canada in 1978 with a Bachelor's Degree in Engineering. Mr. Wong has 25 years of extensive experience in quality assurance in the manufacturing of electronic products, mainly in Hong Kong, PRC and Canada.

Mr. KIM Sang Up, aged 52, joined the Group in September 2009. Mr. Kim is currently holding the position of Engineering Director in a principal subsidiary of the Company and is responsible for the R&D which includes engineering and project management. He has more than 25 years of extensive experience in R&D, product development, project, product and engineering management of telecom products.



**SENIOR MANAGEMENT** *(continued)*

Mr. WONG Wai Ping, Edmond, aged 48, joined the Company in January 2006. Mr. Wong is currently holding the position of Human Resources & Administration Director in a principal subsidiary of the Company. Mr. Wong graduated from The Chinese University of Hong Kong with a Bachelor's Degree in Social Science (Government & Public Administration) in 1986 and then obtained a Postgraduate Diploma in Industrial Relations from the University of Stockholm, Sweden in 1988. He has more than 20 years of experience in the field of human resources and administration.

Mr. HO Yiu Hong, Victor, aged 41, joined the Group in January 2000. Mr. Ho is currently holding 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 and an associate of both The Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Certified Public Accountants. He is also a director of certain subsidiaries of the Company.

Ms. TONG Kam Yin, Winnie, aged 33, has served as the Company Secretary of the Company since April 2008. 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 | 2009 | 2008 | % decrease |
|-------------------------------|-------|-------|------------|
| Turnover | 1,446 | 2,758 | (47.6%) |
| EBITDA/(LBITDA) | 50 | (189) | N/A |
| Depreciation and amortisation | (64) | (117) | (45.3%) |
| Finance costs | (3) | (9) | (66.7%) |
| Tax | (2) | (2) | – |
| Loss for the year | (19) | (317) | (94.0%) |

DISCUSSION ON FINANCIAL RESULTS

The significant decrease in the Group's turnover for the year was primarily caused by the Discontinuation and the weak global consumer market. The Group's results, however, have shown significant improvement. Despite a fall in turnover, the Group posted a positive EBITDA of \$50 million for the year as compared to a LBITDA of \$189 million for the last corresponding year, due to the success of our initiatives to restructure and revitalize operations. The Group's depreciation and amortisation charges decreased significantly by approximately 45.3% over the last corresponding year to \$64 million, due to the provision for impairment loss of fixed assets made by the Group in 2008, resulting in reduction in annual depreciation and amortisation charges since 1 January 2009. The remarkable improvement in business performance of the Group led to a significant reduction in loss for the year by approximately 94.0% to only \$19 million, demonstrating strong recovery of the Group's operations.

ANALYSIS BY BUSINESS SEGMENT

| HK\$ million | Turnover (including bank interest income) | | Loss before tax | |
|---------------------------------|--|-------|-----------------|-------|
| | 2009 | 2008 | 2009 | 2008 |
| Telecom and electronic products | 1,446 | 2,758 | (12) | (317) |

During the year under review, the Group's turnover and operating results were derived from one single business segment which is the manufacture and sale of telecom and electronic products. The significant drop in turnover of the telecom product business was caused primarily by the Discontinuation and lower sales to the Group's major markets due to weak consumer demand. Despite the fall in revenue, the Group's business segment managed to narrow its loss before tax significantly from \$317 million for 2008 to only \$12 million for 2009, reflecting success of the Group's strategy and actions to revitalize its manufacturing operations.



ANALYSIS BY GEOGRAPHICAL SEGMENT

| HK\$ million | 2009 | | Turnover (including bank interest income) | | |
|-------------------------|--------------|---------------|--|--------------------|------------|
| | Amount | Relative % | 2008 Amount | 2008 Relative % | % decrease |
| Europe | 1,067 | 73.8% | 1,130 | 41.0% | (5.6%) |
| North America | 154 | 10.7% | 1,234 | 44.7% | (87.5%) |
| Asia Pacific and others | 225 | 15.5% | 394 | 14.3% | (42.9%) |
| Total | 1,446 | 100.0% | 2,758 | 100.0% | (47.6%) |

As a result of the Discontinuation, the Group's turnover from the North American market fell by 87.5% to only \$154 million. Sales to Europe, Asia Pacific and other regions also dropped by 5.6% and 42.9% respectively as global consumer demand declined due to the financial turmoil. The Group's sales to the European market amounted to approximately \$1,067 million, accounting for approximately 73.8% of the Group's total turnover during the year under review. As a result of the market change, Europe overtook North America to become the largest market of the Group.

HIGHLIGHTS ON FINANCIAL POSITION

| HK\$ million | 31 December 2009 | 31 December 2008 | % decrease |
|---------------------------|---------------------|---------------------|------------|
| Non-current assets | 638 | 696 | (8.3%) |
| Inventories | 68 | 106 | (35.8%) |
| Trade receivables | 352 | 402 | (12.4%) |
| Cash and cash equivalents | 349 | 455 | (23.3%) |
| Trade and bills payables | 407 | 610 | (33.3%) |
| Bank borrowings | 243 | 265 | (8.3%) |
| Other current liabilities | 144 | 165 | (12.7%) |
| Shareholders' funds | 718 | 735 | (2.3%) |

DISCUSSION ON FINANCIAL POSITION

The amount of the total non-current assets represents the carrying values of fixed assets, prepaid land lease payments and goodwill. The balance of the total non-current assets decreased by approximately 8.3% to \$638 million as at 31 December 2009, attributable mainly to the depreciation of fixed assets and the amortisation of the prepaid land lease payments for the year.

At the year end, the inventories of the Group declined to \$68 million, represented a drop of 35.8%. The drop in inventories level is generally in line with the decrease in the Group's turnover. Inventories turnover period of the Group for the year maintained at a reasonable low level of 23.9 days (2008: 19.2 days).

Trade receivables of the Group amounted to \$352 million as at 31 December 2009, a decrease of 12.4% from \$402 million as at 31 December 2008. The drop reflects the decrease in the Group's sales and change of market mix during the year.

Cash and cash equivalents decreased by approximately 23.3% to approximately \$349 million as at 31 December 2009. The decrease represents net cash outflow due primarily to increased repayment of trade and other payables and net repayment of bank borrowings for the year.

Trade and bills payables decreased by approximately 33.3% to \$407 million, reflecting reduction of purchases in line with the reduction in sales.

The amount of bank borrowings decreased from approximately \$265 million as at 31 December 2008 to approximately \$243 million as at 31 December 2009, represented a decrease of 8.3%. The decrease represents repayment of some of the bank borrowings during the year.

Other current liabilities representing mainly other payables and accruals decreased by 12.7%.

Shareholders' funds decreased by approximately 2.3% from \$735 million as at 31 December 2008 to \$718 million as at 31 December 2009 due primarily to the loss attributable to owners of the parent for the year.

CAPITAL STRUCTURE AND GEARING RATIO

| HK\$ million | 31 December 2009 | | 31 December 2008 | |
|------------------------|------------------|------------|------------------|------------|
| | Amount | Relative % | Amount | Relative % |
| Total borrowings | 243 | 25.3% | 265 | 26.5% |
| Equity | 718 | 74.7% | 735 | 73.5% |
| Total capital employed | 961 | 100.0% | 1,000 | 100.0% |

The Group's gearing ratio slightly decreased to approximately 25.3% as at 31 December 2009 (2008: 26.5%) as a result of net repayments of the bank borrowings during the year. After taking into account the cash on hand, the Group did not have any net borrowings.

The Group's outstanding bank borrowings decreased by 8.3% to approximately \$243 million at the year end. The maturity profile of the Group's borrowings falling due within one year and in the second to the fifth year amounted to \$214 million and \$29 million respectively (2008: \$265 million that all falling due within one year). 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 2009 | 31 December 2008 |
|---------------------|------------------|------------------|
| Current assets | 875 | 1,081 |
| Current liabilities | 765 | 1,040 |
| Current ratio | 114.4% | 103.9% |

The Group financial position remains healthy and strong. The current ratio of the Group improved to 114.4% as at 31 December 2009 from 103.9% as at 31 December 2008. The Group's cash balance was \$411 million as at 31 December 2009, decreased by \$130 million, due mainly to net cash outflow to finance operations during the year. Out of the cash balance, approximately \$62 million (2008: \$86 million) was pledged for general banking facilities. Almost all the Group's cash was placed on deposits with licensed banks in Hong Kong.



In view of the Group's current cash position, funds generated from the operations and the unutilized banking facilities available, the Group is maintaining in a sound financial position and have sufficient resources to finance its operations even under the uncertain business environment.

CAPITAL COMMITMENTS

As at 31 December 2009, capital commitment of the Group amounted to approximately \$4 million (2008: \$2 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 US dollar, with some in Hong Kong dollar and the Euro. Payments were mainly made in Hong Kong dollar, US dollar and Renminbi and some made in Euro. Cash was generally placed in short-term deposits denominated in Hong Kong dollar and US dollar. The Group's borrowings were principally made on floating rate basis.

The objective of the Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. The Group does not have any significant interest rate risk as 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 workers' wages and overheads) in the PRC. For US dollar exposure, since the Hong Kong dollar remains pegged to the US dollar, the exchange fluctuation is not expected to be significant. In addition, as a large portion 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 wages and overheads in our factories in the PRC are paid in Renminbi, our production costs will rise due to the possible further appreciation of Renminbi. Despite call from the US for faster appreciation of Renminbi against the US dollar, the Group believes that the PRC government will only allow Renminbi to appreciate against the US dollar modestly in 2010 and in the future years in order not to cause too much damage to the Chinese economy.

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 2009 (2008: Nil).

PLEDGE OF ASSETS

As at 31 December 2009, certain of the Group's assets with net book value of \$461 million (2008: \$475 million) and time deposits of approximately \$62 million (2008: \$86 million) were pledged to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group did not have any significant contingent liabilities as at 31 December 2009.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group as at 31 December 2009 was 5,108 (2008: 7,892). The Group's remuneration policy is built on the principle of equitable, 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-based bonuses. Share options may also be granted to eligible employees and persons of the Group. At 31 December 2009, there were outstanding share options of approximately 600,000,000 (2008: Nil).



corporate information

COMPANY NAME

CCT Tech International Limited

BOARD OF DIRECTORS**Executive Directors**

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

Cheng Yuk Ching, Flora

Tam Ngai Hung, Terry

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 2009, 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

The Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

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 the AGM of the Company in accordance with the bye-laws of the Company.

Code Provision A.4.2

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

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



CORPORATE GOVERNANCE PRACTICES *(continued)*

Code Provision A.4.2 *(continued)*

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its code of conduct regarding the securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code adopted by the Company throughout the financial year ended 31 December 2009.

THE BOARD

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

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

- the strategic direction of the Group;
- the objectives of the Group;
- monitoring the performance of the management of the Group;
- ensuring prudent and effective control measures are in place;
- material bank facilities arrangements;
- material acquisitions and disposals of assets and significant investments;
- material transactions with connected persons;
- material corporate finance transactions including placing or sale of shares or convertible bonds, corporate restructuring, take-over, including approval of the announcements and the circulars;
- reviewing and approving interim and annual financial statements, declaration of dividends;
- appointment, re-appointment of auditors and determination of their remuneration; and
- reviewing and determination of the terms and remuneration of the Directors.

THE BOARD *(continued)*

The management of the Group was delegated the authority and responsibility by the Board for managing the businesses of the Group, with division heads responsible for different aspects of the business. The Board meets at least four times each year and meets as and when required. Appropriate and sufficient information including notices were provided to the Board's members in a timely manner. During the financial year ended 31 December 2009, the Board held 23 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 Directors | Number of attendance |
|------------------------------|-----------------------------|
| Mak Shiu Tong, Clement | 19/23 |
| Cheng Yuk Ching, Flora | 23/23 |
| Tam Ngai Hung, Terry | 23/23 |
| William Donald Putt | 23/23 |
| Chow Siu Ngor | 23/23 |
| Lau Ho Kit, Ivan | 23/23 |
| Chen Li | 18/23 |

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

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

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



BOARD'S COMPOSITION

As at the date of this Annual Report, the Board comprises 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 2009. 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 best 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 reasons for the deviation from the Code Provision A.2.1 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 pursuant to Rule 3.13 of the Listing Rules 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. As at the date of this Annual Report, the Board still considers the INEDs of the Company to be independent. 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 Committee

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 senior management of the Group; (ii) reviewing the remuneration package including the performance-based bonus and incentive rewards for the executive Directors and senior management of the Group; (iii) reviewing and making recommendations to the Board the fees payable to the INEDs of the Company; and (iv) reviewing and making recommendations to the Board the compensation, if any, payable to the executive Directors and senior management in connection with any loss or termination of their office or appointment.

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 2009, 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 |

During the financial year ended 31 December 2009, the Remuneration Committee held one meeting and reviewed the current framework, policies and structure for the remuneration of the directors and senior management of the Group and reported to the Board of their reviews with recommendations. The Remuneration Committee also reviewed specific remuneration packages including the terms of employment, incentive rewards and performance-based bonus of the executive Directors and 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 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.



BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

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 (including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget), accounting policies and practices with the management of the Group, internal and external auditors of the Company.

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

During the financial year ended 31 December 2009, the Audit Committee held three 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 | 3/3 |
| Lau Ho Kit, Ivan | 3/3 |
| Chen Li | 3/3 |

BOARD COMMITTEES *(continued)***Audit Committee** *(continued)*

In 2009, the members of the Audit Committee met with the Group's external auditors to discuss the annual audit plan. The external auditors made presentations to the Audit Committee on the findings on key issues addressed in the annual audit at the meeting.

For the financial year ended 31 December 2009, 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 2009 and the annual results for the year ended 31 December 2009 of the Company, and confirmed that the preparation of such complied with the applicable accounting principles and practices adopted by the Company, the requirements of the Stock Exchange and adequate disclosures has been made, before announcement of both results.

The Audit Committee recommended to the Board to review the re-appointment of Messrs. Ernst & Young as the Company's external auditors subject to the Shareholders' approval at the forthcoming AGM of the Company.

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 2009, 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 | 1,350 |
| Non-audit services: | |
| Tax compliance services | 132 |
| Other services | 150 |
| Total | 1,632 |

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 team, 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 2009.

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 2009 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 93.

The directors do not recommend payment of any dividend for the year (2008: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and 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 94. 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 has 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 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2009, 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 (2008: 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 | |
| | 2009 | 2008 | 2009 | 2008 |
| Largest customer | 37% | 37% | | |
| Five largest customers in aggregate | 82% | 81% | | |
| Five largest suppliers in aggregate | | | <30% | <30% |

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

Independent non-executive Directors:

Chow Siu Ngor

Lau Ho Kit, Ivan

Chen Li

In accordance with the bye-laws of the Company, Mr. Lau Ho Kit, Ivan and Mr. Chen Li will retire and, being eligible, will offer themselves for re-election at the forthcoming AGM of the Company.

The INEDs of the Company are not appointed for any specific terms. All Directors (except the Chairman and the managing Director) are subject to retirement by rotation and re-election at the AGM of the Company in accordance with the bye-laws 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 6 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.

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.

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.

The Company's share options do not confer rights on the holders to dividends or to vote at the general meetings of the Company.

SHARE OPTION SCHEME (continued)

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

| Name or category of the participants | Number of share options | | | | Outstanding as at 31 December 2009 | Date of grant of the share options | Exercise period of the share options | Exercise price of the share options (Note) HK\$ per Share |
|--|----------------------------------|-------------------------|---------------------------|-----------------------------------|------------------------------------|------------------------------------|--------------------------------------|--|
| | Outstanding as at 1 January 2009 | Granted during the year | Exercised during the year | Cancelled/ Lapsed during the year | | | | |
| Executive Directors | | | | | | | | |
| Cheng Yuk Ching, Flora | - | 245,000,000 | - | - | 245,000,000 | 23/7/2009 | 23/7/2009 – 6/11/2012 | 0.01 |
| Tam Ngai Hung, Terry | - | 223,000,000 | - | - | 223,000,000 | 23/7/2009 | 23/7/2009 – 6/11/2012 | 0.01 |
| William Donald Putt | - | 8,000,000 | - | - | 8,000,000 | 23/7/2009 | 23/7/2009 – 6/11/2012 | 0.01 |
| | - | 476,000,000 | - | - | 476,000,000 | | | |
| Independent non-executive Directors | | | | | | | | |
| Chow Siu Ngor | - | 8,000,000 | - | - | 8,000,000 | 23/7/2009 | 23/7/2009 – 6/11/2012 | 0.01 |
| Lau Ho Kit, Ivan | - | 8,000,000 | - | - | 8,000,000 | 23/7/2009 | 23/7/2009 – 6/11/2012 | 0.01 |
| Chen Li | - | 8,000,000 | - | - | 8,000,000 | 23/7/2009 | 23/7/2009 – 6/11/2012 | 0.01 |
| | - | 24,000,000 | - | - | 24,000,000 | | | |
| Employee | | | | | | | | |
| In aggregate | - | 100,000,000 | - | - | 100,000,000 | 23/7/2009 | 23/7/2009 – 6/11/2012 | 0.01 |
| | - | 100,000,000 | - | - | 100,000,000 | | | |
| | - | 600,000,000 | - | - | 600,000,000 | | | |

Note: The exercise price of the share options is subject to adjustment in the case of capitalisation issue, rights issue, sub-division or consolidation of the Shares, or other similar changes in the Company's share capital.

The closing market price of the Shares immediately before the date of grant in relation to the share options exercisable during the period from 23 July 2009 to 6 November 2012 as quoted in the Stock Exchange's daily quotation sheet was HK\$0.011.

As at 31 December 2009, there were 600,000,000 share options outstanding under the Share Option Scheme. Based on these outstanding share options, the total number of Shares available for issue is 600,000,000, which represents approximately 0.92% of the total issued share capital of the Company as at 31 December 2009 and the date of this Annual Report. At the date of approval of these audited consolidated financial statements, no share options were exercised subsequent to the end of the reporting period.



SHARE OPTION SCHEME (continued)

The Directors have estimated the following theoretical values of the 600,000,000 share options granted under the Share Option Scheme during the year, calculated using the Black-Scholes option pricing model which is a generally accepted method of valuing share options as at the date of grant of the share options:

| Name of the grantees | Number of the share options granted during the year | Theoretical value of the share options |
|------------------------|---|--|
| | | HK\$ |
| Cheng Yuk Ching, Flora | 245,000,000 | 615,000 |
| Tam Ngai Hung, Terry | 223,000,000 | 559,000 |
| William Donald Putt | 8,000,000 | 20,000 |
| Chow Siu Ngor | 8,000,000 | 20,000 |
| Lau Ho Kit, Ivan | 8,000,000 | 20,000 |
| Chen Li | 8,000,000 | 20,000 |
| Others | 100,000,000 | 250,000 |
| | 600,000,000 | 1,504,000 |

The fair value of the share options granted during the year was HK\$1,504,000 (2008: Nil) of which the Group recognised a share option expense of HK\$1,504,000 (2008: Nil) during the year.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the Black-Scholes option pricing 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:

| | |
|---|-------|
| Dividend yield (%) | – |
| Expected volatility (%) | 49.93 |
| Historical volatility (%) | 49.93 |
| Risk-free interest rate (%) | 0.297 |
| Expected life of share options (year) | 1.647 |
| Weighted average share price (HK\$ per Share) | 0.01 |

The expected life of the share options is based on management expectation 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 share options granted was incorporated into the measurement of fair value.

DIRECTORS' INTERESTS

As at 31 December 2009, the Directors and chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company:

(a) Interests and short positions in the Shares and the underlying Shares of the share options of the Company as at 31 December 2009

(i) Long positions in the Shares:

| Name of the Directors | Number of the Shares interested and nature of interest | | | Approximate percentage of the total issued share capital of the Company (%) |
|-------------------------------|--|----------------|----------------|---|
| | Personal | Corporate | Total | |
| 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: Of 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 through his interest in the shareholdings of 48.75% of the total issued share capital in CCT Telecom as at 31 December 2009.

(ii) Long positions in the underlying Shares of the share options granted under the Share Option Scheme:

| Name of the Directors | 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 of the Company (%) |
|-----------------------|------------------------------------|--------------------------------------|----------------------------------|---|---------------------------------------|---|
| | | | | | | |
| Tam Ngai Hung, Terry | 23/7/2009 | 23/7/2009 – 6/11/2012 | 0.01 | 223,000,000 | 223,000,000 | 0.34 |
| William Donald Putt | 23/7/2009 | 23/7/2009 – 6/11/2012 | 0.01 | 8,000,000 | 8,000,000 | 0.01 |
| Chow Siu Ngor | 23/7/2009 | 23/7/2009 – 6/11/2012 | 0.01 | 8,000,000 | 8,000,000 | 0.01 |
| Lau Ho Kit, Ivan | 23/7/2009 | 23/7/2009 – 6/11/2012 | 0.01 | 8,000,000 | 8,000,000 | 0.01 |
| Chen Li | 23/7/2009 | 23/7/2009 – 6/11/2012 | 0.01 | 8,000,000 | 8,000,000 | 0.01 |



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 2009

Long positions in the shares of CCT Telecom:

| Name of the Directors | Number of the shares interested and nature of interest | | | Approximate percentage of the total issued share capital of CCT Telecom (%) |
|-------------------------------|--|-------------|-------------|---|
| | Personal | Corporate | Total | |
| Mak Shiu Tong, Clement (Note) | 715,652 | 294,775,079 | 295,490,731 | 48.75 |
| Tam Ngai Hung, Terry | 500,000 | – | 500,000 | 0.08 |
| William Donald Putt | 591,500 | – | 591,500 | 0.10 |

Notes: Of the shareholdings in which Mr. Mak Shiu Tong, Clement was interested, an aggregate of 294,775,079 shares of CCT Telecom 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 of CCT Telecom 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.

(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 2009

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

| Name of the Directors | Number of the shares interested and nature of interest | | | Approximate percentage of the total issued share capital of CCT Resources (%) |
|-------------------------------|--|---------------|---------------|---|
| | Personal | Corporate | Total | |
| Mak Shiu Tong, Clement (Note) | 19,344,000 | 2,031,764,070 | 2,051,108,070 | 42.53 |
| Tam Ngai Hung, Terry | 7,500,000 | – | 7,500,000 | 0.16 |

Note: Of 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 CCT Telecom. 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 through his interest in the shareholdings of 48.75% of the total issued share capital in CCT Telecom as at 31 December 2009.

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 2009** (continued)

(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 HK\$ | Number of the share options outstanding | Number of the total underlying shares | Approximate percentage of the total issued share capital of CCT Resources (%) |
|------------------------------|---|---|---|--|--|---|
| Mak Shiu Tong, Clement | 5/7/2006 | 14/8/2006 – 13/8/2011 | 0.038 | 22,500,000 | 22,500,000 | 0.47 |
| Cheng Yuk Ching, Flora | 5/7/2006 | 14/8/2006 – 13/8/2011 | 0.038 | 5,000,000 | 5,000,000 | 0.10 |
| | 7/7/2009 | 11/8/2009 – 6/3/2012 | 0.160 | 46,000,000 | 46,000,000 | 0.95 |
| Tam Ngai Hung, Terry | 5/7/2006 | 14/8/2006 – 13/8/2011 | 0.038 | 18,000,000 | 18,000,000 | 0.37 |
| | 7/7/2009 | 11/8/2009 – 6/3/2012 | 0.160 | 40,500,000 | 40,500,000 | 0.84 |
| William Donald Putt | 5/7/2006 | 14/8/2006 – 13/8/2011 | 0.038 | 5,000,000 | 5,000,000 | 0.10 |
| | 7/7/2009 | 11/8/2009 – 6/3/2012 | 0.160 | 3,500,000 | 3,500,000 | 0.07 |

Save as disclosed above, as at 31 December 2009, none of the Directors and chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the sections headed "Share Option Scheme" and "Directors' Interests" above, at no time during the year was the Company, or any of its holding companies, subsidiaries or associated corporations, a party to any arrangement to enable the Directors and 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 31 December 2009, the following persons (not being the Directors or 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 2009:

| Name of the Shareholders | Number of the Shares held | Approximate percentage of the total issued share capital of the Company (%) |
|--|---------------------------|---|
| 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, the Directors and chief executive of the Company are not aware that there is any party who, as at 31 December 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.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the two years ended 31 December 2009, the Company and certain of its indirect wholly-owned subsidiaries had the following material transactions with CCT Telecom (the Company's ultimate holding company) and certain of its subsidiaries, other than the Group.

| HK\$ million | Notes | Year ended 31 December | |
|---|-------|------------------------|-------|
| | | 2009 | 2008 |
| Fellow subsidiaries: | | | |
| Purchase of components | (i) | 225.7 | 419.6 |
| Factory rental income | (ii) | 6.0 | 6.0 |
| Factory rental expenses | (iii) | – | 6.0 |
| Office rental expenses | (iv) | 2.8 | 3.2 |
| Sale of consumer electronic products | (v) | – | 39.7 |
| Sale of electronic children products | (vi) | – | – |
| Ultimate holding company: | | | |
| Management information system service fee | (vii) | 5.9 | 4.3 |

Notes:

- (i) The Company and CCT Telecom entered into a manufacturing agreement (the "Component Manufacturing Agreement") dated 9 November 2006, pursuant to which CCT Telecom agrees 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 electronic products for the Group.
- The purchase prices were determined based on the direct material costs plus a mark-up of no more than 150%.
- (ii) The factory rental income was charged to Shine Best Developments Limited ("Shine Best"), an 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 "New Huiyang Tenancy Agreement") entered into between Shine Best and CCT Ent on 20 November 2008.
- (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 (the "Dongguan Tenancy Agreement") entered into between the Company and CCT Telecom on 9 November 2006. The Dongguan Tenancy Agreement was early terminated on 31 December 2008.
- (iv) The office rental expenses were charged to the Company, by Goldbay Investments Limited ("Goldbay"), an indirect 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 the Company and Goldbay on 20 November 2008, as amended by the supplemental agreement entered into between them on 23 June 2009 (the "Hong Kong Tenancy Agreements").
- (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. The CEP Manufacturing Agreement expired on 31 December 2008.
- (vi) The Company and CCT Telecom entered into a manufacturing agreement (the "Electronic Children Products Manufacturing Agreement") dated 31 August 2009, pursuant to which the Company agrees to design, develop, manufacture and supply through the Company and its subsidiaries certain electronic children products, electronic components and toolings for the CCT Telecom Remaining Group. The selling prices were determined in accordance with the terms and conditions set out in the Electronic Children Products Manufacturing Agreement.
- (vii) The management information system service fee was charged to CCT Telecom by the Company 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 the agreement entered into between CCT Telecom and the Company on 20 November 2008, as amended by the supplemental agreement entered into between them on 23 June 2009 (the "MIS Agreement").



CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(continued)*

The transactions contemplated under the Component Manufacturing Agreement are referred to as the “Component Manufacturing Transactions”. The transactions contemplated under the Electronic Children Products Manufacturing Agreement are referred to as the “Electronic Children Products Manufacturing Transactions”. The transactions contemplated under the New Huiyang Tenancy Agreement, the Hong Kong Tenancy Agreements and the MIS Agreement are collectively referred to as the “Administrative Transactions”.

The INEDs of the Company have reviewed and confirmed that:

- (a) the aggregate value of the Component Manufacturing Transactions for the year ended 31 December 2009 as indicated in note (i) above did not exceed the cap amount of HK\$1,050.0 million;
- (b) the annual consideration of each of the Administrative Transactions for the year ended 31 December 2009 as indicated in notes (ii), (iv) and (vii) above did not exceed the cap amounts of HK\$6.0 million, HK\$2.8 million and HK\$10.0 million, respectively;
- (c) the aggregate value of the Electronic Children Products Manufacturing Transactions for the year ended 31 December 2009 as indicated in note (vi) above did not exceed the cap amount of HK\$6.0 million;
- (d) the Component Manufacturing Transactions, Electronic Children Products Manufacturing Transactions and Administrative Transactions were entered into in the usual and ordinary course of businesses of the Group;
- (e) the Component Manufacturing Transactions, Electronic Children Products Manufacturing Transactions and Administrative Transactions were conducted on normal commercial terms; and
- (f) the Component Manufacturing Transactions, Electronic Children Products Manufacturing Transactions and Administrative 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 2009 have been audited by Messrs. Ernst & Young, who will retire at the forthcoming AGM of the Company. 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
20 April 2010



independent auditors' report



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 set out on pages 38 to 93, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2009 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

20 April 2010



consolidated income statement

Year ended 31 December 2009

| HK\$ million | Notes | 2009 | 2008 |
|---|-------|----------------------|---------------|
| REVENUE | 5 | 1,446 | 2,758 |
| Cost of sales | | (1,330) | (2,781) |
| Gross profit/(loss) | | 116 | (23) |
| Other income and gains | | 23 | 36 |
| Selling and distribution costs | | (24) | (36) |
| Administrative expenses | | (111) | (149) |
| Other expenses | | (18) | (8) |
| Finance costs | 8 | (3) | (9) |
| Costs in connection with the Discontinuation and restructuring, net | 6 | (17) | (189) |
| LOSS BEFORE TAX | 7 | (17) | (315) |
| Income tax expense | 11 | (2) | (2) |
| LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT | 12 | (19) | (317) |
| LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 14 | | |
| Basic | | (HK0.03 cent) | (HK0.48 cent) |
| Diluted | | (HK0.03 cent) | (HK0.48 cent) |

Details of the dividends payable and proposed for the year are disclosed in note 13 to the financial statements.

consolidated statement of comprehensive income

Year ended 31 December 2009

| HK\$ million | 2009 | 2008 |
|--|-------------|-------|
| LOSS FOR THE YEAR | (19) | (317) |
| Other comprehensive income, net of tax: | | |
| Exchange differences on translating foreign operations | - | 1 |
| TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT | (19) | (316) |



consolidated statement of financial position

31 December 2009

| HK\$ million | Notes | 2009 | 2008 |
|--|-------|--------------|--------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 15 | 392 | 449 |
| Investment properties | 16 | 178 | 178 |
| Prepaid land lease payments | 17 | 46 | 47 |
| Goodwill | 18 | 22 | 22 |
| Total non-current assets | | 638 | 696 |
| Current assets | | | |
| Inventories | 21 | 68 | 106 |
| Trade receivables | 22 | 352 | 402 |
| Prepayments, deposits and other receivables | 23 | 44 | 32 |
| Pledged time deposits | 24 | 62 | 86 |
| Cash and cash equivalents | 24 | 349 | 455 |
| Total current assets | | 875 | 1,081 |
| Total assets | | 1,513 | 1,777 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners of the parent | | | |
| Issued capital | 29 | 654 | 654 |
| Reserves | 31(a) | 64 | 81 |
| Total equity | | 718 | 735 |
| Non-current liabilities | | | |
| Interest-bearing bank borrowings | 27 | 29 | – |
| Deferred tax liabilities | 28 | 1 | 2 |
| Total non-current liabilities | | 30 | 2 |
| Current liabilities | | | |
| Trade and bills payables | 25 | 407 | 610 |
| Tax payable | | 8 | 9 |
| Other payables and accruals | 26 | 136 | 156 |
| Interest-bearing bank borrowings | 27 | 214 | 265 |
| Total current liabilities | | 765 | 1,040 |
| Total liabilities | | 795 | 1,042 |
| Total equity and liabilities | | 1,513 | 1,777 |
| Net current assets | | 110 | 41 |
| Total assets less current liabilities | | 748 | 737 |

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

consolidated statement of changes in equity

Year ended 31 December 2009

| HK\$ million | Note | Attributable to owners of the parent | | | | | | Total |
|---|------|--------------------------------------|-----------------------|-----------------|----------------------|------------------------------|--------------------|-------|
| | | Issued capital | Share premium account | Capital reserve | Share option reserve | Exchange fluctuation reserve | Accumulated losses | |
| At 1 January 2008 | | 654 | 238 | 733 | 4 | – | (578) | 1,051 |
| Total comprehensive loss for the year | | – | – | – | – | 1 | (317) | (316) |
| At 31 December 2008 and 1 January 2009 | | 654 | 238* | 733* | 4* | 1* | (895)* | 735 |
| Total comprehensive loss for the year | | – | – | – | – | – | (19) | (19) |
| Equity-settled share option arrangement | 30 | – | – | – | 2 | – | – | 2 |
| At 31 December 2009 | | 654 | 238* | 733* | 6* | 1* | (914)* | 718 |

* These reserve accounts comprise the consolidated reserves of HK\$64 million (2008: HK\$81 million) in the consolidated statement of financial position.



consolidated statement of cash flows

Year ended 31 December 2009

| HK\$ million | Notes | 2009 | 2008 |
|---|-------|--------------|-------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before tax | | (17) | (315) |
| Adjustments for: | | | |
| Finance costs | 8 | 3 | 9 |
| Interest income | 5 | - | (6) |
| Depreciation | 7 | 63 | 92 |
| Equity-settled share option expense | 9 | 2 | - |
| Recognition of prepaid land lease payments | 7 | 1 | 1 |
| Amortisation of other intangible assets | 7 | - | 24 |
| Loss on disposal of items of property, plant and equipment | 7 | - | 1 |
| Impairment of items of property, plant and equipment | 7 | - | 60 |
| Write-off of items of property, plant and equipment | 7 | 5 | 2 |
| Impairment of deferred development costs | 7 | - | 22 |
| Net impairment of trade receivables | 7 | 13 | 48 |
| Write-off of deferred development costs | 7 | - | 6 |
| Provision made/(written back) for slow-moving and obsolete inventories | 7 | (9) | 17 |
| Gain on disposal of financial assets at fair value through profit or loss | 7 | - | (1) |
| | | 61 | (40) |
| Decrease in inventories | | 47 | 63 |
| Decrease in trade receivables | | 37 | 239 |
| Increase in prepayments, deposits and other receivables | | (12) | (8) |
| Decrease in trade and bills payables, other payables and accruals | | (223) | (277) |
| Cash used in operations | | (90) | (23) |
| Interest received | | - | 6 |
| Interest paid | | (3) | (9) |
| Hong Kong profits tax paid | | (2) | (3) |
| PRC tax paid | | (2) | (4) |
| Net cash flows used in operating activities | | (97) | (33) |

| HK\$ million | Notes | 2009 | 2008 |
|--|-------|--------------|-------------|
| Net cash flows used in operating activities | | (97) | (33) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of items of property, plant and equipment | 15 | (11) | (35) |
| Additions to other intangible assets | 19 | – | (27) |
| Proceeds from disposal of financial assets at fair value through profit or loss | | – | 29 |
| (Increase)/decrease in pledged time deposits | | 24 | (1) |
| Net cash flows from/(used in) investing activities | | 13 | (34) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| New bank loans | | 104 | 112 |
| (Repayment of)/new trust receipts loans, net | | (42) | 50 |
| Repayment of bank loans | | (84) | (117) |
| Net cash flows from/(used in) financing activities | | (22) | 45 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (106) | (22) |
| Cash and cash equivalents at beginning of year | | 455 | 476 |
| Effect of foreign exchange rate changes, net | | – | 1 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | 349 | 455 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | 24 | 266 | 297 |
| Non-pledged time deposits with original maturity of less than three months when acquired | | 83 | 158 |
| Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows | | 349 | 455 |



statement of financial position

31 December 2009

HK\$ million

| Notes | 2009 | 2008 |
|-------|------------|------|
| | 693 | 683 |
| 20 | | |
| | 2 | 1 |
| 23 | | |
| | 2 | 16 |
| 24 | | |
| | 4 | 17 |
| | 697 | 700 |
| | | |
| | 654 | 654 |
| 29 | | |
| | 42 | 45 |
| 31(b) | | |
| | 696 | 699 |
| | | |
| | 1 | 1 |
| 26 | | |
| | 1 | 1 |
| | 1 | 1 |
| | 697 | 700 |
| | 3 | 16 |
| | 696 | 699 |

ASSETS

Non-current assets

Interests in subsidiaries

Current assets

Prepayments, deposits and other receivables

Cash and cash equivalents

Total current assets

Total assets

EQUITY AND LIABILITIES

Equity attributable to owners of the parent

Issued capital

Reserves

Total equity

Current liabilities

Other payables and accruals

Total current liabilities

Total liabilities

Total equity and liabilities

Net current assets

Total assets less current liabilities

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

notes to financial statements

1. CORPORATE INFORMATION

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were 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 (the “Stock Exchange”).

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, 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 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 2009. 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 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

| | |
|--|--|
| HKFRS 1 and HKAS 27 Amendments | Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i> |
| HKFRS 2 Amendments | Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i> |
| HKFRS 7 Amendments | Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i> |
| HKFRS 8 | <i>Operating Segments</i> |
| HKAS 1 (Revised) | <i>Presentation of Financial Statements</i> |
| HKAS 18 Amendment* | Amendment to Appendix to HKAS 18 <i>Revenue – Determining whether an entity is acting as a principal or as an agent</i> |
| HKAS 23 (Revised) | <i>Borrowing Costs</i> |
| HKAS 32 and HKAS 1 Amendments | Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i> |
| HK(IFRIC)-Int 9 and HKAS 39 Amendments | Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i> |
| HK(IFRIC)-Int 13 | <i>Customer Loyalty Programmes</i> |
| HK(IFRIC)-Int 15 | <i>Agreements for the Construction of Real Estate</i> |
| HK(IFRIC)-Int 16 | <i>Hedges of a Net Investment in a Foreign Operation</i> |
| HK(IFRIC)-Int 18 | <i>Transfers of Assets from Customers</i> (adopted from 1 July 2009) |
| Improvements to HKFRSs (October 2008) | Amendments to a number of HKFRSs |

* Included in Improvements to HKFRSs 2009 (as issued in May 2009)

Other than as further explained below regarding the impact of HKAS 1 (Revised) and HKFRS 8, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements are as follows:

(a) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces 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. These revised disclosures, including the related revised comparative information, are shown in note 4 below.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

(b) HKAS 1 (Revised) *Presentation of Financial Statements*

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 includes 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 has elected to present two statements.

2.3 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) | <i>First-time Adoption of Hong Kong Financial Reporting Standards</i> ¹ |
| HKFRS 1 Amendments | <i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i> ² |
| HKFRS 1 Amendment | <i>Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i> ⁴ |
| HKFRS 2 Amendments | <i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i> ² |
| HKFRS 3 (Revised) | <i>Business Combinations</i> ¹ |
| HKFRS 9 | <i>Financial Instruments</i> ⁶ |
| HKAS 24 (Revised) | <i>Related Party Disclosures</i> ⁵ |
| HKAS 27 (Revised) | <i>Consolidated and Separate Financial Statements</i> ¹ |
| HKAS 32 Amendment | <i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i> ³ |
| HKAS 39 Amendment | <i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> ¹ |
| HK(IFRIC)-Int 14 Amendments | <i>Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement</i> ⁵ |
| HK(IFRIC)-Int 17 | <i>Distributions of Non-cash Assets to Owners</i> ¹ |
| HK(IFRIC)-Int 19 | <i>Extinguishing Financial Liabilities with Equity Instruments</i> ⁴ |
| Amendments to HKFRS 5 included in <i>Improvements to HKFRSs issued in October 2008</i> | <i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i> ¹ |
| HK Interpretation 4 (Revised in December 2009) | <i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i> ² |

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.



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

- 1 Effective for annual periods beginning on or after 1 July 2009
- 2 Effective for annual periods beginning on or after 1 January 2010
- 3 Effective for annual periods beginning on or after 1 February 2010
- 4 Effective for annual periods beginning on or after 1 July 2010
- 5 Effective for annual periods beginning on or after 1 January 2011
- 6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Goodwill

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

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

Goodwill arising on acquisition is recognised in the consolidated statement of financial position 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, construction contracts assets, deferred tax assets, financial assets, investment properties, goodwill and non-current assets/a disposal group classified as held for sale), 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 impaired asset.

An assessment is made at the end of each reporting period 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 the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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 | 20% |

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.



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised 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 which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment 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 end of the reporting period.

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

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

Leases

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently 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 financial year end.

Research and development costs

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

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. 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.

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.

The Group's financial assets include cash and bank balances, and trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:



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. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in finance costs.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group (first assesses individually whether objective evidence of impairment exists) for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

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 when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables and interest-bearing bank borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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 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 relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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 the initial recognition of goodwill or 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, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of the reporting period.

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 for grants after 7 November 2002 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 option pricing model, further details of which are given in note 30 to the financial statements.

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. The cumulative expense recognised for equity-settled transactions at the end of each reporting period 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.



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions *(continued)*

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service 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, if the original terms of the award are met. In addition, an expense is recognised for any modification, that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. 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. All cancellations of equity-settled transaction awards are treated equally.

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.

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 directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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 recorded by the entities in the Group are initially recorded using their respective 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 end of the reporting period. 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 end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, 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 statement of cash flows, 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, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

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 exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 end of the reporting period. 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.

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

Judgements *(continued)*

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 end of the reporting period, 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 2009 was HK\$22 million (2008: HK\$22 million). More details are given in note 18.

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 2009 (2008: Nil). The amount of unrecognised tax losses at 31 December 2009 was HK\$79 million (2008: HK\$77 million). Further details are contained in note 28 to the financial statements.



4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has only one reportable operating segment which is the manufacture and sale of telecom and electronic products and accessories.

Management monitors the results of its operating segment separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, equity-settled share option expense, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

| HK\$ million | Telecom and electronic products | | Reconciliations | | Group total | |
|---------------------------------------|------------------------------------|-------|-----------------|------|--------------|-------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Segment revenue: | | | | | | |
| Revenue from external customers | 1,446 | 2,752 | – | 6 | 1,446 | 2,758 |
| Operating loss | (9) | (308) | – | – | (9) | (308) |
| Interest income | – | – | – | 6 | – | 6 |
| Finance costs | (3) | (9) | – | – | (3) | (9) |
| Reconciled items: | | | | | | |
| Unallocated expenses | | | | | | |
| – Equity-settled share option expense | – | – | (2) | – | (2) | – |
| – Corporate office expenses | – | – | (3) | (4) | (3) | (4) |
| Loss before tax | (12) | (317) | (5) | 2 | (17) | (315) |

4. OPERATING SEGMENT INFORMATION (continued)

| HK\$ million | Telecom and electronic products | | Reconciliations | | Group total | |
|---|------------------------------------|-------|-----------------|------|--------------|-------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Other segment information: | | | | | | |
| Expenditure for non-current assets | 11 | 62 | – | – | 11 | 62 |
| Depreciation and amortisation | (64) | (117) | – | – | (64) | (117) |
| Other material non-cash items: | | | | | | |
| Net impairment of trade receivables | (13) | (48) | – | – | (13) | (48) |
| Equity-settled share option expense | – | – | (2) | – | (2) | – |
| Write-off of deferred development costs | – | (6) | – | – | – | (6) |
| Impairment of deferred development costs | – | (22) | – | – | – | (22) |
| Write-off of items of property, plant and equipment | (5) | (2) | – | – | (5) | (2) |
| Impairment of items of property, plant and equipment | – | (60) | – | – | – | (60) |
| Segment assets | 1,509 | 1,760 | – | – | 1,509 | 1,760 |
| Reconciled item: | | | | | | |
| Unallocated corporate assets | – | – | 4 | 17 | 4 | 17 |
| Total assets | 1,509 | 1,760 | 4 | 17 | 1,513 | 1,777 |
| Segment liabilities | 785 | 1,030 | – | – | 785 | 1,030 |
| Reconciled item: | | | | | | |
| Unallocated corporate liabilities | – | – | 10 | 12 | 10 | 12 |
| Total liabilities | 785 | 1,030 | 10 | 12 | 795 | 1,042 |

Geographical information

Additional disclosures on segment information by geographical location for the year ended 31 December 2009 and 2008 are shown below:

(a) Revenue from external customers

| HK\$ million | 2009 | 2008 |
|-------------------------|--------------|-------|
| Europe | 1,067 | 1,130 |
| North America | 154 | 1,234 |
| Asia Pacific and others | 225 | 394 |
| | 1,446 | 2,758 |

The revenue information above is based on the final locations where the Group's products were sold to customers.



4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

(b) Non-current assets

| HK\$ million | 2009 | 2008 |
|-----------------|------------|------|
| Hong Kong | 39 | 41 |
| Mainland China | 598 | 652 |
| Other countries | 1 | 3 |
| | 638 | 696 |

The non-current assets information is based on the location of assets.

Information about major customers

For the year ended 31 December 2009, revenue from each of three major customers of the telecom and electronic products segment was HK\$541 million, HK\$277 million and HK\$156 million respectively, representing 37%, 19% and 11% of the Group's total revenue, respectively.

For the year ended 31 December 2008, revenue from each of two major customers of the telecom and electronic products segment was HK\$1,034 million and HK\$542 million respectively, representing 37% and 20% of the Group's total revenue, respectively.

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 during the year.

Revenue from the following activities has been included in turnover:

| | Group | |
|---|--------------|-------|
| HK\$ million | 2009 | 2008 |
| Manufacture and sale of telecom and electronic products | 1,446 | 2,752 |
| Bank interest income | – | 6 |
| | 1,446 | 2,758 |

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

During the prior 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 was the single largest customer of the Group for the prior year. As a result of the Discontinuation, certain production facilities of the Group became under-utilised.

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 |
| | | <hr/> 126 |



7. LOSS BEFORE TAX

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

| HK\$ million | Notes | Group | |
|--|-----------|--------------|-------|
| | | 2009 | 2008 |
| Cost of inventories sold | | 1,339 | 2,764 |
| Depreciation | 15 | 63 | 92 |
| Recognition of prepaid land lease payments | 17 | 1 | 1 |
| Minimum lease payments under operating leases in respect of land and buildings | | 7 | 14 |
| Research and development costs: | | | |
| Deferred expenditure amortised* | 19 | – | 24 |
| Current year expenditure | | 66 | 87 |
| | | 66 | 111 |
| Auditors' remuneration | | 1 | 2 |
| Employee benefit expense (excluding directors' remuneration - note 9): | | | |
| Wages and salaries | | 177 | 353 |
| Pension scheme contributions**** | | – | 1 |
| Less: Amount capitalised in deferred development costs | | – | (9) |
| | | 177 | 345 |
| Provision made/(written back) for slow-moving and obsolete inventories* | | (9) | 17 |
| Loss on disposal of items of property, plant and equipment ** | | – | 1 |
| Net impairment of trade receivables** | 22 | 13 | 48 |
| Write-off of items of property, plant and equipment** | 15 | 5 | 2 |
| Impairment of items of property, plant and equipment**** | 15 | – | 60 |
| Write-off of deferred development costs** | 19 | – | 6 |
| Impairment of deferred development costs**** | 19 | – | 22 |
| Foreign exchange differences, net | | (2) | 10 |
| Gain on disposal of financial assets at fair value through profit or loss*** | | – | (1) |
| Gross rental income*** | 36(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 consolidated income statement.

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

8. FINANCE COSTS

An analysis of finance costs is as follows:

| HK\$ million | Group | |
|---|-------|------|
| | 2009 | 2008 |
| Interest on bank loans wholly repayable within five years | 3 | 9 |

9. DIRECTORS' REMUNERATION

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

| HK\$ million | Group | |
|---|-------|------|
| | 2009 | 2008 |
| Fees: | | |
| Executive directors | – | – |
| Independent non-executive directors | 1 | 1 |
| | 1 | 1 |
| Executive directors' other emoluments: | | |
| Salaries, allowances and benefits in kind | 5 | 7 |
| Performance related bonuses* | – | 4 |
| Equity-settled share option benefits | 2 | – |
| Pension scheme contributions | – | – |
| | 7 | 11 |
| | 8 | 12 |

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

During the year, 500,000,000 share options were granted to certain directors, in respect of their services to the Group under the share option scheme of the Company, further details of which are set out in note 30 to the financial statements. 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 current year is included in the above directors' remuneration disclosures.



9. DIRECTORS' REMUNERATION *(continued)*

(a) Independent non-executive directors

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

| | Fees HK\$'000 | Equity-settled share option benefits HK\$'000 | Total HK\$'000 |
|------------------|------------------|--|-------------------|
| 2009 | | | |
| Chow Siu Ngor | 240 | 20 | 260 |
| Lau Ho Kit, Ivan | 240 | 20 | 260 |
| Chen Li | 240 | 20 | 260 |
| | 720 | 60 | 780 |
| 2008 | | | |
| 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 (2008: Nil).

9. DIRECTORS' REMUNERATION (continued)

(b) Executive directors

| HK\$ million | Salaries, allowances and benefits in kind | Performance related bonuses | Equity-settled share option benefits | Pension scheme contributions | Total remuneration |
|---|--|-----------------------------------|--|------------------------------------|-----------------------|
| 2009 | | | | | |
| Mak Shiu Tong, Clement ("Mr. Mak") | 3 | – | – | – | 3 |
| Tam Ngai Hung, Terry | 1 | – | 1 | – | 2 |
| Cheng Yuk Ching, Flora | 1 | – | 1 | – | 2 |
| William Donald Putt | – | – | – | – | – |
| | 5 | – | 2 | – | 7 |
| 2008 | | | | | |
| Mak Shiu Tong, Clement ("Mr. Mak") (Note) | 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 certain principal subsidiaries of the Company.

Note: The performance related bonus paid to Mr. Mak during the year ended 31 December 2008 was determined based on the Group's operating performance for the prior financial year ended 31 December 2007.

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 three (2008: four) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2008: one) non-director, highest paid employees for the year are as follows:

| HK\$ million | Group | |
|---|-------|------|
| | 2009 | 2008 |
| Salaries, allowances and benefits in kind | 4 | 1 |

The number of the non-director, highest paid employees whose remuneration fell within the following bands is as follows:

| | Number of employees | |
|-------------------------------|---------------------|------|
| | 2009 | 2008 |
| HK\$1,000,001 – HK\$1,500,000 | 1 | 1 |
| HK\$2,500,001 – HK\$3,000,000 | 1 | – |
| | 2 | 1 |

During the year, a 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, further details of which are set out in note 30 to the financial statements. 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 of HK\$251,000 (2008: Nil) included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

11. INCOME TAX EXPENSE

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 year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

| HK\$ million | 2009 | 2008 |
|-------------------------------|------|------|
| Group: | | |
| Current – Hong Kong: | | |
| Underprovision in prior years | – | 1 |
| Current – Elsewhere: | | |
| Charge for the year | 1 | 1 |
| Underprovision in prior years | 2 | 2 |
| Deferred (note 28) | (1) | (2) |
| Total tax charge for the year | 2 | 2 |

11. INCOME TAX EXPENSE (continued)

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the countries 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 – 2009

| HK\$ million | Hong Kong | | The People's Republic of China (the "PRC"), excluding Hong Kong | | Total | |
|--|--------------|--------------|---|---------------|---------------|---------------|
| | | % | | % | | % |
| Loss before tax | (7.3) | | (10.1) | | (17.4) | |
| Tax at the statutory tax rate | (1.2) | 16.5 | (2.5) | 25.0 | (3.7) | 21.3 |
| Adjustments in respect of current tax of previous periods | – | – | 1.9 | (18.8) | 1.9 | (10.9) |
| Income not subject to tax | (0.2) | 2.7 | (0.1) | 0.9 | (0.3) | 1.7 |
| Expenses not deductible for tax | 0.7 | (9.6) | 1.5 | (14.9) | 2.2 | (12.7) |
| Tax losses not recognised | 0.3 | (4.1) | 1.7 | (16.9) | 2.0 | (11.5) |
| Tax charge at the Group's effective rate | (0.4) | 5.5 | 2.5 | (24.7) | 2.1 | (12.1) |

Group – 2008

| HK\$ million | Hong Kong | | The 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. INCOME TAX EXPENSE *(continued)*

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. As at 31 December 2009, protective tax assessments in the aggregate amounts of HK\$30 million and HK\$45 million for the years of assessment 2001/2002 and 2002/2003, respectively, were issued by the IRD to certain subsidiaries of the Company. Subsequent to the end of the reporting period, in March 2010, protective tax assessments in the aggregate amount of HK\$33 million for the year of assessment 2003/04 were issued by the IRD to certain subsidiaries of the Company. Objections have 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 is still at the information gathering stage, there is still uncertainty about the outcome of the tax review. 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 FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated loss attributable to owners of the parent for the year ended 31 December 2009 includes a loss of HK\$5 million (2008: HK\$4 million) which has been dealt with in the financial statements of the Company (note 31(b)).

13. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2009 (2008: Nil).

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

The calculation of basic and diluted loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent of HK\$19 million (2008: HK\$317 million) and the weighted average number of 65,413,993,990 (2008: 65,413,993,990) ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2009 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2008 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during that 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 2009 | | | | | | | |
| At 31 December 2008 and at 1 January 2009: | | | | | | | |
| 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 |
| At 1 January 2009, net of accumulated depreciation and impairment | 307 | 93 | 25 | 16 | 3 | 5 | 449 |
| Additions | 9 | – | 1 | – | 1 | – | 11 |
| Write-off | – | (5) | – | – | – | – | (5) |
| Depreciation provided during the year | (25) | (20) | (11) | (6) | (1) | – | (63) |
| Transfer | 2 | – | – | – | – | (2) | – |
| At 31 December 2009, net of accumulated depreciation and impairment | 293 | 68 | 15 | 10 | 3 | 3 | 392 |
| At 31 December 2009: | | | | | | | |
| Cost | 459 | 324 | 186 | 96 | 14 | 3 | 1,082 |
| Accumulated depreciation and impairment | (166) | (256) | (171) | (86) | (11) | – | (690) |
| Net carrying amount | 293 | 68 | 15 | 10 | 3 | 3 | 392 |



15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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 |
| Disposals | – | – | (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 |

At 31 December 2009, certain of the Group's buildings with a net book value of approximately HK\$236 million (2008: HK\$249 million) were pledged to secure certain bank loans granted to the Group (note 27(a)(i)).

In the prior year, an impairment of HK\$60 million 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

| HK\$ million | Group | |
|--|-------|------|
| | 2009 | 2008 |
| 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 2009 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 34(a) and note 36(a)(ii) to the financial statements.

At 31 December 2009, the Group's investment properties were pledged to secure certain bank loans granted to the Group (note 27(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

| HK\$ million | Group | |
|---|-------|------|
| | 2009 | 2008 |
| Carrying amount at 1 January | 48 | 49 |
| Recognised during the year | (1) | (1) |
| Carrying amount at 31 December | 47 | 48 |
| Current portion included in prepayments, deposits and other receivables | (1) | (1) |
| Non-current portion | 46 | 47 |

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

At 31 December 2009 and 2008, the entire leasehold land was pledged as security for the bank loans granted to the Group (note 27(a)(iii)).



18. GOODWILL

Group

HK\$ million

31 December 2009

At 1 January 2009 and 31 December 2009:

| | |
|------------------------|-----|
| Cost | 23 |
| Accumulated impairment | (1) |
| Net carrying amount | 22 |

31 December 2008

At 1 January 2008 and 31 December 2008:

| | |
|------------------------|-----|
| Cost | 23 |
| Accumulated impairment | (1) |
| Net carrying amount | 22 |

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the telecom products cash-generating unit. For the purpose of impairment testing, the recoverable amount of goodwill is determined based on a value-in-use calculation. The value-in-use calculation uses cash flow projections based on financial budgets covering a period of five years approved by management. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures, long term growth rates and selection of discount rates. Management prepares the financial budgets reflecting actual and prior year performance and market development expectations. Judgement is required to determine the key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections. The discount rate applied to the cash flow projections is 13.6% (2008: 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 (notes 6 and 7) | (22) |
| Write-off (note 7) | (6) |
| Amortisation provided during the year (note 7) | (24) |
| At 31 December 2008 | <u>-</u> |
| At 31 December 2008: | |
| Cost | 52 |
| Accumulated amortisation and impairment | (52) |
| Net carrying amount | <u>-</u> |

An impairment loss of HK\$22 million was recognised during the prior year because management determined that it was uncertain whether the deferred development costs could generate further economic benefits for the Group.

No expenditure is capitalised as other intangible assets during the current year.

20. INTERESTS IN SUBSIDIARIES

| HK\$ million | Company | |
|--------------------------|----------------|------|
| | 2009 | 2008 |
| Unlisted shares, at cost | 256 | 256 |
| Loans to subsidiaries | 437 | 427 |
| | 693 | 683 |

The amounts advanced to the subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment.



20. INTERESTS IN SUBSIDIARIES (continued)

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 | | Principal activities |
|---|---|---|---|----------|---|
| | | | Direct | Indirect | |
| CCT Marketing Limited | British Virgin Islands/ Hong Kong | US\$1 Ordinary | – | 100 | Trading of telecom products |
| CCT Tech (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 |

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

* Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

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

| HK\$ million | Group | |
|------------------|-----------|------|
| | 2009 | 2008 |
| Raw materials | 14 | 27 |
| Work in progress | 14 | 28 |
| Finished goods | 40 | 51 |
| | 68 | 106 |

22. TRADE RECEIVABLES

| HK\$ million | Group | |
|-------------------|------------|------|
| | 2009 | 2008 |
| Trade receivables | 359 | 457 |
| Impairment | (7) | (55) |
| | 352 | 402 |

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two months, 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 end of the reporting period, the Group has certain concentration of credit risk as 53% (2008: 34%) and 97% (2008: 88%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

| HK\$ million | Group | | | |
|--------------------|------------|------------|---------|------------|
| | 2009 | | 2008 | |
| | Balance | Percentage | Balance | Percentage |
| Current to 30 days | 115 | 33 | 136 | 34 |
| 31 to 60 days | 91 | 26 | 112 | 28 |
| 61 to 90 days | 114 | 32 | 139 | 34 |
| Over 90 days | 32 | 9 | 15 | 4 |
| | 352 | 100 | 402 | 100 |



22. TRADE RECEIVABLES (continued)

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

| HK\$ million | Group | |
|---|-------|------|
| | 2009 | 2008 |
| At 1 January | 55 | 28 |
| Net impairment losses recognised (note 7) | 13 | 48 |
| Amount written off as uncollectible | (61) | (21) |
| At 31 December | 7 | 55 |

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK\$7 million (2008: HK\$55 million) with a carrying amount before provision of HK\$61 million (2008: HK\$290 million). The individually impaired trade receivables relate to customers that were in financial difficulties 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 as at 31 December 2008 is an amount due from a subsidiary of CCT Telecom of HK\$21 million, which is repayable on similar credit terms to those offered to the major customers of the Group.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

| HK\$ million | Group | |
|---|-------|------|
| | 2009 | 2008 |
| Neither past due nor impaired | 266 | 156 |
| Past due but not impaired – within 6 months | 32 | 11 |
| | 298 | 167 |

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

| HK\$ million | Group | | Company | |
|--------------------------------|-----------|------|----------|------|
| | 2009 | 2008 | 2009 | 2008 |
| Prepayments | 3 | 3 | 2 | 1 |
| Deposits and other receivables | 41 | 29 | – | – |
| | 44 | 32 | 2 | 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. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

| HK\$ million | Group | | Company | |
|---|------------|------|----------|------|
| | 2009 | 2008 | 2009 | 2008 |
| Cash and bank balances | 266 | 297 | 2 | 3 |
| Time deposits | 145 | 244 | – | 13 |
| | 411 | 541 | 2 | 16 |
| Less: Time deposits pledged for bank borrowings (note 27(a)(iv)) | (62) | (86) | – | – |
| Cash and cash equivalents | 349 | 455 | 2 | 16 |

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to HK\$18 million (2008: HK\$19 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 rates. 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.



25. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

| HK\$ million | Group | | 2008 | |
|--------------------|-----------------|--------------------|---------|------------|
| | 2009 Balance | 2009 Percentage | Balance | Percentage |
| Current to 30 days | 103 | 25 | 111 | 18 |
| 31 to 60 days | 96 | 24 | 82 | 14 |
| 61 to 90 days | 86 | 21 | 159 | 26 |
| Over 90 days | 122 | 30 | 258 | 42 |
| | 407 | 100 | 610 | 100 |

Included in the trade and bills payables are trade payables of HK\$70 million (2008: HK\$108 million) due to Neptune Holding Limited (“Neptune”) and Electronic Sales Limited (“ESL”), being wholly-owned subsidiaries of CCT Telecom, which are unsecured, interest-free and are repayable within 90 days from the invoice date.

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

26. OTHER PAYABLES AND ACCRUALS

| HK\$ million | Group | | Company | |
|----------------|------------|------|----------|------|
| | 2009 | 2008 | 2009 | 2008 |
| Other payables | 28 | 24 | – | – |
| Accruals | 108 | 132 | 1 | 1 |
| | 136 | 156 | 1 | 1 |

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

27. INTEREST-BEARING BANK BORROWINGS

Group

| | 2009 | | | 2008 | | |
|------------------------|-----------------------------|-----------|--------------|-----------------------------|----------|--------------|
| | Effective interest rate (%) | Maturity | HK\$ million | Effective interest rate (%) | Maturity | HK\$ million |
| Current | | | | | | |
| Bank loans - unsecured | 1.23 - 4 | 2010 | 118 | 1.69 - 6.25 | 2009 | 104 |
| Bank loans - secured | 1.25 - 1.75 | 2010 | 96 | 1.25 - 6.97 | 2009 | 161 |
| | | | 214 | | | 265 |
| Non-current | | | | | | |
| Bank loans - unsecured | 4 | 2011-2012 | 7 | | | - |
| Bank loans - secured | 1.3 - 1.64 | 2011 | 22 | | | - |
| | | | 29 | | | - |
| | | | 243 | | | 265 |

| HK\$ million | Group | |
|--|-------|------|
| | 2009 | 2008 |
| Analysed into: | | |
| Bank loans repayable: | | |
| Within one year or on demand | 214 | 265 |
| In the second year | 23 | - |
| In the third to fifth years, inclusive | 6 | - |
| | 243 | 265 |

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 end of the reporting period of approximately HK\$236 million (2008: HK\$249 million) (note 15);
- (ii) the pledge of the Group's investment properties situated in the PRC, which had an aggregate carrying value at the end of the reporting period of approximately HK\$178 million (2008: 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 end of the reporting period of approximately HK\$47 million (2008: HK\$48 million) (note 17); and
- (iv) the pledge of certain of the Group's time deposits amounting to HK\$62 million (2008: HK\$86 million) (note 24).

In addition, the Company's ultimate holding company has guaranteed certain of the Group's bank borrowings up to HK\$129 million (2008: Nil) as at the end of the reporting period.

(b) The Group's bank borrowings with carrying amounts of HK\$52 million (2008: HK\$94 million) and HK\$191 million (2008: HK\$171 million) are denominated in Hong Kong dollars and United States dollars ("US\$"), respectively.

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



28. DEFERRED TAX

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

Deferred tax liabilities

Group

| HK\$ million | Depreciation allowance in excess of related depreciation | |
|---|---|------|
| | 2009 | 2008 |
| Gross deferred tax liabilities at 1 January | 2 | 4 |
| Deferred tax credited to the income statement during the year (Note 11) | (1) | (2) |
| Gross deferred tax liabilities at 31 December | 1 | 2 |

The Group has tax losses arising in Hong Kong of HK\$79 million (2008: HK\$77 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\$58 million (2008: HK\$114 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 Mainland China and the 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 2009, 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 subsidiaries incurred losses during the two years ended 31 December 2009.

29. SHARE CAPITAL**Shares**

| HK\$ million | Company | |
|--|---------|-------|
| | 2009 | 2008 |
| Authorised: | | |
| 120,000,000,000 (2008: 120,000,000,000) ordinary shares of HK\$0.01 each | 1,200 | 1,200 |
| Issued and fully paid: | | |
| 65,413,993,990 (2008: 65,413,993,990) ordinary shares of HK\$0.01 each | 654 | 654 |

There were no transactions involving the Company's issued ordinary share capital during the current and prior years.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 30 to the financial statements.

30. SHARE OPTION SCHEME

The current share option scheme which was adopted by the Company on 17 September 2002 was effective on 7 November 2002 (the "Share Option Scheme"). 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.

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 of directors (the "Board"), will contribute or has contributed to the Group.

Pursuant to the Share Option Scheme, the maximum number of ordinary shares of HK\$0.01 each in the share capital of the Company (the "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.



30. SHARE OPTION SCHEME *(continued)*

Share options granted to a director, the chief executive or a substantial shareholder of the Company, or to any of their respective associates, are subject to the approval in advance by the independent non-executive directors (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.

The Company's share options do not confer rights on the holders to dividends or to vote at the Company's general meetings.

The following share options were outstanding under the Share Option Scheme during the year:

| | 2009 | |
|---------------------------|--|----------------------|
| | Weighted average exercise price HK\$ per share | Number of options |
| At 1 January | - | - |
| Granted during the year | 0.01 | 600,000,000 |
| Exercised during the year | - | - |
| Expired during the year | - | - |
| At 31 December | 0.01 | 600,000,000 |

No share option was exercised during the year.

The fair value of the share options granted during the year was HK\$2 million of which the Group recognised a share option expense of HK\$2 million during the year ended 31 December 2009.

30. SHARE OPTION SCHEME (continued)

The exercise price and exercise period of the share options outstanding as at the end of the reporting period is as follows:

2009

| Number of options | Exercise price | Exercise period |
|--------------------------|------------------------|------------------------|
| 600,000,000 | HK\$ per share 0.01 | 23/7/2009-6/11/2012 |

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the Black-Scholes option pricing 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:

| | 2009 |
|---|--------------|
| Dividend yield (%) | – |
| Expected volatility (%) | 49.93 |
| Historical volatility (%) | 49.93 |
| Risk-free interest rate (%) | 0.297 |
| Expected life of share options (year) | 1.647 |
| Weighted average share price (HK\$ per share) | 0.01 |

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

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

At the end of the reporting period, the Company had 600,000,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 600,000,000 additional ordinary shares of the Company and additional share capital of HK\$6,000,000 with no share premium.



31. 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 | Special reserve | Share premium account | Share option reserve | Accumulated losses | Total |
|---|-----------------|-----------------------|----------------------|--------------------|-------|
| At 1 January 2008 | (56) | 238 | 4 | (137) | 49 |
| Total comprehensive loss for the year | - | - | - | (4) | (4) |
| At 31 December 2008 and 1 January 2009 | (56) | 238 | 4 | (141) | 45 |
| Equity-settled share option arrangement | - | - | 2 | - | 2 |
| Total comprehensive loss for the year | - | - | - | (5) | (5) |
| At 31 December 2009 | (56) | 238 | 6 | (146) | 42 |

32. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

| HK\$ million | Company | |
|---|---------|------|
| | 2009 | 2008 |
| Corporate guarantees given to banks in connection with facilities granted to subsidiaries | 535 | 960 |

As at 31 December 2009, 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\$280 million (2008: HK\$305 million).

33. PLEDGE OF ASSETS

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

34. OPERATING LEASE ARRANGEMENTS

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

| HK\$ million | Group | |
|---|----------|-----------|
| | 2009 | 2008 |
| Within one year | 2 | 6 |
| In the second to fifth years, inclusive | - | 12 |
| | 2 | 18 |

(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 2009, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| HK\$ million | Group | | Company | |
|---|----------|-----------|----------|----------|
| | 2009 | 2008 | 2009 | 2008 |
| Within one year | 4 | 7 | 1 | 3 |
| In the second to fifth years, inclusive | - | 9 | - | 6 |
| | 4 | 16 | 1 | 9 |



35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34(b) above, the Group had the following capital commitments at the end of the reporting period:

| HK\$ million | Group | |
|-----------------------------------|----------|------|
| | 2009 | 2008 |
| Contracted, but not provided for: | | |
| Construction in progress | 1 | 2 |
| Purchase of a building | 3 | - |
| | 4 | 2 |

At the end of the reporting period, the Company had no significant commitments.

36. 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 | 2009 | 2008 |
|---|-------|-------|-------|
| Fellow subsidiaries: | | | |
| Purchase of components | (i) | 225.7 | 419.6 |
| Factory rental income | (ii) | 6.0 | 6.0 |
| Factory rental expenses | (iii) | - | 6.0 |
| Office rental expenses | (iv) | 2.8 | 3.2 |
| Sale of consumer electronic products | (v) | - | 39.7 |
| Sale of electronic children products | (vi) | - | - |
| Ultimate holding company: | | | |
| Management information system service fee | (vii) | 5.9 | 4.3 |

36. RELATED PARTY TRANSACTIONS (continued)

(a) (Continued)

Notes:

- (i) The Company and CCT Telecom entered into a manufacturing agreement (the "Component Manufacturing Agreement") dated 9 November 2006, pursuant to which CCT Telecom agrees to manufacture through the CCT Telecom Remaining Group certain power supply components, transformers, plastic casings and components and toolings for the production of telecom and electronic products for the Group.

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

- (ii) The factory rental income was charged to Shine Best Developments Limited ("Shine Best"), an 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 a factory space in Huiyang, the PRC, at a rate determined in accordance with the terms and conditions set out in a tenancy agreement (the "New Huiyang Tenancy Agreement") entered into between Shine Best and CCT Ent on 20 November 2008.
- (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 (the "Dongguan Tenancy Agreement") entered into between the Company and CCT Telecom on 9 November 2006. The Dongguan Tenancy Agreement was early terminated on 31 December 2008.
- (iv) The office rental expenses were charged to the Company, by Goldbay Investments Limited ("Goldbay"), an indirect 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 the Company and Goldbay on 20 November 2008, as amended by the supplemental agreement entered into between them on 23 June 2009 (the "Hong Kong Tenancy Agreements").
- (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. The CEP Manufacturing Agreement expired on 31 December 2008.
- (vi) The Company and CCT Telecom entered into a manufacturing agreement (the "Electronic Children Products Manufacturing Agreement") dated 31 August 2009, pursuant to which the Company agrees to design, develop, manufacture and supply through the Company and its subsidiaries certain electronic children products, electronic components and toolings for the CCT Telecom Remaining Group. The selling prices were determined in accordance with the terms and conditions set out in the Electronic Children Products Manufacturing Agreement.
- (vii) The management information system service fee was charged to CCT Telecom by the Company 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 the agreement entered into between CCT Telecom and the Company on 20 November 2008, as amended by the supplemental agreement entered into between them on 23 June 2009 (the "MIS Agreement").

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

(b) Outstanding balances with related parties:

Details of the Group's balances with its fellow subsidiaries at the end of the reporting period are disclosed in notes 22 and 25 to the financial statements.

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

| HK\$ million | 2009 | 2008 |
|---|------|------|
| Short term employee benefits | 11 | 18 |
| Post-employment benefits | – | – |
| Equity-settled share option benefits | 2 | – |
| Total compensation paid to key management personnel | 13 | 18 |

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

- (d) The Company's ultimate holding company has guaranteed certain bank borrowings made to the Group up to HK\$129 million (2008: Nil) as at the end of the reporting period, as further detailed in note 27(a) to the financial statements.



37. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group and the Company as at 31 December 2008 and 2009, are loans and receivables, and financial liabilities at amortised cost, respectively.

38. 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.

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 |
| 2009 | | |
| US\$ | 100 | 2 |
| US\$ | (100) | (2) |
| HK\$ | 100 | 1 |
| HK\$ | (100) | (1) |
| 2008 | | |
| US\$ | 100 | 2 |
| US\$ | (100) | (2) |
| HK\$ | 100 | 1 |
| HK\$ | (100) | (1) |

38. 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 at the end of the reporting date to a reasonably possible change in the 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 |
| 2009 | | |
| If US\$ strengthens against RMB | 0.96 | - |
| If US\$ weakens against RMB | (0.96) | - |
| If Euro strengthens against HK\$ | 17.58 | - |
| If Euro weakens against HK\$ | (17.58) | - |
| 2008 | | |
| If US\$ strengthens against RMB | 3.90 | 1 |
| If US\$ weakens against RMB | (3.90) | (1) |
| If Euro strengthens against HK\$ | 20.17 | (3) |
| If Euro weakens against HK\$ | (20.17) | 3 |

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 trade and other receivables, 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.



38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

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 end of the reporting period.

As at 31 December 2009

| HK\$ million | Group | | | Total |
|----------------------------------|------------------------------|--------------------|-----------------------------|-------|
| | Within one year or on demand | In the second year | In the third to fifth years | |
| Trade and bills payables | 407 | – | – | 407 |
| Other payables | 28 | – | – | 28 |
| Interest-bearing bank borrowings | 218 | 23 | 6 | 247 |
| | 653 | 23 | 6 | 682 |

As at 31 December 2008

| HK\$ million | Group | | | Total |
|----------------------------------|------------------------------|--------------------|-----------------------------|-------|
| | Within one year or on demand | In the second year | In the third to fifth years | |
| Trade and bills payables | 610 | – | – | 610 |
| Other payables | 24 | – | – | 24 |
| Interest-bearing bank borrowings | 270 | – | – | 270 |
| | 904 | – | – | 904 |

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Liquidity risk** (continued)

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as at the end of the reporting period.

| HK\$ million | Company Within one year or on demand |
|---|---|
| As at 31 December 2009 | |
| Guarantees given to banks in connection with facilities granted to subsidiaries (note 32) | 280 |
| As at 31 December 2008 | |
| HK\$ million | |
| Guarantees given to banks in connection with facilities granted to subsidiaries (note 32) | 305 |

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain 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 2009 and 2008.

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

| HK\$ million | Group | |
|----------------------------------|--------------|-------|
| | 2009 | 2008 |
| Interest-bearing bank borrowings | 243 | 265 |
| Total borrowings | 243 | 265 |
| Total capital | 718 | 735 |
| Total capital and borrowings | 961 | 1,000 |
| Gearing ratio | 25.3% | 26.5% |

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 April 2010.



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

| HK\$ million | Year ended 31 December | | | | |
|--|------------------------|---------|---------|---------|---------|
| | 2009 | 2008 | 2007 | 2006 | 2005 |
| REVENUE | 1,446 | 2,758 | 3,343 | 3,858 | 3,795 |
| Cost of sales | (1,330) | (2,781) | (3,306) | (3,579) | (3,438) |
| Gross profit/(loss) | 116 | (23) | 37 | 279 | 357 |
| Other income and gains | 23 | 36 | 25 | 83 | 46 |
| Selling and distribution costs | (24) | (36) | (44) | (53) | (52) |
| Administrative expenses | (111) | (149) | (153) | (138) | (142) |
| Other expenses | (18) | (8) | (40) | (22) | (24) |
| Finance costs, net | (3) | (9) | (14) | (33) | (54) |
| | (17) | (189) | (189) | 116 | 131 |
| Costs in connection with the Discontinuation and restructuring, net | - | (126) | - | - | - |
| PROFIT/(LOSS) BEFORE TAX | (17) | (315) | (189) | 116 | 131 |
| Income tax expense | (2) | (2) | (12) | (16) | (18) |
| PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT | (19) | (317) | (201) | 100 | 113 |

ASSETS AND LIABILITIES

| HK\$ million | As at 31 December | | | | |
|-------------------|-------------------|---------|---------|---------|---------|
| | 2009 | 2008 | 2007 | 2006 | 2005 |
| TOTAL ASSETS | 1,513 | 1,777 | 2,330 | 2,435 | 2,464 |
| TOTAL LIABILITIES | (795) | (1,042) | (1,279) | (1,253) | (2,038) |
| | 718 | 735 | 1,051 | 1,182 | 426 |

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 Telecom | CCT Telecom Holdings Limited, a company listed on the Main Board of the Stock Exchange and the ultimate holding company of the Company |
| CCT Telecom Remaining Group | CCT Telecom and its subsidiaries other than the Group |
| 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 |
| US | The United States of America |
| US\$ | United States dollar(s), the lawful currency of US |
| % | Per cent. |

FINANCIAL TERMS

| | |
|---------------------------|---|
| Gearing Ratio | Total borrowings (representing bank & other borrowings) divided by total capital employed (i.e. total Shareholders' fund plus total borrowings) |
| Earnings/(Loss) Per Share | Profit/(loss) for the year attributable to ordinary equity holders of the parent divided by weighted average number of ordinary shares in issue during the year |
| Current Ratio | Current assets divided by current liabilities |

