CCT TELECOM

2010 ANNUAL REPORT

中建電訊集團有限公司

Stock Code : 138

contents

chairman's letter

On behalf of the Board of the Company, I am pleased to report the annual results of the Company and its subsidiaries for the year ended 31 December 2010.

Two years on from the worst global downturn in decades, year 2010 has been one of recovery for the global economy. The global economy appears to be on its way walking out of the unprecedented financial tsunami, however in a rather slow pace. Taking advantage of the gradual recovery of the global economy and benefiting from the Group's restructuring and streamlining initiatives, the Group recorded an increase of 16.1% in turnover to $1,919 million in 2010. The Group's net profit after tax for the year advanced further by 12.1% to $37 million as compared to $33 million in last corresponding year.

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of $0.035 per share for the year 2010 to the shareholders whose names appear on the register of members of the Company on Friday, 27 May 2011, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company. The proposed final dividend will be payable from the Company's distributable reserve and will be paid on or around Monday, 13 June 2011 following the shareholders' approval at the forthcoming annual general meeting of the Company. Taking into account the $0.030 per share 2010 interim dividend paid in September 2010, the total dividend per ordinary share amounted to $0.065 per share for this financial year 2010, compared with the same total dividend of $0.065 per ordinary share distributed in respect of the year 2009.

REVIEW OF OPERATIONS

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

Telecom product business

The telecom product business engaged by the Company's principal listed subsidiary, CCT Tech and its subsidiaries, remains the largest business sector of the Group, in terms of turnover.

2010 is a year of a slight recovery for the global economy. Though most of the economic indicators are showing affirmative signals for recovery, impressive economic growth in real term has yet been noted in the major North American and European markets. Despite economic uncertainty, the CCT Tech Group has been able to take advantage of this minor recovery to get back to the right business track and to reposition itself in the market. Since the exit of CCT Tech Group's previous single largest customer from the North American telephony market at the end of 2008 (the "**Discontinuation**"), CCT Tech Group has basically lost the North American market, which once contributed more than 50% of CCT Tech Group's revenue. To ease part of the adverse impact arising from the Discontinuation, CCT Tech Group has expanded the European market and has diversified into the Asian Pacific and other regions. In Europe, CCT Tech Group continued to gain market share in 2010, and managed to achieve revenue of $1,187 million, representing an increase of 11.2% from the corresponding year. It is encouraging to see that CCT Tech Group's effort to diversify its business into markets outside North America and Europe has begun to see results. Sales to the Asian Pacific and other regions increased sharply by approximately 44.0% to approximately $324 million for the year, contributed approximately 20.6% of CCT Tech Group's total turnover.

The entering by CCT Tech Group of the GE Trademark License Agreement (the "**License Agreement**") with GE Trademark Licensing, Inc. ("**GE**") in February 2010 marked an important milestone of the CCT Tech Group, which not only reduces reliance on its ODM business but also opens up a new avenue for business growth from distribution of GE telecom products worldwide. Since the execution of the License Agreement, CCT Tech Group has already established a distribution company in US and has developed new lines of GE telecom products that are expected to be able to fit the current poor US retail market sentiment. We have already established a foothold in the US market and we expect that our new GE telecom products will enter the US retail shelves in 2011.

With regard to the development of the branded distribution business in the markets outside North America ("**European and ROW Markets**"), the CCT Tech Group has engaged an experienced professional distributor with established distribution networks in these markets. We believe such initial open up strategy would help our GE telecom products to penetrate into the European and ROW Markets in a timely and cost effective manner. This strategy has proven to be successful as the branded distribution business has contributed revenue of $18 million from the European and ROW Markets in the fourth quarter of 2010.

Our track record of strong product innovation and offerings continues. CCT Tech Group launched a new series of SOHO products for use in small and home offices during the year, which have been well received by the market. The new innovated product produced by us, the screen communication tablet with integrated home phone built on Linux technology with multi-functions including internet access, photos display, easy-to-use touch big-screen operation and filled with music formats, has achieved strong sales and received favorable response from the market. To step up our commitment in product R&D, in October 2010, the Group acquired office premises in Shenzhen in order to relocate its R&D centre of the telecom product business, which is currently housed in a leased office in Shenzhen. The newly acquired premises will be used as the R&D centre and back-up supporting offices for the telecom product business and the infant and child product business of the Group, which will provide enough space for the Group to cope with the future growth and development of these businesses. We believe the newly acquired premises will improve management efficiency, coordination and reduction in costs in the long term.

Rising costs posed a major challenge to the CCT Tech Group in 2010. Increase in minimum wages in the Mainland China, rising costs of materials, high inflation and the continuing appreciation of Renminbi have negatively impacted our margins. However, the CCT Tech Group continued to benefit from the cost restructuring initiatives taken in previous years and the efforts to streamline operations and improve efficiency during the year, resulting in an overall improvement in result in 2010.

Manufacturing of electronic and plastic components

The Group's component business (representing manufacture of plastic casing, power supply and transformer) continues to provide vertical support to the CCT Tech Group for production of telecom and electronic products. Most of these components are sold to the CCT Tech Group and some of the plastic component products are sold to independent third parties. Benefit from the cost restructuring and streamlining initiatives taken in previous years, the component business achieved significant improvement in performance and managed to turn from an operating loss of $35 million in 2009 to an operating profit of $1 million in 2010.

Infant and child product business

The infant and child product business continued to grow in 2010. Turnover surged 28.9% from $166 million in the last corresponding year to $214 million in the year, caused by the increase in orders from the major customers. The key products of the segment including the baby care kit set, the milk bottle warmer and steriliser continued to sell well in 2010. We have launched a new baby monitor product which has received good response from the market. During the year, the infant and child product business segment moved its manufacturing facilities from the Huiyang factory (which houses CCT Tech Group's telecom product manufacturing business and the component business) to the Group's Dongguan factory in order to provide more manufacturing space for the expansion of the business. As a result of the removal, certain production overhead and one-off costs were incurred, which caused a reduction of operating profit in 2010. The management has already taken steps and measures to drive productivity and efficiency in the new environment. The Group has also stepped up its effort to expand the customer base of this business segment and it is encouraging to see that new customers have started to place orders. We have also dedicated more resources in the development baby products and enhance our product range and offerings, which provide a solid platform for this segment to grow further.

New product line – health care product business

The child care product business has diversified into a new product line for design, development, manufacture and sale of home health care products such as humidifier, air purifier, thermometer and other personal care products such as blood pressure gauge and blood glucose monitor. Experienced management teams have been hired and this new business started generating revenue in second quarter of 2011. We believe this new product line has good potential to grow into a major contributor to this business segment as demand for high quality personal health care products is high.

Securities business

Notwithstanding that the investment environment has begun to improve since 2009, the global financial markets remained volatile in 2010. The Heng Seng Index traded in the range between approximately 19,000 points to approximately 25,000 points and closed at approximately 23,000 points at year end. The Group was able to capture the rebound of the market during the year and realised a gain of approximately $9 million from the securities business. However, because of the consolidation adjustments of the stock market towards the end of the year, an unrealised loss of $10 million was recorded arising from mark-to-market loss on our listed shares portfolio at year end. The Group's securities business ended to post a net operating loss of $1 million in 2010, compared to an operating profit of $97 million in 2009, when the stock market sharply rebounded after the global financial turmoil in 2008.

Property development

The austerity measures taken by the central government of the PRC to regulate residential property prices has limited effect on our property development projects in the Anshan City, the Liaoning Province. Pre-sale of the first phase of our Tiexi project in Anshan that started in December 2009 continued with encouraging market response in 2010. Up to 31 December 2010, a total of 391 units were pre-sold, representing more than 75% of the total units of the first phase. We are delighted to report that the first phase of the Tiexi project has been completed and over half of the pre-sold units have been delivered to the buyers for occupation at the end of 2010. After two years of development, the property development business has started to recognise revenue of approximately $85 million and delivered an operating profit of approximately $9 million to the Group in 2010. Following the success of the first phase development, we have stepped up the development of the second phase of the Tiexi project and have started the development of the second project located in the Gao Xin (high-technological) District of Anshan, which is bigger and has a better location than the Tiexi project.

Property investment and holding

The residential property market in Hong Kong picked up steam in year 2010. The buying frenzy is fuelled by economic recovery in Hong Kong and the PRC and the extremely low interest rate environment. The Group's residential property holdings comprise of three luxury residential houses situated in the prime luxury residential areas in the southern side of the Hong Kong Island. Because of the scarce supply of this sector of properties, the luxury residential market benefits most from the current hot property market and prices escalated to a record high in 2010. As such, this business segment contributed a net gain of HK$102 million to the Group in 2010, attributable to the revaluation gain of the properties.

Disposal of investment

The Group was the holding company of Merdeka Resources, a company engaged in the forests resources business and whose shares are listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. Ever since the Group's shareholding in Merdeka Resources dropped below 50%, the Group has ceased to classify Merdeka Resources as its subsidiary and its business as the Group's principal business. As such, the Group entered into an agreement during the year to dispose of 700,000,000 shares, representing 13.14% interest of its shareholding in Merdeka Resources at HK$0.097 per share realising proceeds of approximately HK$68 million (the "**Disposal**"), in order to divest and realise part of its investment in that company and allow the directors previously nominated to manage that company to focus their time and effort in the Group's businesses.

After the Disposal, the Group's interest in Merdeka Resources has reduced from 38.13% to 24.99% and the remaining interest is retained as investment.

OUTLOOK

We are encouraging to see the global economy might have broken away the worst period of the financial crisis. However, the global markets are still fragile and volatile. Fears of renewed fiscal crises, high unemployment rate in the US, faltering consumer confidence have all contributed to sluggish conditions. Furthermore, the debt crisis occurred in certain European countries and the recent social unrest and political instability in Libya and the Middle East has given rise to further global economic uncertainty. The regional unstable political situation has begun to show its impact on the global economy as the price of crude oil had been pushed up to a level of US$100 a barrel. The multiple disasters in Japan has caused world stocks to tumble and make the global economy look even more cloudy. On the other hand, inflation is expected to go up at a faster pace globally and commodity and material prices are expected to rise further in the light of the gradual recovery in the world economy and large-scale reconstruction efforts in Japan. The continued shortage of labor in the Guangdong Province and further increase in minimum wage are expected to push up labor cost further. Coupled with the further future appreciation of Renminbi, the Group's business will be facing difficult challenges and unusual uncertainty in 2011.

On the positive side, our internal restructuring initiatives taken in previous years will continue to provide positive impact to our costs and efficiency. We will continue to step up our effort to counteract costs increase and to improve productivity. We will continue to enhance our product offerings and optimising our product mix to meet market expectation. The CCT Tech Group's ODM business, especially in Europe and the Asian Pacific and other regions, will continue to grow in 2011. 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 CCT Tech Group and will enable the CCT Tech Group to re-enter the US market, which once was the largest single market of the CCT Tech Group. Broadband is moving with fast pace into homes worldwide. The CCT Tech Group has been taking this new business opportunity at an early stage by introducing new cordless technologies like CAT-iq (Cordless Advanced Technology – internet and quality) and VoIP (Voice over Internet Protocol). Furthermore, new generation communication devices are being planned and introduced by telco operators. The CCT Tech Group has been investing already into new product technologies like Android OS based products with touch screen, DECT/CAT-iq, WiFi and Bluetooth. The CCT Tech Group will progressively increase our R&D investment in such broadband connected products. The CCT Tech Group will also expand its contract manufacturing services ("**CMS**"), enhance its CMS customer base and will diversify its product range to audio, video and other consumer electronic products. We believe such new business will grow and will become a significant revenue contributor for the CCT Tech Group in the years to come. Given the unusual uncertainty ahead, we must remain cautious in terms of expansion. With our strong management team and the prudent approach we have taken, we remain confident that the telecom product business will continue to make steady progress in performance.

We believe the infant and child product business has excellent growth potential. We are committed to put in more resources in expanding such business. The segment has overcome the temporary reduction in efficiency caused by the factory removal and we expect that the segment's profitability will resume growth in 2011. We are confident about our newly developed personal health care products and believe that the new products will receive good response from customers. We believe the infant and child product business together with the new product line will become one of our core drivers for future growth.

As the global economy emerges from the downturn, we expect the stock market in Hong Kong will rise in the future. Although the stock market is currently affected by external factors, we are optimistic in the long-term economic outlook in Hong Kong and the PRC. As the fiscal and regulatory policies taken by the central government to rein inflation begins to show effect later this year, we believe the stock market will react favorably in the future. As most of our securities holdings are Hang Seng Index constituent stocks and H-shares in large Chinese corporations, we believe that they will benefit from the stabilised global economy and the recovery of the stock market. We closely monitor the stock market and will capture opportunity to realise some of our securities holdings.

The strength of the economy of the PRC is evident. We are confident about our property development business which will continue to perform this year and in the future. We will expedite development of our existing projects and will consider opportunity to enhance our land bank. However, we have adopted a prudent strategy in term of expansion as the control of housing prices remains one of the top targets of the PRC government this year. Given the optimistic long-term economic outlook in the PRC and supply for quality housing still falls short of demand, we are confident of the prospect of our property development business and expect that it will become a key driver for our revenue and profitability growth in the future.

We are of the opinion that the measures taken by the Hong Kong Government to curb speculation and stabilise property prices do not have any significant effect on the luxury residential property market because the supply of such type of properties is scarce. We believe the prices of luxury houses in prime locations will continue to rise but at a slower pace in 2011. However, as the residential properties that we hold in Hong Kong have already recorded significant revaluation gain, the Board intends to sell House No. 7, Rosecliff, No. 20 Tai Tam Road, Hong Kong in order to realise part of these fruitful gains as when suitable opportunities arises. We intent to keep the two houses at No. 56 Repulse Bay Road, Hong Kong for long-term investment gains.

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, 29 March 2011

directors and senior management

EXECUTIVE DIRECTORS

Mr. MAK Shiu Tong, Clement, aged 57, has served as the Chairman, the CEO and an executive Director since January 1994. Mr. Mak is a substantial Shareholder and 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 34 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 Tech, whose shares are listed on the Main Board of the Stock Exchange. He is also a director of certain subsidiaries of the Company and CCT Tech. Mr. Mak was the chairman, the chief executive officer and an executive director of Merdeka Resources, a company listed on the Growth Enterprise Market of the Stock Exchange, until his resignation which took effect on 23 November 2010.

Mr. TAM Ngai Hung, Terry, aged 57, has served as an executive Director and the Group Finance Director since March 2001. Mr. Terry Tam was appointed as the deputy Chairman on 9 December 2005 and is also a member of the Remuneration Committee. Mr. Terry Tam is mainly responsible for the corporate finance and accounting function of the Group. Mr. Terry Tam has more than 33 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. Terry 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. He previously held a number of senior positions in several listed companies. He is also an executive director of CCT Tech, whose shares are listed on the Main Board of the Stock Exchange. He is also a director of certain subsidiaries of the Company and CCT Tech. Mr. Terry Tam was an executive director of Merdeka Resources, a company listed on the Growth Enterprise Market of the Stock Exchange, until his resignation which took effect on 23 November 2010.

Ms. CHENG Yuk Ching, Flora, aged 57, has served as an executive Director since February 1998. Ms. Cheng assists the Chairman/CEO in overseeing the day-to-day management of the telecom and electronic product business, component and industrial product business of the Group. Ms. Cheng has over 31 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 Tech, whose shares are listed on the Main Board of the Stock Exchange. She is also a director of certain subsidiaries of the Company and CCT Tech. Ms. Cheng was an executive director of Merdeka Resources, a company listed on the Growth Enterprise Market of the Stock Exchange, until her resignation which took effect on 23 November 2010.

Dr. William Donald PUTT, aged 73, has served as an executive Director since January 1997. 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 38 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 Tech, whose shares are listed on the Main Board of the Stock Exchange. Dr. Putt was an executive director of Merdeka Resources, a company listed on the Growth Enterprise Market of the Stock Exchange, until his resignation which took effect on 23 November 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TAM King Ching, Kenny, aged 61, has served as an INED of the Company since December 1999. Mr. Kenny Tam is a member of the Audit Committee and the Remuneration Committee. Mr. Kenny Tam is a practising Certified Public Accountant in Hong Kong. He holds a Bachelor's Degree in Commerce and is a fellow of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Kenny Tam is serving as a member of the Ethics Committee, the Practice Review Committee and the Restructuring and Insolvency Faculty Executive Committee in the Hong Kong Institute of Certified Public Accountants. He is also a Past President of The Society of Chinese Accountants and Auditors. He also serves as an INED of five other companies listed on the Main Board of the Stock Exchange, namely, Kingmaker Footwear Holdings Limited, Shougang Concord Grand (Group) Limited, Starlite Holdings Limited, Van Shung Chong Holdings Limited and West China Cement Limited, and a company listed on the Growth Enterprise Market of the Stock Exchange, namely, North Asia Strategic Holdings Limited. He was also an INED of King Stone Energy Group Limited, a company listed on the Main Board of the Stock Exchange, until his resignation on 4 September 2008.

Mr. LAU Ho Man, Edward, aged 56, has served as an INED of the Company since February 2000. Mr. Lau is a member of the Audit Committee and the Remuneration Committee. Mr. Lau has more than 34 years of experience in finance, accounting management and administration, and also has extensive experience in taxation and corporate finance matters. He is a Certified Public Accountant (Practising), a fellow of the Hong Kong Institute of Certified Public Accountants and an associate of The Institute of Chartered Accountants in England and Wales and The American Institute of Certified Public Accountants. He is also an INED of Singamas Container Holdings Limited, a company listed on the Main Board of the Stock Exchange.

Mr. CHEN Li, aged 46, has served as an INED of the Company and a member of the Audit Committee and the Remuneration Committee since February 2008. 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 Tech, whose shares are listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. WONG Wah Shun, Kent, aged 47, joined the Group in June 2010. Mr. Wong currently holds the position of Chief Executive Officer of the manufacturing operations of the Group. He is the key management executive responsible for the business development and day-to-day management of the telecom and electronic product business of the Group, and takes a leading role in overseeing all industrial and consumer product businesses within the Group. Mr. Wong obtained an Executive MBA from the Kellogg School of Management of Northwestern University, a Master's Degree in Engineering Management from the City University of Hong Kong and a Master's Degree in Engineering from the University of Warwick. Mr. Wong is a Chartered Engineer and a Chartered Manager, and is a member of The Institution of Engineering and Technology and a fellow member of the Chartered Management Institute in the United Kingdom. Mr. Wong has over 20 years of experience in consumer electronic industry. Prior to joining the Group, he held various senior positions in renowned companies in Hong Kong.

Ms. NG Yin Fun, Elaine, has been in service with the Group for nearly two years since April 2009. Ms. Ng currently holds the position of Managing Director in a principal subsidiary of the Company, which is engaged in the infant and child product business. She leads the day-to-day management of the infant and child product business, and supervises all principal functions of the business segment, including sales and marketing, customer service, logistics activities and product planning and development. Ms. Ng graduated from the University of Technology, Sydney, Australia with a Master's Degree of Engineering Management in 2000. Ms. Ng has also taken Business Management course in the Harvard University in the US in 2007. Ms. Ng has been in the consumer electronic industry for more than 21 years with extensive business development experience.

SENIOR MANAGEMENT *(continued)*

Mr. MAN Chin Keung, Daniel, aged 47, has been in service with the Group for over eight years since November 2002. Mr. Man currently holds the position of Deputy Manufacturing Director in a principal subsidiary of the Company. He is in charge of the manufacturing activities of the Group's plastic components business. He has a Bachelor's Degree in Mechanical Engineering and a Master's Degree in Business Administration. He has more than 19 years of experience in the plastic injection industry. He is also a director of certain subsidiaries of the Company.

Dr. FAN Ka Lun, aged 45, joined the Group in June 2010. Dr. Fan currently holds the position of Product Management Director in a principal subsidiary of the Company. He takes a leading role in the development of healthcare products of the Group. Mr. Fan has vast experience in research, development and commercialisation of medical products/technologies and interactive toys for rehabilitation. Dr. Fan received his PhD training in the development and characterisation of a new medical intervention for total knee replacement surgeries at the Imperial College, London. Dr. Fan also holds three master degrees including MSc in Information Engineering (specialising in medical informatics), Master of Business Administration and LLM (specialising in intellectual property law). Dr. Fan is a Chartered Engineer, a Chartered Scientist and a Chartered IT Professional. Dr. Fan published over 50 articles about new medical devices, telecare and mobile health products in peer reviewed journals/conference proceedings. He is also a co-inventor of a number of US and WIPO (World Intellectual Property Organization) patents.

Mr. SUN Tak Yan, Henry, aged 37, joined the Group in May 2010. Mr. Sun currently holds the position of Engineering Director in a principal subsidiary of the Company, which is engaged in the manufacturing and sale of infant and child products, healthcare products and interactive toys. He is primarily responsible for the R&D, product development and management activities. Mr. Sun graduated from The Hong Kong Polytechnic University with a Bachelor of Engineering in Mechanical Engineering in 1995. Mr. Sun has more than 16 years of experience in the design and manufacturing of electronic toys and consumer product industry. Prior to joining the Group, Mr. Sun held senior positions in a US public listed toy company for 11 years.

Mr. WONG Chi Lap, Frederick, aged 43, has been in service with the Group for nearly three years since April 2008. Mr. Wong currently holds the position of Senior Sales and Marketing Manager in a principal subsidiary of the Company, which is engaged in the manufacturing and sale of infant and child products. He is primarily responsible for the sales and marketing and business development of the infant and child product business of the Group. Mr. Wong graduated from the University of Toronto in Canada with a Bachelor's Degree in Science in 1992. Mr. Wong has 16 years of sales and marketing experience in the manufacturing field and appliance industry.

Ms. FOK Lai Fan, Stella, aged 38, has been in service with the Group for nearly three years since April 2008. Ms. Fok currently holds the position of Senior Sales and Marketing Manager in a principal subsidiary of the Company, which is engaged in the manufacturing and sale of infant and child products, healthcare products and interactive toys. She is primarily responsible for the sales and business development. Ms. Fok holds a Master's Degree in International Business Management from the City University of Hong Kong and has more than 15 years of sales experience in the consumer electronic manufacturing field.

Mr. LEUNG Ho Yin, Henry, aged 40, joined the Group in June 2010. Mr. Leung currently holds the position of General Counsel of the Group. He is responsible for advising on all legal matters of the Group. Mr. Leung graduated from The Chinese University of Hong Kong with a Bachelor of Arts Degree and The University of Hong Kong with a Bachelor of Laws Degree. He is a practicing solicitor qualified to practise in Hong Kong.

Ms. CHAN Sau Chiu, Jess, aged 36, has been in service with the Group for 10 years since February 2001. Ms. Chan currently holds the position of Financial Controller of the Company. She is the head of the finance and accounting department of the Company. Ms. Chan graduated from The Hong Kong University of Science and Technology in 1998 with a Bachelor of Business Administration in Accounting. Ms. Chan is a Chartered Financial Analyst and is an associate of the Hong Kong Institute of Certified Public Accountants. She is also a director of certain subsidiaries of CCT Tech.

Ms. TONG Kam Yin, Winnie, aged 34, has been in service with the Group for nearly five years since April 2006 and has served as the Company Secretary of the Company since January 2011. Ms. Tong graduated from The Hong Kong Polytechnic University in 1998 with an Honours Degree in Language and Communication 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. She is also the Company Secretary and a director of certain subsidiaries of CCT Tech.

financial review

HIGHLIGHTS ON FINANCIAL RESULTS

HK$ million	2010	2009	% increase/ (decrease)
Turnover	**1,919**	1,653	16.1%
Profit for the year	**37**	33	12.1%
Profit/(loss) attributable to:			
Owners of the parent	**40**	42	(4.8%)
Non-controlling interests	**(3)**	(9)	(66.7%)
	37	33	12.1%
Earnings per share	**HK$0.066**	HK$0.060	10.0%
Dividends per share	**HK$0.065**	HK$0.065	–

Discussion on Financial Results

For the year ended 31 December 2010, the Group reported a turnover of $1,919 million, representing an increase of 16.1% compared to the last corresponding year. The revenue growth was largely due to the growth of the telecom product business and the infant and child product business.

The Group reported profit after tax of $37 million for the year, representing an increase of 12.1% compared to the profit after tax of approximately $33 million in the last corresponding year, showing continued improvement in our business performance.

ANALYSIS BY BUSINESS SEGMENT

	Turnover				
	2010		2009		% increase/
HK$ million	Amount	Relative %	Amount	Relative %	(decrease)
Telecom product business	**1,573**	**81.9%**	1,451	87.8%	8.4%
Component business	**293**	**15.2%**	262	15.8%	11.8%
Infant and child product business	**214**	**11.2%**	166	10.0%	28.9%
Securities business	**9**	**0.5%**	17	1.0%	(47.1%)
Property development	**85**	**4.4%**	–	–	N/A
Property investment and holding	**5**	**0.3%**	5	0.3%	–
Unallocated items	**–**	**–**	1	0.1%	N/A
Intersegment transactions	**(260)**	**(13.5%)**	(249)	(15.0%)	4.4%
Total	**1,919**	**100%**	1,653	100.0%	16.1%

HK$ million	Profit/(loss) before tax 2010	2009	% increase/ (decrease)
Telecom product business	**1**	(12)	N/A
Component business	**1**	(35)	N/A
Infant and child product business	**11**	30	(63.3%)
Securities business	**(1)**	97	N/A
Property development	**9**	2	350.0%
Property investment and holding	**102**	76	34.2%
Unallocated items	**(59)**	(107)	(44.9%)
Total	**64**	51	25.5%

During the year under review, most of the Group's core business segments achieved increase in turnover. The telecom product business continued to be the largest business segment of the Group, in terms of turnover and number of employees. This business segment contributed approximately 81.9% of the Group's total turnover. The segment's turnover increased 8.4% to $1,573 million in 2010, due to the success of strategies and initiatives taken by the CCT Tech Group to reposition its market focus and geographical diversification. The segment's operating results improved further and turned from an operating loss before tax of $12 million in 2009 to an operating profit before tax of $1 million in 2010, caused largely by turnover growth and initiatives taken by the CCT Tech Group to restructure operations, drive efficiency and control costs. This year's results of the telecom product segment has accounted for certain costs incurred by the CCT Tech Group in the development and set-up of the GE telecom product business, which is expected to provide benefit to the segment in the long run after the branded distribution business is built up.

Revenues derived from the components business increased 11.8% to $293 million for year ended 31 December 2010, in line with the increase in sales of the telecom product business. The components business sector delivered an operating profit of approximately $1 million in year 2010, as compared to an operating loss of approximately $35 million in previous corresponding year, indicating strong recovery of the operations of this segment.

Amidst weak business environment, our infant and child products business in the year continued to perform well. Turnover of the segment rose 28.9% to $214 million for the year due to increased orders from customers. Profit before tax contributed by the infant and child product business was $11 million, representing an decrease of $19 million from last year, due to additional costs and overhead caused by removal of its factory to Dongguan.

The Group's securities business recorded an operating loss of $1 million in 2010 attributable to an unrealised mark-to-market loss of $10 million on share portfolio after setting off an realised gain of $9 million derived from the securities business, as compared to a net profit of $97 million in the last corresponding year. The change in result reflects the strong rebound of the stock market in 2009 after the financial tsunami compared with a volative market in 2010.

The property development business achieved its first year turnover of $85 million (2009: Nil) attributable to the completion of development of the first phase of Tiexi project in Anshan. The segment contributed net operating profit of approximately $9 million in 2010 (2009: $2 million).

The property investment and holding business posted a net profit of approximately $102 million for the year ended 31 December 2010 (2009: $76 million), mainly due to the unrealised fair value gain arising from revaluation of its luxury residential properties in Hong Kong at the year end.

Unallocated items mainly represent the head office administrative expenses and share of loss of Merdeka Resources until the Disposal. The unallocated items dropped by 44.9% to $59 million in 2010, due largely to the decrease in share of loss from Merdeka Resources as a result of the Disposal and the capital gain from the Disposal.

ANALYSIS BY GEOGRAPHICAL SEGMENT

	Turnover				
	2010		2009		% increase/
HK$ million	**Amount**	**Relative %**	Amount	Relative %	(decrease)
Europe	**1,200**	**62.6%**	1,078	65.2%	11.3%
Asian Pacific and others	**521**	**27.1%**	321	19.4%	62.3%
North America	**198**	**10.3%**	254	15.4%	(22.0%)
Total	**1,919**	**100.0%**	1,653	100.0%	16.1%

Europe continued to remain the largest market of the Group during the year under review and contributed approximately 62.6% of its total turnover. The sales to the Asian Pacific and other regions and the North America accounted for 27.1% and 10.3% respectively, of the Group's total turnover reflecting diversification of geographical market following the Discontinuation.

The performance in the European market was encouraging, achieved a further growth of 11.3% in turnover during the year. Sales to the Asian Pacific and other regions increased by 62.3% to $521 million, reflecting success of the CCT Tech Group's strategy by penetrating its business into markets in the Asian Pacific and other regions. Sales to North America declined further by 22.0% to only $198 million for the year, as a result of the Discontinuation.

HIGHLIGHTS ON FINANCIAL POSITION

HK$ million	31 December 2010	31 December 2009 (Restated)	% increase/ (decrease)
NON-CURRENT ASSETS			
Property, plant and equipment	**696**	796	(12.6%)
Investment properties	**325**	227	43.2%
Investment in an associate	**–**	187	N/A
Available-for-sale investments	**106**	4	2,550.0%
CURRENT ASSETS			
Inventories	**129**	98	31.6%
Trade receivables	**433**	401	8.0%
Prepayment, deposits and other receivables	**278**	405	(31.4%)
Properties under development	**305**	129	136.4%
Completed properties held for sale	**99**	–	N/A
Financial assets at fair value through profit or loss	**234**	255	(8.2%)
Pledged time deposits	**83**	65	27.7%
Cash and cash equivalents	**610**	566	7.8%
CURRENT LIABILITIES			
Trade and bills payables	**502**	418	20.1%
Current interest-bearing bank and other borrowings	**411**	427	(3.7%)
EQUITY AND NON-CURRENT LIABILITIES			
Non-current interest-bearing bank and other borrowings	**250**	1	24,900.0%
Non-controlling interests	**352**	355	(0.8%)
Equity attributable to owners of the parent	**2,085**	2,073	0.6%

Discussion on Financial Position

As at 31 December 2010, the amount of the property, plant and equipment decreased by 12.6% to approximately $696 million. The decrease was mainly attributable to the depreciation charge of $82 million after netting of additions to property, plant and equipment during the year.

The investment properties increased from $227 million as at 31 December 2009 to $325 million as at 31 December 2010, attributable largely to the unrealised fair value gain arising from year end revaluation of the properties.

After completion of the Disposal, the Group's interest in Merdeka Resources has been reduced from 38.13% to 24.99% and the Group ceased to have board representation in Merdeka Resources. As such, Merdeka Resources ceased to be an associate of the Group in 2010 and accordingly, the Group's interest in Merdeka Resources was classified as available-for-sale investments stated at fair market value as at 31 December 2010.

As at 31 December 2010, inventories of the Group increased to $129 million, due to revenue increase and accumulation of additional inventory to cope with future growth of business. Inventory turnover period of the Group for the year further improved to 24.7 days (2009: 28.9 days).

Trade receivables of the Group amounted to $433 million as at 31 December 2010, a slight increase of 8.0 % from $401 million as at 31 December 2009. The trade receivables increased in line with increase in sales.

Prepayments, deposits and other receivables balance as at 31 December 2010 include prepayment for the acquisition of land use rights of a development land site in the Anshan City, Liaoning Province, the PRC, which amounted to approximately $186 million (2009: $321 million). The decrease in the amount of prepayment is attributable mainly to the re-classification of the cost of a piece of development land located in the Anshan City to the property under development account in 2010. The balance of the amount represents mainly the prepayments and deposits relating to the manufacturing businesses.

As at 31 December 2010, the balance of the properties under development increased by 136.4% to approximately $305 million. The increase is mainly attributable to the land cost of a piece of development land located in the Anshan City reclassified from prepayments, deposits and other receivables and construction and development expenditure incurred relating to the property development projects in Anshan.

As at 31 December 2010, completed properties held for sale in the amount of $99 million represents the completed units of the first phase of the Tiexi project located in the Anshan City, of which $48 million is attributable to the pre-sold units but not yet delivered to buyers for occupation.

The decrease in the balance of the financial assets at fair value through profit or loss was attributable to the aggregate effect of the disposal of part of our holdings in Hong Kong listed shares during the year and decrease in fair value of the listed shares held as at 31 December 2010.

Additional time deposits were pledged to banks to secure additional banking facilities, resulting in increase in pledged time deposits from $65 million as at 31 December 2009 to $83 million as at 31 December 2010.

Cash and cash equivalents increased by 7.8% to $610 million as at 31 December 2010. The net increase in cash and bank balance represents net cash inflow during the year.

Trade and bills payables increased by approximately 20.1% to $502 million, reflecting increase of purchases in line with the growth in sales.

The aggregate amount of the current and non-current interest-bearing bank and other borrowings increased from approximately $428 million as at 31 December 2009 to approximately $661 million as at 31 December 2010, up 54.4%. The increase represents net increase of the bank borrowings during the year in order to cope with the working capital requirements for increase in sales and potential future expansion in business.

Decrease in the non-controlling interests was mainly attributable to the share of loss in the CCT Tech Group for the year by the minority shareholders of CCT Tech.

The increase of the equity attributable to owners of the parent from $2,073 million as at 31 December 2009 to $2,085 million as at 31 December 2010 was primarily due to the profit attributable to the owners of the parent for the year net off against the dividend paid in cash during the year.

CAPITAL STRUCTURE AND GEARING RATIO

HK$ million	31 December 2010 Amount	31 December 2010 Relative %	31 December 2009 Amount (Restated)	31 December 2009 Relative %
Bank borrowings	**659**	**24.0%**	426	17.0%
Finance lease payable	**2**	**0.1%**	2	0.1%
Total borrowings	**661**	**24.1%**	428	17.1%
Equity	**2,085**	**75.9%**	2,073	82.9%
Total capital employed	**2,746**	**100.0%**	2,501	100.0%

The Group's gearing ratio was approximately 24.1% as at 31 December 2010 (2009: 17.1%). The increase in gearing ratio was largely caused by the net increase of bank borrowings during the year. Taking into account the pledged time deposits and the free cash on hand, the Group, however, did not have any net borrowings, indicating the strong financial position of the Group.

Outstanding bank borrowings amounted to $659 million at 31 December 2010 (2009: $426 million). Approximately 62.2% of these bank borrowings was arranged on a short-term basis for the ordinary business activities of the Group and was repayable within one year. The remaining 37.8% of the bank borrowings was of long-term nature, principally comprised of mortgage loans on properties held by the Group.

Acquisition of certain of the Group's assets was financed by way of finance leases and the total outstanding finance lease payables for the Group as at 31 December 2010 amounted to approximately $2 million (2009: $2 million).

As at 31 December 2010, the maturity profile of the bank and other borrowings of the Group falling due within one year, in the second to the fifth year and in the sixth to the tenth year amounted to $411 million, $166 million and $84 million, respectively (2009: $427 million, $1 million and nil, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

LIQUIDITY AND FINANCIAL RESOURCES

HK$ million	31 December 2010	31 December 2009 (Restated)
Current assets	**2,467**	2,039
Current liabilities	**1,182**	1,076
Current ratio	**208.7%**	189.5%

The Group's current ratio as at 31 December 2010 was 208.7% (2009: 189.5%). The strong liquid position was attributable to the effective financial management of the Group.

As at 31 December 2010 the Group's cash balance amounted to $693 million (2009: $631 million), of which $83 million (2009: $65 million) was pledged for general banking facilities. Almost all of the Group's cash was placed on deposits with licensed banks in Hong Kong. In view of the Group's current cash position and the unutilised banking facilities available, the Group is maintaining in a sound financial position and have sufficient resources to finance its operations and its future expansion plan.

CAPITAL COMMITMENTS

As at 31 December 2010, capital commitment of the Group amounted to approximately $24 million (2009: $46 million) mainly on construction cost of a property development project. 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 financial year 2010, 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 and medium-term deposits denominated in Hong Kong dollar and US dollar. As at 31 December 2010, the Group's borrowings were mainly denominated in Hong Kong dollar and US dollar. As at 31 December 2010, the Group's borrowings were principally made on a floating rate basis.

The objective of the Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. The Group does not have any significant interest rate risk as the interest rates currently remain at extremely low level. 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 overhead) 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 large portion of the Group's purchases are also made in US dollar, 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 overhead 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 2011 in order not to cause too much damage to the Chinese economy. We will continue to explore methods to hedge against RMB appreciation but will only consider to enter into any currency derivative product that will not give rise to high risk.

ACQUISITION AND DISPOSAL OF MATERIAL SUBSIDIARIES AND ASSOCIATES

Save for the Disposal, the Group did not acquire or dispose of any material subsidiaries and associates during the year under review.

SIGNIFICANT INVESTMENT

The Group did not hold any significant investment as at 31 December 2010 (2009: Nil).

PLEDGE OF ASSETS

As at 31 December 2010, certain of the Group's assets with a net book value of $886 million (2009: $775 million) and time deposits of approximately $83 million (2009: $65 million) were pledged to secure the general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2010, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group as at 31 December 2010 was 8,059 (2009: 8,212). The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitive remuneration package to employees. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. At 31 December 2010, there were no outstanding share options issued by the Company.

corporate information

COMPANY NAME
CCT Telecom Holdings Limited

BOARD OF DIRECTORS

Executive Directors
Mak Shiu Tong, Clement *(Chairman and CEO)*
Tam Ngai Hung, Terry
Cheng Yuk Ching, Flora
William Donald Putt

Independent Non-executive Directors
Tam King Ching, Kenny
Lau Ho Man, Edward
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
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COMPANY WEBSITE
www.cct.com.hk

STOCK CODE
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corporate governance report

CORPORATE GOVERNANCE PRACTICES

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

Throughout the financial year ended 31 December 2010, 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 least once every three years at the AGM of the Company in accordance with the bye-laws of the Company.

CORPORATE GOVERNANCE PRACTICES *(continued)*

Code Provision A.4.2

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

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

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

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 2010.

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;

THE BOARD *(continued)*

– 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 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 2010, the Board held 13 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	13/13
Tam Ngai Hung, Terry	13/13
Cheng Yuk Ching, Flora	13/13
William Donald Putt	13/13
Tam King Ching, Kenny	12/13
Lau Ho Man, Edward	13/13
Chen Li	12/13

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), Mr. Tam Ngai Hung, Terry (also acting as the deputy Chairman), Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt and three INEDs, namely Mr. Tam King Ching, Kenny, Mr. Lau Ho Man, Edward 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, 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 2010. The Board comprises three INEDs, two of whom have accounting and financial expertise, and the three INEDs bring 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) each Director (except the Chairman and the managing Director) is required to retire by rotation at least once every three years and that one-third (or the number nearest to but not less than one-third) of the Directors 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 least once every three years 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.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 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. Tam King Ching, Kenny, Mr. Lau Ho Man, Edward 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. Mr. Tam King Ching, Kenny acted as the chairman of the Remuneration Committee in 2010.

During the financial year ended 31 December 2010, 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
Tam King Ching, Kenny	1/1
Lau Ho Man, Edward	1/1
Chen Li	1/1
Mak Shiu Tong, Clement	1/1
Tam Ngai Hung, Terry	1/1

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

For the financial year ended 31 December 2010, the Remuneration Committee met on one occasion 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 package 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.

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

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

Audit Committee

The Company has established the Audit Committee in 2000 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, the appropriateness of standing within the Group and the effectiveness of the internal audit function), accounting policies and practices with the management of the Group, and the internal and external auditors of the Company.

The Audit Committee consists of three members comprising three INEDs, namely Mr. Tam King Ching, Kenny, Mr. Lau Ho Man, Edward and Mr. Chen Li. In 2010, three meetings of the Audit Committee were chaired by Mr. Tam King Ching, Kenny and the other one meeting was chaired by Mr. Lau Ho Man, Edward. All members of the Audit Committee hold the relevant industry or accounting and financial experience necessary to advise on the Board's strategies and other related matters. All members of the Audit Committee have complete and unrestricted access to the external auditors and all employees of the Company.

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

During the financial year ended 31 December 2010, the Audit Committee held four meetings. The attendance of the members of the Audit Committee at the Audit Committee's meetings (either in person or by phone) is set out as follows:

Name of the members of the Audit Committee	Number of attendance
Tam King Ching, Kenny	4/4
Lau Ho Man, Edward	4/4
Chen Li	1/4

In 2010, 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 2010, 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 months ended 30 June 2010 and the annual results for the year ended 31 December 2010 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 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 2010, the remuneration paid to the external auditors of the Company, Ernst & Young, is set out as follows:

Services rendered	Fees paid/payable
	HK$'000
Audit services	4,950
Non-audit services:	
Tax compliance services	609
Other services	555
Total	6,114

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, 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 Board also reviewed and considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programme and budget.

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 2010.

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, the manufacture of plastic and power supply components, the manufacture and sale of infant and child products, investment in securities business, property development and property investment and holding. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 41 to 120.

An interim dividend of HK$0.030 per ordinary share was paid on 22 September 2010.

The Directors recommend the payment of a final dividend of HK$0.035 (2009: HK$0.035) per ordinary share in respect of the year to shareholders whose names appear on the register of members of the Company on 27 May 2011 subject to the approval of the shareholders of the Company at the forthcoming AGM. This recommendation has been incorporated in the financial statements as an allocation of distributable reserve within the equity section of the statement of financial position.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities and non-controlling interests 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 122. 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 Company and the Group during the year are set out in notes 14 and 15 to the financial statements, respectively.

SHARE CAPITAL

There were no movements 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 39(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda, amounted to HK$1,611 million, of which HK$21 million has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$12 million, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$4 million (2009: HK$6 million).

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	
	2010	2009	**2010**	2009
Largest customer	**31%**	33%		
Five largest customers in aggregate	**77%**	80%		
Five largest suppliers in aggregate			**< 30%**	< 30%

None of the Directors 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
Tam Ngai Hung, Terry
Cheng Yuk Ching, Flora
William Donald Putt

Independent non-executive Directors:
Tam King Ching, Kenny
Lau Ho Man, Edward
Chen Li

In accordance with the bye-laws of the Company, Mr. Tam King Ching, Kenny and Mr. Lau Ho Man, Edward will retire and, being eligible, offer themselves for re-election at the forthcoming AGM of the Company.

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

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 pages 8 to 10 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 with 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 SCHEMES OF THE GROUP

Share option scheme of the Company

The Share Option Scheme was adopted by the Company on 28 February 2002. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. As at 31 December 2010, there was no share option outstanding under the Share Option Scheme. No share option has been granted, exercised, cancelled and has lapsed under the Share Option Scheme during the year.

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

Pursuant to the Share Option Scheme, the maximum number of Shares in respect of which share options may be granted under the Share Option Scheme is such number of Shares, when aggregated with the Shares subject to any other share option scheme(s) of the Company, must not exceed 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme or 30% of the issued share capital of the Company from time to time. The general limit on grant of the share options under the Share Option Scheme was last refreshed to 10% of the Shares in issue as at the date of approval by the Shareholders on 23 May 2007. As at the date of this Annual Report, the total number of Shares available for issue in respect thereof is 79,710,827, which represents approximately 13.15% of the total issued share capital of the Company as at the date of this Annual Report.

The maximum number of Shares issuable upon exercise of the share options granted under the Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period is limited to 1% of the Shares in issue as at the date of grant. Any further grant of the share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders 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, excluding the INED(s) of the 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 the approval of the Shareholders 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 SCHEMES OF THE GROUP *(continued)*

Share option scheme of CCT Tech

CCT Tech's current share option scheme was effective on 7 November 2002. Unless otherwise cancelled or amended, the share option scheme of CCT Tech will remain in force for a period of 10 years from the date of its adoption. As at 31 December 2010, there were 600,000,000 share options outstanding under the share option scheme of CCT Tech.

The purpose of the share option scheme of CCT Tech is to provide incentives and rewards to the eligible participants who contribute to the success of the operations of CCT Tech and its subsidiaries. Eligible participants of the share option scheme of CCT Tech include any employee, executive or officer of CCT Tech and its subsidiaries (including executive and non-executive directors of CCT Tech and its subsidiaries) and any supplier, consultant, agent, adviser, shareholder, customer, partner or business associate who, in the opinion of the board of directors of CCT Tech, will contribute or has contributed to CCT Tech and its subsidiaries.

Pursuant to the share option scheme of CCT Tech, the maximum number of shares in respect of which share options may be granted under the share option scheme of CCT Tech is such number of shares, when aggregated with the shares subject to any other share option scheme(s) of CCT Tech, must not exceed 10% of the issued share capital of CCT Tech upon the listing of the shares on the Stock Exchange or 30% of the issued share capital of CCT Tech from time to time. The general limit on the grant of the share options under the share option scheme of CCT Tech was last refreshed to 10% of the shares of CCT Tech in issue as at the date of approval by the shareholders of CCT Tech and the Company, the ultimate holding company of CCT Tech, on 2 June 2010. As at the date of this Annual Report, the total number of shares of CCT Tech available for issue in respect thereof is 6,541,399,399, which represents 10% of the total issued share capital of CCT Tech as at the date of this Annual Report.

The maximum number of shares issuable upon exercise of the share options granted under the share option scheme of CCT Tech and any other share option scheme(s) of CCT Tech (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period is limited to 1% of the shares of CCT Tech 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 CCT Tech (and if required, its holding company) and the approval of the shareholders of CCT Tech (and if required, the approval of the shareholders of its holding company) at a general meeting.

Share options granted to a director, chief executive or substantial shareholder of CCT Tech, or to any of their respective associates, are subject to the approval in advance by the INEDs of CCT Tech (and if required, the approval of the INEDs of its holding company), excluding the INED(s) of CCT Tech and its 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 CCT Tech, or to any of their respective associates, in excess of 0.1% of the shares of CCT Tech in issue as at the date of grant or with an aggregate value (based on the closing price of the shares of CCT Tech 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 CCT Tech (and if required, its holding company) and the approval of the shareholders of CCT Tech (and if required, the approval of the shareholders of its 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 of directors of CCT Tech, 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 of CCT Tech, whichever is earlier.

The exercise price of the share options is determinable by the board of directors of CCT Tech, but may not be less than the highest of (i) the closing price of the shares of CCT Tech 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 of CCT Tech 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 of CCT Tech.

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

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share option scheme of CCT Tech *(continued)*

Details of the movements of the share options granted to the Directors and the other eligible participants under the share option scheme of CCT Tech during the year were as follows:

Name or category of the participants	Number of share options: Outstanding as at 1 January 2010	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2010	Date of grant of the share options	Exercise period of the share options	Exercise price of the share options (Note 1)
								HK$ per share
Executive Directors								
Tam Ngai Hung, Terry	223,000,000	–	–	–	223,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Cheng Yuk Ching, Flora	245,000,000	–	–	–	245,000,000	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								
Chen Li	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
	8,000,000	–	–	–	8,000,000			
Other eligible participants								
Chow Siu Ngor (Note 2)	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Lau Ho Kit, Ivan (Note 2)	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Others	100,000,000	–	–	–	100,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
	116,000,000	–	–	–	116,000,000			
	600,000,000	–	–	–	600,000,000			

Notes:

1. The exercise price of the share options is subject to adjustment in the case of a capitalisation issue, rights issue, sub-division or consolidation of the shares of CCT Tech, or other similar changes in CCT Tech's share capital.

2. Mr. Chow Siu Ngor and Mr. Lau Ho Kit, Ivan are both INEDs of CCT Tech.

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share option scheme of CCT Tech *(continued)*

The closing market price of the shares of CCT Tech immediately before the date of grant in relation to the outstanding share options as quoted in the Stock Exchange's daily quotation sheet was HK$0.011.

As at 31 December 2010 and the date of this Annual Report, there were 600,000,000 share options outstanding under the share option scheme of CCT Tech. Based on these outstanding share options, the total number of shares of CCT Tech available for issue is 600,000,000, which represents approximately 0.92% of the total issued share capital of CCT Tech as at 31 December 2010 and the date of this Annual Report. The exercise in full of the outstanding share options would, under the present capital structure of CCT Tech, result in the issue of 600,000,000 additional ordinary shares of CCT Tech and additional share capital of HK$6,000,000.

DIRECTORS' INTERESTS

As at 31 December 2010, 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 as at 31 December 2010

Long positions in the Shares:

Name of the Directors	Number of the Shares interested and nature of interest Personal	Corporate	Total	Approximate percentage of the total issued share capital of the Company (%)
Mak Shiu Tong, Clement (Note)	8,475,652	294,775,079	303,250,731	50.03
Tam Ngai Hung, Terry	500,000	–	500,000	0.08
William Donald Putt	591,500	–	591,500	0.10

Note: Of the shareholding in which Mr. Mak Shiu Tong, Clement was interested, an aggregate of 294,775,079 Shares were beneficially held by Capital Force International Limited, New Capital Industrial Limited and Capital Winner Investments Limited, all of which are corporations wholly-owned by him, his spouse and his two sons. Mr. Mak Shiu Tong, Clement is deemed to be interested in such Shares under the SFO as he controls the exercise of one-third or more of the voting power at general meetings of Capital Force International Limited, New Capital Industrial Limited and Capital Winner Investments Limited.

DIRECTORS' INTERESTS *(continued)*

(b) Interests and short positions in the shares and the underlying shares of the share options of an associated corporation – CCT Tech as at 31 December 2010

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

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

Note: Of the shareholding in which Mr. Mak Shiu Tong, Clement was interested, 33,026,391,124 shares of CCT Tech were held by the Company through its indirect wholly-owned subsidiaries. Mr. Mak Shiu Tong, Clement is deemed to be interested in such shares of CCT Tech under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of the Company through his interest in the shareholding of 50.03% of the total issued share capital in the Company as at 31 December 2010.

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

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 Tech (%)
Tam Ngai Hung, Terry	23/7/2009	23/7/2009 – 6/11/2012	0.01	223,000,000	223,000,000	0.34
Cheng Yuk Ching, Flora	23/7/2009	23/7/2009 – 6/11/2012	0.01	245,000,000	245,000,000	0.37
William Donald Putt	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)*

(c) Interests and short positions in the shares and the underlying shares of the share options of an associated corporation – Merdeka Resources as at 31 December 2010

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

Name of the Directors	Number of the shares interested and nature of interest Personal	Corporate	Total	Approximate percentage of the total issued share capital of Merdeka Resources (%)
Mak Shiu Tong, Clement (Note)	19,344,000	1,331,764,070	1,351,108,070	25.36
Tam Ngai Hung, Terry	7,500,000	–	7,500,000	0.14

Note: Of the shareholding in which Mr. Mak Shiu Tong, Clement was interested, 1,331,764,070 shares of Merdeka Resources were beneficially held by Manistar Enterprises Limited, an indirect wholly-owned subsidiary of the Company. Mr. Mak Shiu Tong, Clement is deemed to be interested in such shares of Merdeka Resources under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of the Company through his interest in the shareholding of 50.03% of the total issued share capital in the Company as at 31 December 2010.

(ii) Long positions in the underlying shares of the share options granted under the share option scheme of Merdeka 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 Merdeka Resources (%)
Mak Shiu Tong, Clement	5/7/2006	14/8/2006 – 13/8/2011	0.038	22,500,000	22,500,000	0.42
Tam Ngai Hung, Terry	5/7/2006	14/8/2006 – 13/8/2011	0.038	18,000,000	18,000,000	0.34
	7/7/2009	11/8/2009 – 6/3/2012	0.160	40,500,000	40,500,000	0.76
Cheng Yuk Ching, Flora	5/7/2006	14/8/2006 – 13/8/2011	0.038	5,000,000	5,000,000	0.09
	7/7/2009	11/8/2009 – 6/3/2012	0.160	46,000,000	46,000,000	0.86
William Donald Putt	5/7/2006	14/8/2006 – 13/8/2011	0.038	5,000,000	5,000,000	0.09
	7/7/2009	11/8/2009 – 6/3/2012	0.160	3,500,000	3,500,000	0.07

DIRECTORS' INTERESTS *(continued)*

Save as disclosed above, as at 31 December 2010, 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 Schemes of the Group" and "Directors' Interests" above, at no time during the year was the Company, or any of its 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 2010, 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 2010:

Name of the Shareholders	Number of the Shares held	Approximate percentage of the total issued share capital of the Company (%)
Capital Force International Limited (Note)	96,868,792	15.98
New Capital Industrial Limited (Note)	171,357,615	28.27

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

Save as disclosed above, the Directors and chief executive of the Company are not aware that there is any party who, as at 31 December 2010, 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.

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.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event after the reporting period of the Group are set out in note 48 to the financial statements.

AUDITORS

The financial statements for the year ended 31 December 2010 have been audited by 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
29 March 2011

independent auditors' report

ERNST & YOUNG
安永

To the shareholders of CCT Telecom Holdings Limited
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We have audited the consolidated financial statements of CCT Telecom Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 41 to 120, which comprise the consolidated and company statements of financial position as at 31 December 2010, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit 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
29 March 2011

consolidated income statement

Year ended 31 December 2010

HK$ million	Notes	2010	2009
REVENUE	5	**1,919**	1,653
Cost of sales		**(1,739)**	(1,479)
Gross profit		**180**	174
Other income and gains	5	**220**	203
Selling and distribution costs		**(60)**	(29)
Administrative expenses		**(228)**	(217)
Other expenses		**(17)**	(19)
Finance costs	7	**(13)**	(7)
Share of loss of an associate		**(18)**	(54)
PROFIT BEFORE TAX	6	**64**	51
Income tax expense	10	**(27)**	(18)
PROFIT FOR THE YEAR		**37**	33
Attributable to:			
Owners of the parent	11	**40**	42
Non-controlling interests		**(3)**	(9)
		37	33
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		**HK$0.07**	HK$0.06
Diluted		**HK$0.07**	HK$0.06

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

consolidated statement of comprehensive income

Year ended 31 December 2010

HK$ million	2010	2009
PROFIT FOR THE YEAR	**37**	33
Other comprehensive income/(loss), net of tax:		
Change in fair value of available-for-sale investments	**(9)**	–
Exchange differences on translation of foreign operations	**20**	(5)
Share of other comprehensive income of an associate	**–**	6
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**48**	34
Attributable to:		
Owners of the parent	**51**	43
Non-controlling interests	**(3)**	(9)
	48	34

consolidated statement of financial position

31 December 2010

HK$ million	Notes	31 December 2010	31 December 2009 (Restated)	1 January 2009 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	14	**696**	796	886
Prepayments for acquisition of property, plant and equipment		**11**	–	–
Investment properties	15	**325**	227	171
Prepaid land lease payments	16	**239**	208	213
Goodwill	17	**55**	55	55
Investment in an associate	19	**–**	187	229
Available-for-sale investments	20	**106**	4	4
Deferred tax assets	36	**1**	1	1
Total non-current assets		**1,433**	1,478	1,559
Current assets				
Inventories	21	**129**	98	135
Property for development		**–**	–	113
Properties under development	22	**305**	129	–
Completed properties held for sale	23	**99**	–	–
Investment property classified as held for sale	24	**137**	120	87
Non-current assets held for sale	25	**159**	–	–
Trade receivables	26	**433**	401	422
Prepayments, deposits and other receivables	27	**278**	405	256
Financial assets at fair value through profit or loss	28	**234**	255	446
Pledged time deposits	29	**83**	65	89
Cash and cash equivalents	29	**610**	566	786
Total current assets		**2,467**	2,039	2,334
Total assets		**3,900**	3,517	3,893
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Issued capital	37	**61**	61	85
Reserves	39(a)	**2,003**	1,991	2,108
Proposed final dividend	12	**21**	21	20
		2,085	2,073	2,213
Non-controlling interests		**352**	355	364
Total equity		**2,437**	2,428	2,577
Non-current liabilities				
Interest-bearing bank and other borrowings	34	**250**	1	1
Deferred tax liabilities	36	**31**	12	3
Total non-current liabilities		**281**	13	4

HK$ million	Notes	**31 December 2010**	31 December 2009 (Restated)	1 January 2009 (Restated)
Current liabilities				
Trade and bills payables	30	**502**	418	551
Tax payable		**32**	34	29
Other payables and accruals	31	**198**	193	211
Receipts in advance	32	**39**	–	–
Derivative financial instruments	33	**–**	4	47
Interest-bearing bank and other borrowings	34	**411**	427	474
Total current liabilities		**1,182**	1,076	1,312
Total liabilities		**1,463**	1,089	1,316
Total equity and liabilities		**3,900**	3,517	3,893
Net current assets		**1,285**	963	1,022
Total assets less current liabilities		**2,718**	2,441	2,581

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

consolidated statement of changes in equity

Year ended 31 December 2010

		Attributable to owners of the parent													
HK$ million	Notes	Issued capital	Share premium account	Capital reserve (note 39(a))	Distributable reserve	Investment revaluation reserve	Equity component of convertible bonds	Share option reserve	Exchange fluctuation reserve	Capital redemption reserve	Accumulated losses	Proposed final dividend	Total	Non-controlling interests	Total equity
At 1 January 2009		85	125	745	1,397	1	86	2	47	–	(295)	20	2,213	364	2,577
Profit for the year		–	–	–	–	–	–	–	–	–	42	–	42	(9)	33
Other comprehensive income/(loss) for the year:															
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(5)	–	–	–	(5)	–	(5)
Share of other comprehensive income of an associate		–	–	–	–	–	–	–	6	–	–	–	6	–	6
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	–	1	–	42	–	43	(9)	34
Deemed disposal of investment in an associate		–	–	–	–	–	(42)	(1)	–	–	43	–	–	–	–
Equity-settled share option arrangements		–	–	–	–	–	–	2	–	–	–	–	2	–	2
Repurchase of shares	37	(24)	(113)	–	(38)	–	–	–	–	24	–	–	(151)	–	(151)
Share of reserve of an associate (other than comprehensive income)		–	–	–	–	–	–	6	–	–	–	–	6	–	6
2008 final dividend paid		–	–	–	–	–	–	–	–	–	–	(20)	(20)	–	(20)
2009 interim dividend	12	–	–	–	(20)	–	–	–	–	–	–	–	(20)	–	(20)
Proposed 2009 final dividend	12	–	–	–	(21)	–	–	–	–	–	–	21	–	–	–
At 31 December 2009		61	12*	745*	1,318*	1*	44*	9*	48*	24*	(210)*	21	2,073	355	2,428
At 1 January 2010		61	12	745	1,318	1	44	9	48	24	(210)	21	2,073	355	2,428
Profit for the year		–	–	–	–	–	–	–	–	–	40	–	40	(3)	37
Other comprehensive income/(loss) for the year:															
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	20	–	–	–	20	–	20
Changes in fair value of available-for-sale investments		–	–	–	–	(9)	–	–	–	–	–	–	(9)	–	(9)
Total comprehensive income/(loss) for the year		–	–	–	–	(9)	–	–	20	–	40	–	51	(3)	48
Deemed disposal of investment in an associate		–	–	–	–	–	(8)	–	–	–	8	–	–	–	–
Disposal of investment in an associate		–	–	–	–	–	(36)	(6)	–	–	42	–	–	–	–
2009 final dividend paid		–	–	–	–	–	–	–	–	–	–	(21)	(21)	–	(21)
2010 interim dividend	12	–	–	–	(18)	–	–	–	–	–	–	–	(18)	–	(18)
Proposed 2010 final dividend	12	–	–	–	(21)	–	–	–	–	–	–	21	–	–	–
At 31 December 2010		61	12*	745*	1,279*	(8)*	-*	3*	68*	24*	(120)*	21	2,085	352	2,437

* These reserve accounts comprise the consolidated reserves of HK$2,003 million (2009: HK$1,991 million) in the consolidated statement of financial position.

consolidated statement of cash flows

Year ended 31 December 2010

HK$ million	Notes	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**64**	51
Adjustments for:			
Finance costs	7	**13**	7
Share of loss of an associate		**18**	54
Interest income	5	**(2)**	(1)
Depreciation	14	**82**	93
Equity-settled share option expense	8	**–**	2
Amortisation of prepaid land lease payments	6	**5**	5
Net impairment of trade receivables	6	**7**	13
Write-off of items of property, plant and equipment	6	**–**	6
Reversal of impairment of items of property, plant and equipment	6	**(71)**	–
Gain on disposal of investment in an associate	6	**(10)**	–
Fair value gain on investment properties	6	**(97)**	(56)
Fair value gain on investment property classified as held for sale	6	**(17)**	(33)
Write back of provision for slow-moving and obsolete inventories	6	**–**	(9)
Fair value loss/(gain) on financial assets at fair value through profit or loss	6	**10**	(53)
Fair value gain on derivative financial instruments	6	**–**	(34)
		2	45
(Increase)/decrease in inventories		**(31)**	46
(Increase)/decrease in trade receivables		**(39)**	8
Decrease in property for development		**–**	113
Increase in properties under development		**(176)**	(129)
Increase in completed properties held for sale		**(99)**	–
Decrease/(increase) in prepayments, deposits and other receivables		**127**	(149)
Increase/(decrease) in trade and bills payables and other payables and accruals		**89**	(151)
Increase in receipts in advance		**39**	–
Cash used in operations		**(88)**	(217)
Interest received		**2**	1
Interest paid		**(13)**	(7)
Hong Kong profits tax paid		**(8)**	(2)
The People's Republic of China (the "PRC") tax paid		**(2)**	(2)
Net cash flows used in operating activities		**(109)**	(227)

HK$ million	Notes	2010	2009
Net cash flows used in operating activities		**(109)**	(227)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	14	**(69)**	(13)
Additions to prepaid land lease payments	16	**(37)**	–
Proceeds from disposal of items of property, plant and equipment		**–**	4
Proceeds from disposal of investment properties		**1**	–
Additions to investment properties	15	**(2)**	–
Proceeds from disposal of investment in an associate		**68**	–
Net proceeds from disposal of financial assets at fair value through profit or loss		**11**	244
Decrease in derivative financial instruments		**(4)**	(9)
(Increase)/decrease in pledged time deposits		**(18)**	24
Increase in prepayments for acquisition of property, plant and equipment		**(11)**	–
Net cash flows (used in)/from investing activities		**(61)**	250
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**396**	104
New/(repayment of) trust receipts loans, net		**59**	(42)
Repayment of bank loans		**(222)**	(106)
Capital element of finance lease rental payments		**–**	(3)
Repurchase of shares		**–**	(151)
Dividends paid		**(39)**	(40)
Net cash flows from/(used in) financing activities		**194**	(238)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**24**	(215)
Cash and cash equivalents at beginning of year		**566**	786
Effect of foreign exchange rate changes, net		**20**	(5)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**610**	566
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	29	**420**	477
Non-pledged time deposits with original maturity of less than three months when acquired	29	**190**	89
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**610**	566

statement of financial position

31 December 2010

HK$ million	Notes	2010	2009
ASSETS			
Non-current assets			
Property, plant and equipment	14	**1**	1
Investments in subsidiaries	18	**1,341**	1,248
Total non-current assets		**1,342**	1,249
Current assets			
Due from subsidiaries	18	**256**	432
Prepayments, deposits and other receivables	27	**1**	1
Cash and cash equivalents	29	**112**	106
Total current assets		**369**	539
Total assets		**1,711**	1,788
EQUITY AND LIABILITIES			
Issued capital	37	**61**	61
Reserves	39(b)	**1,626**	1,703
Proposed final dividends	12	**21**	21
Total equity		**1,708**	1,785
Current liabilities			
Other payables and accruals	31	**3**	3
Total current liabilities		**3**	3
Total equity and liabilities		**1,711**	1,788
Net current assets		**366**	536
Total assets less current liabilities		**1,708**	1,785

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

notes to financial statements

31 December 2010

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands with limited liability and continued as an exempted company under the laws of Bermuda after the change of domicile from the Cayman Islands to Bermuda effective on 9 December 2005.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- the manufacture and sale of telecom and electronic products;
- the manufacture of electronic accessories and components;
- the manufacture and sale of infant and child products;
- trading in securities and the holding of securities and treasury products;
- development and sale of properties; and
- investment and holding of properties.

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, investment property classified as held for sale, derivative financial instruments, certain available-for-sale investments and financial assets at fair value through profit or loss, which have been measured at fair value. Non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. 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

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

Basis of consolidation from 1 January 2010 (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit and loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binging obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in May 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in April 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 Leases – *Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised) and HK Interpretation 5, the adoption of above new and revised HKFRSs has had no significant financial effect on these financial statements.

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

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows,* HKAS 12 *Income Taxes,* HKAS 21 *The Effects of Changes in Foreign Exchange Rates,* HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures.*

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010. The adoption of these revised standards does not have any significant financial effect on these financial statements.

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

(b) HK Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

The interpretation requires a term loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement. Prior to the adoption of this interpretation, the Group's term loan was classified in the consolidated statement of financial position separately as to current and non-current liability portions based on the maturity date of repayment. Upon the adoption of this interpretation, certain term loan has been reclassified entirely as a current liability. The interpretation has been applied by the Group retrospectively and comparative amounts have been restated. In addition, as a result of this change and as required by HKAS 1 *Presentation of Financial Statements*, these financial statements also include a statement of financial position as at 1 January 2009. Further details of the loan are disclosed in note 34 to the financial statements.

The above change has had no effect on the consolidated income statement. The effect on the consolidated statement of financial position is summarised as follows:

HK$ million	**31 December 2010**	31 December 2009	1 January 2009
CURRENT LIABILITIES			
Increase in interest-bearing bank and other borrowings	**–**	143	123
NON-CURRENT LIABILITIES			
Decrease in interest-bearing bank and other borrowings	**–**	(143)	(123)

There was no impact on the net assets of the Group.

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 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[4]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets[4]
HKFRS 9	*Financial Instruments*[6]
HKAS 12 Amendments	Amendment to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[5]
HKAS 24 (Revised)	*Related Party Disclosures*[3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

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

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[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 investments in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested 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)*

Business combinations and goodwill *(continued)*

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following difference applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Impairment of non-financial assets

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

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

An assessment is made at 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.

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.

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. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets held for sale". 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:

Leasehold land and buildings	2% – 6%
Plant and machinery	10% – 20%
Tools, moulds and equipment	10% – 33%
Furniture and office equipment	10% – 20%
Motor vehicles	15% – 30%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each 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 and capitalised borrowing costs on related borrowed funds 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.

Properties for/under development

Properties for/under development are intended to be held for sale after completion.

Properties for/under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties for/under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value.

Cost of completed properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on the prevailing market conditions.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets (other than investment properties, deferred tax assets, and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

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, including prepaid land lease payments under 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.

Deferred development costs

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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, trade and other receivables, and quoted and unquoted financial instruments.

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)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale investments or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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 by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in income statement in other expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in other operating expenses and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

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 other expenses in the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments (continued)

In the case of equity investments classified as available for sale, objective evidence would include significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

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;
- 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, 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, derivative financial instruments and interest-bearing and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

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.

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 a 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.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments

The Group uses derivative financial instruments such as share accumulator contract and share swap contract. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement.

Inventories

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

Income tax

Income tax comprises current and deferred tax. Income tax 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 goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, 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 and associates, 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 model, further details of which are given in note 38 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 the 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

The functional currencies of certain overseas subsidiaries and associates 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 and associates 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.

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.

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, which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the 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;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

(c) from the dealings in securities and the sale of investments, on the transaction dates when the relevant contract notes are exchanged, or the settlement dates when the securities are delivered;

(d) from the rendering of services, when the services have been rendered;

(e) 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;

(f) dividend income, when the shareholders' right to receive payment has been established; and

(g) from the sale of completed properties, when the significant risks and rewards of ownership of the properties are transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the completed properties, that is when the construction of the relevant properties has been completed and the properties have been delivered to the buyers pursuant to the sale agreement, and the collectability of related receivables is reasonably assured.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits or capital reserve within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

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:

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

Judgements *(continued)*

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

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

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

Classification between investment properties and investment property classified as held for sale

The Group has determined whether a property qualifies as property held for sale, and has developed criteria in making that judgement. Investment property classified as held for sale is a investment property classified as whose carrying value will be recovered principally through a sales transaction rather than through continuing use. The property which qualifies as investment property classified as held for sale should be available for immediate sale in its present condition and its sale should be highly probable and the management should have committed a plan to sell the property.

Judgement is made on an individually property basis to determine whether the property is classified as investment property classified as held for sale.

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 2010 and 2009 was HK$55 million. Further details are given in note 17.

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

Estimation uncertainty *(continued)*

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2010 was HK$1 million (2009: HK$1 million). The amount of unrecognised tax losses at 31 December 2010 was HK$894 million (2009: HK$768 million). Further details are contained in note 36 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 six reportable operating segments as follows:

(a) the telecom and electronic products segment which is the manufacture and sale of telecom and electronic products;

(b) the components segment which is the manufacture and sale of electronic accessories and components;

(c) the infant and child products segment which is the manufacture and sale of infant and child products;

(d) the securities business segment which is the trading in securities and the holding of securities and treasury products;

(e) the property development segment engages in the development and sale of properties; and

(f) the property investment and holding segment which is the investment and holding of properties.

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

Segment assets exclude non-current assets held for sale, deferred tax assets, investment in an associate and corporate and other unallocated assets as these assets are managed on a group basis.

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

4. OPERATING SEGMENT INFORMATION *(continued)*

	Telecom and electronic products		Components		Infant and child products		Securities business		Property development		Property investment and holding		Reconciliations		Group total	
HK$ million	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Segment revenue:																
Sales to external customers	**1,572**	1,451	**38**	31	**214**	152	**9**	17	**85**	–	**1**	1	**–**	1	**1,919**	1,653
Other revenue	**18**	10	**3**	1	**1**	1	**–**	–	**1**	–	**–**	–	**1**	4	**24**	16
Intersegment revenue	**1**	–	**255**	231	**–**	14	**–**	–	**–**	–	**4**	4	**(260)**	(249)	**–**	–
	1,591	1,461	**296**	263	**215**	167	**9**	17	**86**	–	**5**	5	**(259)**	(244)	**1,943**	1,669
Operating profit/(loss)	**7**	(9)	**1**	(35)	**11**	30	**(1)**	97	**9**	2	**102**	76	**–**	–	**129**	161
Interest income	**2**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	1	**2**	1
Finance costs	**(8)**	(3)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(5)**	(4)	**(13)**	(7)
Reconciled items:																
Corporate and other unallocated expenses	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(36)**	(50)	**(36)**	(50)
Share of loss of an associate	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(18)**	(54)	**(18)**	(54)
Profit/(loss) before tax	**1**	(12)	**1**	(35)	**11**	30	**(1)**	97	**9**	2	**102**	76	**(59)**	(107)	**64**	51
Other segment information:																
Expenditure for non-current assets	**72**	11	**3**	–	**28**	1	**–**	–	**1**	1	**3**	–	**1**	–	**108**	13
Depreciation	**(52)**	(63)	**(20)**	(20)	**(2)**	(2)	**–**	–	**–**	–	**(7)**	(7)	**(1)**	(1)	**(82)**	(93)
Amortisation	**(2)**	(2)	**(3)**	(3)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(5)**	(5)
Net impairment of trade receivables	**(7)**	(13)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(7)**	(13)
Other non-cash expenses	**–**	(18)	**–**	(1)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(19)
Fair value gain on investment properties and investment property classified as property held for sale	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**114**	89	**–**	–	**114**	89
Fair value gain on derivative financial instruments	**–**	–	**–**	–	**–**	–	**–**	34	**–**	–	**–**	–	**–**	–	**–**	34
Fair value (loss)/gain on financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**(10)**	53	**–**	–	**–**	–	**–**	–	**(10)**	53
Reversal of impairment of items of property, plant and equipment	**26**	–	**28**	–	**–**	–	**–**	–	**–**	–	**–**	–	**17**	–	**71**	–
Segment assets	**1,527**	1,433	**315**	380	**126**	87	**236**	318	**664**	476	**645**	536	**(72)**	(71)	**3,441**	3,159
Reconciled items:																
Investment in an associate	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	187	**–**	187
Non-current assets held for sale	**70**	–	**69**	–	**–**	–	**–**	–	**–**	–	**–**	–	**20**	–	**159**	–
Corporate and other unallocated assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**300**	171	**300**	171
Total assets	**1,597**	1,433	**384**	380	**126**	87	**236**	318	**664**	476	**645**	536	**248**	287	**3,900**	3,517
Segment liabilities	**973**	786	**82**	76	**44**	32	**91**	51	**89**	1	**176**	162	**(72)**	(71)	**1,383**	1,037
Reconciled items:																
Corporate and other unallocated liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**80**	52	**80**	52
Total liabilities	**973**	786	**82**	76	**44**	32	**91**	51	**89**	1	**176**	162	**8**	(19)	**1,463**	1,089

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

HK$ million	**2010**	2009
Europe	**1,200**	1,078
Asian Pacific and others	**521**	321
North America	**198**	254
	1,919	1,653

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

(b) Non-current assets

HK$ million	**2010**	2009
Hong Kong	**527**	500
Mainland China	**905**	977
Other countries	**1**	1
	1,433	1,478

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

Information about major customers

For the year ended 31 December 2010, revenue from each of two major customers of the telecom and electronic products segment was HK$604 million and HK$443 million, respectively, representing 31% and 23% of the Group's total revenue, respectively.

For the year ended 31 December 2009, revenue from each of two major customers of the telecom and electronic products segment was HK$541 million and HK$277 million, respectively, representing 33% and 17% of the Group's total revenue, respectively.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered, gross income from treasury investment which includes interest income on bank deposits and other financial assets, net realised gain or loss from securities investment (which includes dividend income), gross proceeds (net of business tax) from sale of properties and rental income from investment properties.

An analysis of revenue, other income and gains is as follows:

HK$ million	2010	2009
Revenue		
Manufacture and sale of telecom and electronic products	**1,608**	1,482
Manufacture and sale of infant and child products	**214**	152
Realised gain from sale of securities investment, net	**9**	17
Sale of properties	**85**	–
Rental income from investment properties	**1**	1
Bank interest income	**2**	1
	1,919	1,653
Other income and gains		
Fair value gain on financial assets at fair value through profit or loss	**–**	53
Fair value gain on derivative financial instruments	**–**	34
Fair value gain on investment properties	**97**	56
Fair value gain on investment property classified as held for sale	**17**	33
Foreign exchange gain	**1**	11
Gain on disposal of investment in an associate	**10**	–
Reversal of impairment of items of property, plant and equipment	**71**	–
Others	**24**	16
	220	203

6. PROFIT BEFORE TAX

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

		Group	
HK$ million	Notes	**2010**	2009
Cost of inventories sold		**1,679**	1,374
Cost of properties sold		**60**	–
Depreciation	14	**82**	93
Amortisation of prepaid land lease payments	16	**5**	5
Minimum lease payments under operating leases in respect of land and buildings		**10**	9
Research and development costs		**62**	66
Auditors' remuneration		**5**	5
Employee benefits expense (excluding directors' remuneration – note 8)			
Wages and salaries		**351**	258
Pension scheme contributions****		**3**	1
		354	259
Net impairment of trade receivables**	26	**7**	13
Write-off of items of property, plant and equipment**	14	**–**	6
Write back of provision for slow-moving and obsolete inventories*		**–**	(9)
Foreign exchange differences, net***		**(1)**	(11)
Fair value gain on investment properties***	15	**(97)**	(56)
Fair value gain on investment property classified as held for sale***		**(17)**	(33)
Fair value loss/(gain) on financial assets at fair value through profit or loss**/***		**10**	(53)
Fair value gain on derivative financial instruments***		**–**	(34)
Reversal of impairment of items of property, plant and equipment***	14	**(71)**	–
Gain on disposal of investment in an associate***		**(10)**	–
Gross rental income from investment properties***	5	**(1)**	(1)

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

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

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

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
HK$ million	**2010**	2009
Interest on bank loans wholly repayable within five years	**6**	4
Interest on bank loans wholly repayable beyond five years	**7**	3
Total interest expense on financial liabilities not at fair value through profit or loss	**13**	7

8. DIRECTORS' REMUNERATION

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

	Group	
HK$ million	**2010**	2009
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**1**	1
	1	1
Executive directors' other emoluments:		
Salaries, allowances and benefits in kind	**19**	22
Equity-settled share option expense	**–**	2
Pension scheme contributions	**1**	1
	20	25
	21	26

During the year ended 31 December 2009, 500,000,000 share options of the Company's subsidiary, CCT Tech International Limited ("CCT Tech"), were granted to certain directors, in respect of their services to the Group under the share option scheme of CCT Tech. The fair value of these options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the year ended 31 December 2009 is included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION *(continued)*

(a) Independent non-executive directors

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

	Fees HK$'000	Equity-settled share option expense HK$'000	Total HK$'000
2010			
Tam King Ching, Kenny	**240**	**–**	**240**
Lau Ho Man, Edward	**240**	**–**	**240**
Chen Li	**240**	**–**	**240**
	720	**–**	**720**
2009			
Tam King Ching, Kenny	240	–	240
Lau Ho Man, Edward	240	–	240
Chen Li	240	20	260
	720	20	740

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors

HK$ million	Salaries allowances and benefits in kind	Tax allowance	Equity–settled share option expense	Pension scheme contributions	Total remuneration
2010					
Mak Shiu Tong, Clement	**10**	**2**	**–**	**1**	**13**
Tam Ngai Hung, Terry	**4**	**–**	**–**	**–**	**4**
Cheng Yuk Ching, Flora	**3**	**–**	**–**	**–**	**3**
William Donald Putt	**–**	**–**	**–**	**–**	**–**
	17	**2**	**–**	**1**	**20**
2009					
Mak Shiu Tong, Clement	10	5	–	1	16
Tam Ngai Hung, Terry	4	–	1	–	5
Cheng Yuk Ching, Flora	3	–	1	–	4
William Donald Putt	–	–	–	–	–
	17	5	2	1	25

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2009: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2009: two) non-director, highest paid employees for the year are as follows:

	Group	
HK$ million	**2010**	2009
Salaries, allowances and benefits in kind	**4**	4
Performance related bonuses	**–**	–
Equity-settled share option expense	**–**	–
Pension scheme contributions	**–**	–
	4	4

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

	Number of employees	
	2010	2009
HK$1,500,001 – HK$2,000,000	**1**	1
HK$2,000,001 – HK$2,500,000	**1**	–
HK$2,500,001 – HK$3,000,000	**–**	1
	2	2

During the year ended 31 December 2009, share options were granted to a non-director, highest paid employee, in respect of his services to the Group under the share option scheme of CCT Tech. The fair value of these 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$300,000 included in the financial statements for the year ended 31 December 2009 is included in the above five highest paid employees' remuneration disclosures.

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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.

	Group	
HK$ million	**2010**	2009
Group:		
Current – Hong Kong		
Charge for the year	**2**	5
Current – Elsewhere		
Charge for the year	**5**	2
PRC land appreciation tax	**1**	–
Underprovision in prior years	**–**	2
Deferred (note 36)	**19**	9
Total tax charge for the year	**27**	18

A reconciliation of the tax expense applicable to profit 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 – 2010

HK$ million	**Hong Kong**	**%**	**The PRC, excluding Hong Kong**	**%**	**Total**	**%**
Profit before tax	**34.5**		**29.2**		**63.7**	
Tax at the statutory or appropriate tax rate	**5.7**	**16.5**	**7.3**	**25.0**	**13.0**	**20.4**
Loss attributable to an associate	**3.0**	**8.7**	**–**	**–**	**3.0**	**4.7**
Income not subject to tax	**(6.2)**	**(18.0)**	**(17.8)**	**(61.0)**	**(24.0)**	**(37.7)**
Expenses not deductible for tax	**9.6**	**27.8**	**12.0**	**41.1**	**21.6**	**33.9**
Tax losses not recognised	**10.1**	**29.3**	**2.8**	**9.6**	**12.9**	**20.3**
Land appreciation tax	**–**	**–**	**0.9**	**3.1**	**0.9**	**1.4**
Tax charge at the Group's effective rate	**22.2**	**64.3**	**5.2**	**17.8**	**27.4**	**43.0**

10. INCOME TAX EXPENSE *(continued)*

Group – 2009

HK$ million	Hong Kong	%	The PRC, excluding Hong Kong	%	Total	%
Profit/(loss) before tax	99.5		(48.7)		50.8	
Tax at the statutory or appropriate tax rate	16.4	16.5	(12.2)	25.1	4.2	8.3
Adjustment in respect of current tax of previous periods	–	–	1.9	(3.9)	1.9	3.7
Loss attributable to an associate	8.9	9.0	–	–	8.9	17.5
Income not subject to tax	(1.1)	(1.1)	(1.1)	2.3	(2.2)	(4.3)
Expenses not deductible for tax	4.7	4.7	12.3	(25.3)	17.0	33.5
Tax losses utilised from previous periods	(19.1)	(19.2)	–	–	(19.1)	(37.6)
Tax losses not recognised	4.6	4.6	2.4	(4.9)	7.0	13.8
Tax charge at the Group's effective rate	14.4	14.5	3.3	(6.7)	17.7	34.9

In late February 2008, the Company received a letter from the Hong Kong Inland Revenue Department (the "IRD") in respect of a review on the tax affairs of the Group for the past years. As at 31 December 2010, protective tax assessments in the aggregate amount of HK$34 million, HK$52 million and HK$40 million for the years of assessment 2001/2002, 2002/2003 and 2003/2004, respectively, were issued by the IRD to certain subsidiaries of the Company. Subsequent to the end of the reporting period, in February 2011, protective tax assessments in the aggregate amount of HK$28 million for the year of assessment 2004/2005 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 case. Up to the date of approval of these financial statements, the directors of the Company consider that adequate tax provision has been made in the financial statements.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2010 includes a loss of HK$38 million (2009: profit of HK$53 million) which has been dealt with in the financial statements of the Company (note 39(b)).

12. DIVIDENDS

HK$ million	2010	2009
Paid interim – HK$0.030 (2009: HK$0.030) per ordinary share	**18**	20
Proposed final – HK$0.035 (2009: HK$0.035) per ordinary share	**21**	21
Total	**39**	41

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic and diluted earnings per share amount for the year is based on the profit for the year attributable to ordinary equity holders of the parent of HK$40 million (2009: HK$42 million), and the weighted average number of 606,144,907 (2009: 690,455,859) ordinary shares in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2010 and 2009 in respect of a dilution as the impact of the outstanding share options granted by a subsidiary of the Company had an anti-dilutive effect on the basic earnings per share amounts presented.

14. PROPERTY, PLANT AND EQUIPMENT

Group

HK$ million	Leasehold land and buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
31 December 2010							
At 31 December 2009 and 1 January 2010:							
Cost	1,182	576	216	160	23	3	2,160
Accumulated depreciation and impairment	(581)	(436)	(200)	(129)	(18)	–	(1,364)
Net carrying amount	601	140	16	31	5	3	796
At 1 January 2010, net of accumulated depreciation and impairment	601	140	16	31	5	3	796
Additions	39	12	3	9	6	–	69
Reclassified as held for sale (note 25)	(94)	(51)	–	(13)	–	–	(158)
Reversal of impairment	33	26	–	12	–	–	71
Depreciation provided during the year	(42)	(25)	(7)	(6)	(2)	–	(82)
At 31 December 2010, net of accumulated depreciation and impairment	537	102	12	33	9	3	696
At 31 December 2010:							
Cost	1,111	492	201	144	22	3	1,973
Accumulated depreciation and impairment	(574)	(390)	(189)	(111)	(13)	–	(1,277)
Net carrying amount	537	102	12	33	9	3	696

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

Group

HK$ million	Leasehold land and 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 1 January 2009:							
Cost	1,179	594	216	162	22	8	2,181
Accumulated depreciation and impairment	(545)	(420)	(189)	(125)	(16)	–	(1,295)
Net carrying amount	634	174	27	37	6	8	886
At 1 January 2009, net of accumulated depreciation and impairment	634	174	27	37	6	8	886
Additions	8	–	1	1	3	–	13
Disposals	–	–	–	–	(1)	(3)	(4)
Write-off	(1)	(5)	–	–	–	–	(6)
Depreciation provided during the year	(42)	(29)	(12)	(7)	(3)	–	(93)
Transfer	2	–	–	–	–	(2)	–
At 31 December 2009, net of accumulated depreciation and impairment	601	140	16	31	5	3	796
At 31 December 2009:							
Cost	1,182	576	216	160	23	3	2,160
Accumulated depreciation and impairment	(581)	(436)	(200)	(129)	(18)	–	(1,364)
Net carrying amount	601	140	16	31	5	3	796

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

Company

HK$ million	Furniture and office equipment
31 December 2010	
At 31 December 2009 and 1 January 2010, net of accumulated depreciation	**1**
Additions	**1**
Depreciation provided during the year	**(1)**
At 31 December 2010, net of accumulated depreciation	**1**
At 31 December 2010:	
Cost	**4**
Accumulated depreciation	**(3)**
Net carrying amount	**1**
31 December 2009	
At 31 December 2008 and 1 January 2009, net of accumulated depreciation	1
Depreciation provided during the year	–
At 31 December 2009, net of accumulated depreciation	1
At 31 December 2009:	
Cost	3
Accumulated depreciation	(2)
Net carrying amount	1

The net carrying amount of the Group's property, plant and equipment held under finance leases included in the total amounts of motor vehicles as at 31 December 2010 amounted to approximately HK$2 million (2009: HK$1 million), and plant and machinery as at 31 December 2009 amounted to approximately HK$7 million.

The Group's land and buildings included above are held under the following lease terms:

HK$ million	Hong Kong	Elsewhere	Total
Medium term leases	22	515	537

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

At 31 December 2010, certain of the Group's land and buildings with an aggregate net carrying amount of approximately HK$424 million (2009: HK$429 million) were pledged to secure general banking facilities granted to the Group (note 34(b)(ii)).

15. INVESTMENT PROPERTIES

	Group	
HK$ million	**2010**	2009
Carrying amount at 1 January	**227**	171
Additions	**2**	–
Disposals	**(1)**	–
Fair value gain on investment properties	**97**	56
Carrying amount at 31 December	**325**	227

The Group's investment properties are situated in Hong Kong and held under long term leases.

The Group's investment properties were revalued on 31 December 2010 by Grant Sherman Appraisal Limited, independent professionally qualified valuers, on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 42(a) to the financial statements.

At 31 December 2010, the Group's investment properties with an aggregate carrying amount of HK$325 million (2009: HK$226 million) were pledged to secure general banking facilities granted to the Group (note 34(b)(i)).

Further particulars of the Group's investment properties at 31 December 2010 are as follows:

Location	Lot number	Use	Tenure	Attributable interest of the Group
House No. 36, Carpark 3 & 4, 56 Repulse Bay Road, Hong Kong	374/16363th parts of Rural Building Lot No. 172	Residential	Long term lease	100%
House No. 37, Carpark 50 & 51, 56 Repulse Bay Road, Hong Kong	359/16363th parts of Rural Building Lot No. 172	Residential	Long term lease	100%

16. PREPAID LAND LEASE PAYMENTS

HK$ million	Group 2010	2009
Carrying amount at 1 January	**213**	218
Additions	**37**	–
Reclassified as held for sale (note 25)	**(1)**	–
Recognised during the year	**(5)**	(5)
Carrying amount at 31 December	**244**	213
Current portion included in prepayments, deposits and other receivables	**(5)**	(5)
Non-current portion	**239**	208

The leasehold lands are situated in Mainland China and are held under long term leases.

17. GOODWILL

Group

HK$ million	
At 1 January 2009, 31 December 2009 and 31 December 2010	
Cost	108
Accumulated impairment	(53)
Net carrying amount	55

Goodwill acquired through business combinations has been allocated to the telecom and electronic products cash-generating units for impairment testing. The recoverable amount of this cash-generating unit is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 12.5% (2009: 13.6%).

The carrying amount of goodwill as at 31 December 2010 and 2009 is as follows:

HK$ million	2010	2009
Telecom and electronic products	**55**	55

Key assumptions were used in the value in use calculation of the telecom and electronic products cash-generating unit for 31 December 2010. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

17. GOODWILL *(continued)*

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the year immediately before the budgeted year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant unit.

Business environment – There is no major change in the existing political, legal and economic conditions in the countries with which and the country in which the cash-generating units carried on their business.

18. INVESTMENTS IN SUBSIDIARIES

	Company	
HK$ million	**2010**	2009
Unlisted shares, at cost	**1**	1
Due from subsidiaries	**2,563**	3,416
	2,564	3,417
Impairment*	**(967)**	(1,737)
	1,597	1,680
Less: Portion of amounts due from subsidiaries classified as current asset	**(256)**	(432)
	1,341	1,248

* An impairment was recognised for certain balances due from subsidiaries with a carrying amount of HK$967 million (2009: HK$1,737 million) which are considered to be not recoverable as the subsidiaries were loss-making. In current year, an amount of HK$785 million was written off as uncollectible and an additional impairment loss of HK$15 million was recognised.

The balances with the subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for the following balances:

(a) Amounts due from subsidiaries of HK$127 million (2009: HK$181 million) are unsecured and repayable on demand, and bear interest at 3% (2009: 3%) above the Hong Kong dollar prime rate as determined by The Hongkong and Shanghai Banking Corporation Limited per annum.

(b) An amount due from a subsidiary of HK$129 million, net of impairment (2009: HK$251 million) is unsecured, interest-free and repayable on demand.

18. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Canford Holdings Limited	Hong Kong	HK$2 Ordinary	–	100	Property investment
CCT Marketing Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	–	50.49	Trading of telecom products
CCT Tech (HK) Limited	Hong Kong	HK$2,600,000 Ordinary	–	50.49	Sourcing of telecom products, raw materials and components
CCT Tech International Limited[@]	Bermuda/ Hong Kong	HK$654,139,940 Ordinary	–	50.49	Investment holding
CCT Telecom Securities Limited	Hong Kong	HK$1 Ordinary	–	100	Securities business
Electronic Sales Limited	Hong Kong	HK$5,948,000 Ordinary	–	100	Sale of power supply components
Goldbay Investments Limited	Hong Kong	HK$2 Ordinary	–	100	Property investment
Neptune Holding Limited	Hong Kong	HK$10,000,000 Non-voting* class 'A' shares HK$1,000,000 Voting class 'B' shares	–	100	Trading of plastic casings and parts
Rich Full International Industries Limited	Hong Kong	HK$1 Ordinary	–	100	Property holding
Topcon Investments Limited	Hong Kong	HK$1 Ordinary	–	100	Property investment

18. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Wiltec Industries (HK) Limited	British Virgin Islands/ Hong Kong	US$2 Ordinary	–	100	Sale of infant and child products
Huiyang CCT Telecommunications Products Co., Ltd. #	PRC	HK$120,000,000 Registered^	–	50.49	Manufacture of telecom products
Huiyang CCT Plastic Products Co., Ltd. #	PRC	HK$48,600,000 Registered^	–	100	Manufacture of plastic casings and parts
CCT Land Development (Anshan) Company Limited #	PRC	HK$380,000,000 Registered^	–	100	Property development
CCT Land (Anshan) Property Development Company Limited #	PRC	HK$200,000,000 Registered^	–	100	Property development

* The non-voting shares carry no rights to dividends and no rights to vote at general meetings.
@ Listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").
^ Registered as wholly-foreign-owned enterprises under the PRC law.
\# Not audited by Ernst & Young, Hong Kong or another 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.

19. INVESTMENT IN AN ASSOCIATE

	Group	
HK$ million	**2010**	2009
Share of net assets	**–**	187
Market value of listed shares	**–**	549

Particulars are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of shareholding interest attributable to the Group		Principal activities
			2010	2009	
Merdeka Resources Holdings Limited (formerly known as CCT Resources Holdings Limited) ("Merdeka Resources")	Ordinary shares of HK$0.01 each	Cayman Islands/ Hong Kong	**24.99**	42.13	Forestry resources business

During the year, an indirect wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement dated 22 November 2010 with an unrelated substantial shareholder of Merdeka Resources for the disposal of 700,000,000 shares in Merdeka Resources held by the Group at a cash consideration of approximately HK$68 million. On 22 November 2010, all the Group's representatives nominated to the board of directors of Merdeka Resources conditionally tendered their respective resignation as directors of Merdeka Resources, which became unconditional on 23 November 2010 upon completion of the aforesaid disposal transaction. In the opinion of the directors, upon completion of the aforesaid disposal transaction, the Group could not nominate any representatives to the board of directors of Merdeka Resources in the circumstances, and as such the Group ceased to be in a position to exercise significant influence over Merdeka Resources, notwithstanding that the Group's shareholding in Merdeka Resources was 24.99%, The Group's investment in Merdeka Resources has been accounted for as an available-for-sale investment since then.

The Group's shareholdings in Merdeka Resources comprise equity shares held through a wholly-owned subsidiary of the Company.

The following table illustrates the summarised financial information of Merdeka Resources extracted from its management accounts or audited financial statements:

HK$ million	2009
Assets	991
Liabilities	505
Revenues	8
Loss	78

20. AVAILABLE-FOR-SALE INVESTMENTS

HK$ million	Group 2010	Group 2009
Unlisted equity investment, at cost less impairment	**2**	2
Listed equity investment in Hong Kong, at fair value (Note 19)	**100**	–
Other assets, at fair value	**4**	2
	106	4

During the year, the fair value loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$9 million (2009: Nil).

The above unlisted investments and other assets consist of investments in equity securities and club debenture which were designated as available-for-sale investments and have no fixed maturity date or coupon rate. As the unlisted equity investment has no published quoted prices available or is not able to be benchmarked with similar financial instruments, and the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, the Group has stated the unlisted equity investment at cost less impairment.

21. INVENTORIES

HK$ million	Group 2010	Group 2009
Raw materials	**35**	29
Work in progress	**25**	20
Finished goods	**69**	49
	129	98

22. PROPERTIES UNDER DEVELOPMENT

HK$ million	Group 2010	Group 2009
Properties under development expected to be completed:		
Within normal operating cycle included under current assets	**305**	129

All the Group's properties under development are located in Mainland China and are held under medium term leases.

23. COMPLETED PROPERTIES HELD FOR SALE

All the Group's completed properties held for sale are located in Mainland China and are held under medium term leases. All the completed properties held for sale are stated at cost.

24. INVESTMENT PROPERTY CLASSIFIED AS HELD FOR SALE

In prior years, an investment property of the Group was reclassified as investment property classified as held for sale as the carrying amount of the property will be recovered principally through a sales transaction and the Group is committed to a plan to dispose of the investment property and the sale is considered to be highly probable in the forthcoming year.

Particulars of the Group's investment property classified as held for sale at 31 December 2010 are as follows:

Location	Lot number	Use	Tenure	Attributable interest of the Group
House No. 7, Rosecliff, No. 20 Tai Tam Road, Hong Kong	2310/26070th parts of Rural Building Lot No. 147	Residential	Long term lease	100%

The investment property classified as held for sale with a carrying amount of approximately HK$137 million was pledged to secure general banking facilities granted to the Group (note 34(b)(iii)).

25. NON-CURRENT ASSETS HELD FOR SALE

During the year, certain items of the Group's property, plant and equipment and prepaid land lease payments were reclassified as non-current assets held for sale as the carrying amount of the assets will be recovered principally through sale. The Group has entered into agreements during the year and subsequent to the end of the reporting period for the disposal of the aforesaid assets and the sales are considered to be highly probable in the forthcoming year. The Group has recognised a reversal of impairment in the aggregate amount of approximately HK$71 million being included in "Other income and gains" in the consolidated income statement for the year. The recoverable amount of the non-current assets held for sale, being the fair value less costs to sell, was estimated with reference to the disposal consideration.

26. TRADE RECEIVABLES

HK$ million	Group 2010	Group 2009
Trade receivables	**444**	408
Impairment	**(11)**	(7)
	433	401

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 a certain concentration of credit risk as 34% (2009: 46%) and 82% (2009: 86%) 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:

	Group			
	2010		2009	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**164**	**38**	136	34
31 to 60 days	**130**	**30**	104	26
61 to 90 days	**119**	**27**	124	31
Over 90 days	**20**	**5**	37	9
	433	**100**	401	100

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

HK$ million	Group 2010	Group 2009
At 1 January	**7**	55
Impairment losses recognised (note 6)	**7**	13
Amount written off as uncollectible	**(3)**	(61)
At 31 December	**11**	7

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$11 million (2009: HK$7 million) with a carrying amount before provision of HK$40 million (2009: HK$61 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.

26. TRADE RECEIVABLES *(continued)*

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

	Group	
HK$ million	**2010**	2009
Neither past due nor impaired	**332**	300
Past due but not impaired		
– within 6 months	**72**	47
	404	347

Receivables that were neither past due nor impaired relate to a large 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.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
HK$ million	**2010**	2009	**2010**	2009
Prepayments	**200**	351	**–**	–
Deposits and other receivables	**78**	54	**1**	1
	278	405	**1**	1

The above balance as at 31 December 2010 included prepayments for the acquisition of land use rights in Mainland China amounting to approximately HK$186 million (2009: HK$321 million) in relation to the Group's property development business.

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.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
HK$ million	**2010**	2009
Listed equity investments in Hong Kong, at market value	**218**	241
Fund investments, at fair value	**16**	14
	234	255

The above equity investments and fund investments at 31 December 2010 were classified as held for trading.

The market value of the Group's equity investments at the date of approval of these financial statements was approximately HK$205 million.

29. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
HK$ million	**2010**	2009	**2010**	2009
Cash and bank balances	**420**	477	**112**	106
Time deposits	**273**	154	**–**	–
	693	631	**112**	106
Less: Time deposits pledged for bank facilities (note 34(a) and note 34(b)(iv))	**(83)**	(65)	**–**	–
Cash and cash equivalents	**610**	566	**112**	106

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$97 million (2009: HK$31 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.

30. 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:

	Group			
	2010		2009	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**151**	**31**	106	25
31 to 60 days	**122**	**24**	95	23
61 to 90 days	**72**	**14**	80	19
Over 90 days	**157**	**31**	137	33
	502	**100**	418	100

31. OTHER PAYABLES AND ACCRUALS

	Group		Company	
HK$ million	**2010**	2009	**2010**	2009
Other payables	**78**	60	**–**	–
Accruals	**120**	133	**3**	3
	198	193	**3**	3

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

32. RECEIPTS IN ADVANCE

Receipts in advance represented amounts received from buyers in connection with the pre-sale of properties during the year.

33. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
HK$ million	**2010**	2009
Share swap contract	**–**	4

The carrying amount of the above share swap contract was the same as its fair value.

34. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	31 December 2010			31 December 2009			1 January 2009	
	Effective contractual interest rate (%)	Maturity	HK$ million	Effective contractual interest rate (%)	Maturity	HK$ million (restated)	Maturity	HK$ million (restated)
Current								
Finance lease payables (note 35)	2.60-2.75	2013	1	3.20-3.25	2010	1	2009	4
Bank loans – unsecured	1.23-3.00	2011-2012	113	1.23-4.00	2010	118	2009	103
Bank loans – secured	1.17-6.40	2011	297	0.90-3.45	2010	165	2009	244
Long term bank loans repayable on demand								
– unsecured (Note)	–	–	–	4.00	On demand	7	–	–
– secured (Note)	–	–	–	0.90-2.75	On demand	136	On demand	123
			411			427		474
Non-current								
Finance lease payables (note 35)	2.60-2.75	2013	1	3.20	2011	1	2010	1
Bank loans – secured	1.17-6.40	2012-2030	249	–	–	–	–	–
			250			1		1
			661			428		475

34. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

	Group	
HK$ million	**2010**	2009 (restated)
Analysed into:		
Bank loans repayable:		
Within one year or on demand (Note)	**410**	426
In the second year	**43**	–
In the third to fifth years, inclusive	**122**	–
Beyond five years	**84**	–
	659	426
Other borrowings repayable:		
Within one year or on demand	**1**	1
In the second year	**1**	1
	2	2
	661	428

Note: As further explained in note 2.2 to the financial statements, due to the adoption of HK Interpretation 5 in the current year, the Group's term loan in the amount of HK$143 million as at 31 December 2009 containing a repayment on-demand clause has been reclassified as a current liability as at 31 December 2009. For the purpose of the above analysis, the loan is included within current interest-bearing bank and other borrowings and analysed into bank loans repayable within one year or on demand.

(a) The Group's trading line bank facilities amounting to HK$200 million (2009: HK$203 million), of which HK$148 million (2009: HK$92 million) has been utilised as at the end of the reporting period, are secured by the pledge of certain of the Group's time deposits amounting to HK$71 million (2009: HK$65 million) (note 29).

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

(i) mortgage over the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of approximately HK$325 million (2009: HK$226 million) (note 15);

(ii) mortgage over the Group's land and buildings situated in Hong Kong and the PRC, which had an aggregate carrying value at the end of the reporting period of approximately HK$424 million (2009: HK$429 million) (note 14);

(iii) mortgage over the Group's investment property classified as held for sale situated in Hong Kong, which had a carrying value at the end of the reporting period of approximately HK$137 million (2009: HK$120 million) (note 24); and

(iv) the pledge of certain of the Group's time deposits amounting to HK$12 million (2009: Nil) (note 29).

(c) The Group's bank and other borrowings with carrying amounts of HK$193 million (2009: HK$188 million), HK$379 million (2009: HK$240 million) and HK$89 million (2009: Nil) are denominated in Hong Kong dollars, United States dollars ("US$") and RMB, respectively.

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

35. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles and machinery for business use. These leases are classified as finance leases and have remaining leases ranging from one to three years.

At 31 December 2010, the total future minimum lease payments under finance leases and their present value were as follows:

Group

HK$ million	**Minimum lease payments 2010**	Minimum lease payments 2009	**Present value of minimum lease payments 2010**	Present value of minimum lease payments 2009
Amounts payable:				
Within one year	**1**	1	**1**	1
In the second year	**1**	1	**1**	1
Total minimum finance lease payments	**2**	2	**2**	2
Future finance charges	**–**	–		
Total net finance lease payables	**2**	2		
Portion classified as current liabilities (note 34)	**(1)**	(1)		
Non-current portion (note 34)	**1**	1		

36. DEFERRED TAX

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

Deferred tax liabilities

Group

HK$ million	**Depreciation allowance in excess of related depreciation**	**Revaluation of properties**	**Total**
Gross deferred tax liabilities at 1 January 2009	3	–	3
Deferred tax (credited)/charged to the income statement during the year (note 10)	(1)	10	9
Gross deferred tax liabilities at 31 December 2009 and 1 January 2010	2	10	12
Deferred tax charged to the income statement during the year (note 10)	–	19	19
Gross deferred tax liabilities at 31 December 2010	2	29	31

36. DEFERRED TAX *(continued)*

Deferred tax assets

Group

HK$ million	**Losses available for offsetting against future taxable profits**
Gross deferred tax assets at 1 January 2009, 31 December 2009 and 31 December 2010	1

The Group and the Company has tax losses arising in Hong Kong of HK$894 million (2009: HK$768 million) and HK$189 million (2009: HK$172 million), respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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 jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2010 and 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 three years ended 31 December 2010.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

37. SHARE CAPITAL

Shares

HK$ million	Company 2010	Company 2009
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200**	200
Issued and fully paid:		
606,144,907 ordinary shares of HK$0.10 each	**61**	61

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

	Number of ordinary shares of HK$0.10 each in issue	Issued capital HK$ million	Share premium account HK$ million	Total HK$ million
At 1 January 2009	853,614,826	85	125	210
Repurchase of shares (Note)	(247,469,919)	(24)	(113)	(137)
At 31 December 2009, 1 January 2010 and 31 December 2010	606,144,907	61	12	73

Note: During the year ended 31 December 2009, the Company repurchased and cancelled a total of 247,469,919 of its ordinary shares by way of cash offer on 2 March 2009 and 2 December 2009 at an aggregate consideration of HK$151 million, including the transaction costs of approximately HK$3 million. These shares were cancelled by the Company during the year ended 31 December 2009.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 38 to the financial statements.

38. SHARE OPTION SCHEMES OF THE GROUP

Share option scheme of the Company

The current share option scheme ("Share Option Scheme") was adopted by the Company on 28 February 2002. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. As at 31 December 2010, there was no share option outstanding under the Share Option Scheme. No share option has been granted, exercised, cancelled and has lapsed under the Share Option Scheme during the year.

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

Pursuant to the Share Option Scheme, the maximum number of the ordinary shares ("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 as at the date of adoption of the Share Option Scheme or 30% of the issued share capital of the Company from time to time. The general limit on grant of the share options under the Share Option Scheme was last refreshed to 10% of the Shares in issue as at the date of approval by the shareholders of the Company on 23 May 2007. As at the date of these financial statements, the total number of Shares available for issue in respect thereof is 79,710,827, which represents approximately 13.15% of the total issued share capital of the Company as at the date of these financial statements.

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 the approval of the shareholders of the 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 independent non-executive directors ("INEDs") of the Company, excluding the INED(s) of the 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 the approval of the shareholders of the 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.

38. SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share option scheme of CCT Tech

CCT Tech's current share option scheme was effective on 7 November 2002. Unless otherwise cancelled or amended, the share option scheme of CCT Tech will remain in force for a period of 10 years from the date of its adoption. As at 31 December 2010, there were 600,000,000 share options outstanding under the share option scheme of CCT Tech.

The purpose of the share option scheme of CCT Tech is to provide incentives and rewards to the eligible participants who contribute to the success of the operations of CCT Tech and its subsidiaries. Eligible participants of the share option scheme of CCT Tech include any employee, executive or officer of CCT Tech and its subsidiaries (including executive and non-executive directors of CCT Tech and its subsidiaries) and any supplier, consultant, agent, adviser, shareholder, customer, partner or business associate who, in the opinion of the board of directors of CCT Tech, will contribute or has contributed to CCT Tech and its subsidiaries.

Pursuant to the share option scheme of CCT Tech, the maximum number of shares in respect of which share options may be granted under the share option scheme of CCT Tech is such number of shares, when aggregated with the shares subject to any other share option scheme(s) of CCT Tech, must not exceed 10% of the issued share capital of CCT Tech upon the listing of the shares on the Stock Exchange or 30% of the issued share capital of CCT Tech from time to time. The general limit on the grant of the share options under the share option scheme of CCT Tech was last refreshed to 10% of the shares of CCT Tech in issue as at the date of approval by the shareholders of CCT Tech and the Company, the ultimate holding company of CCT Tech, on 2 June 2010. As at the date of these financial statements, the total number of shares of CCT Tech available for issue in respect thereof is 6,541,399,399, which represents 10% of the total issued share capital of CCT Tech as at the date of these financial statements.

The maximum number of shares issuable upon exercise of the share options granted under the share option scheme of CCT Tech and any other share option scheme(s) of CCT Tech (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period is limited to 1% of the shares of CCT Tech 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 CCT Tech (and if required, its holding company) and the approval of the shareholders of CCT Tech (and if required, the approval of the shareholders of its holding company) at a general meeting.

Share options granted to a director, chief executive or substantial shareholder of CCT Tech, or to any of their respective associates, are subject to the approval in advance by the INEDs of CCT Tech (and if required, the approval of the INEDs of its holding company), excluding the INED(s) of CCT Tech and its 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 CCT Tech, or to any of their respective associates, in excess of 0.1% of the shares of CCT Tech in issue as at the date of grant or with an aggregate value (based on the closing price of the shares of CCT Tech 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 CCT Tech (and if required, its holding company) and the approval of the shareholders of CCT Tech (and if required, the approval of the shareholders of its 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 of directors of CCT Tech, 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 of CCT Tech, whichever is earlier.

The exercise price of the share options is determinable by the board of directors of CCT Tech, but may not be less than the highest of (i) the closing price of the shares of CCT Tech 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 of CCT Tech 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 of CCT Tech.

38. SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share option scheme of CCT Tech *(continued)*

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

Details of the movements of the share options granted to the Directors and the other eligible participants under the share option scheme of CCT Tech during the year were as follows:

	Number of share options							
Name or category of the participants	Outstanding as at 1 January 2010	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2010	Date of grant of the share options	Exercise period of the share options	Exercise price of the share options (Note 1)
								HK$ per share
Executive Directors								
Tam Ngai Hung, Terry	223,000,000	–	–	–	223,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Cheng Yuk Ching, Flora	245,000,000	–	–	–	245,000,000	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								
Chen Li	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
	8,000,000	–	–	–	8,000,000			
Other eligible participants								
Chow Siu Ngor (Note 2)	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Lau Ho Kit, Ivan (Note 2)	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Others	100,000,000	–	–	–	100,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
	116,000,000	–	–	–	116,000,000			
	600,000,000	–	–	–	600,000,000			

38. SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share option scheme of CCT Tech *(continued)*

Notes:

1. The exercise price of the share options is subject to adjustment in the case of a capitalisation issue, rights issue, sub-division or consolidation of the shares of CCT Tech, or other similar changes in CCT Tech's share capital.

2. Mr. Chow Siu Ngor and Mr. Lau Ho Kit, Ivan are both INEDs of CCT Tech.

The closing market price of the shares of CCT Tech immediately before the date of grant in relation to the outstanding share options as quoted in the Stock Exchange's daily quotation sheet was HK$0.011.

As at 31 December 2010 and the date of these financial statements, there were 600,000,000 share options outstanding under the share option scheme of CCT Tech. Based on these outstanding share options, the total number of shares of CCT Tech available for issue is 600,000,000, which represents approximately 0.92% of the total issued share capital of CCT Tech as at 31 December 2010 and the date of these financial statements. The exercise in full of the outstanding share options would, under the present capital structure of CCT Tech, result in the issue of 600,000,000 additional ordinary shares of CCT Tech and additional share capital of HK$6,000,000.

The following theoretical values have been estimated for the 600,000,000 share options granted under the share option scheme of CCT Tech during the prior 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 prior year	Theoretical value of the share options
		HK$
Tam Ngai Hung, Terry	223,000,000	559,000
Cheng Yuk Ching, Flora	245,000,000	615,000
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

38. SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share option scheme of CCT Tech *(continued)*

The fair value of equity-settled share options granted by CCT Tech during the prior year was HK$1,504,000 which 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 listed 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 expection 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.

39. 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 45 of the financial statements.

The Group's capital reserve was created from the reduction of the Company's share capital on 8 April 2002.

(b) Company

HK$ million	Notes	Capital redemption reserve	Share premium account	Capital reserve*	Distributable reserve	Accumulated losses	Total
At 1 January 2009		–	125	741	1,397	(445)	1,818
Repurchase of shares	37	24	(113)	–	(38)	–	(127)
Total comprehensive income for the year	11	–	–	–	–	53	53
2009 interim dividend	12	–	–	–	(20)	–	(20)
Proposed 2009 final dividend	12	–	–	–	(21)	–	(21)
At 31 December 2009 and 1 January 2010		24	12	741	1,318	(392)	1,703
Total comprehensive loss for the year	11	–	–	–	–	(38)	(38)
2010 interim dividend	12	–	–	–	(18)	–	(18)
Proposed 2010 final dividend	12	–	–	–	(21)	–	(21)
At 31 December 2010		24	12	741	1,279	(430)	1,626

* The Company's capital reserve was created from the reduction of share capital on 8 April 2002.

40. CONTINGENT LIABILITIES

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

	Company	
HK$ million	**2010**	2009
Corporate guarantees given to banks in connection with facilities granted to subsidiaries	**308**	450

As at 31 December 2010, 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$243 million (2009: HK$312 million).

41. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group, are included in note 34 to the financial statements.

42. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to eleven years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
HK$ million	**2010**	2009
Within one year	**1**	1
In the second to fifth years, inclusive	**3**	2
Beyond five years	**–**	1
	4	4

42. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

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

At 31 December 2010, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
HK$ million	**2010**	2009	**2010**	2009
Within one year	**4**	7	**3**	4
In the second to fifth years, inclusive	**1**	3	**–**	3
	5	10	**3**	7

At 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases with initial lease terms ranging from fifty to fifty one years in respect of land on which certain of the Group's factories are situated falling due as follows:

	Group	
HK$ million	**2010**	2009
Within one year	**3**	3
In the second to fifth years, inclusive	**11**	11
Beyond five years	**127**	125
	141	139

43. COMMITMENTS

In addition to the operating lease commitments detailed in note 42(b) above, the Group had the following commitments at the end of the reporting period:

Capital commitments

	Group	
HK$ million	**2010**	2009
Contracted, but not provided for:		
Building	**2**	1
Investment property	**3**	–
Construction cost for properties under development	**11**	42
Purchase of a building	**–**	3
Purchases of plant and machinery	**8**	–
	24	46

44. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

HK$ million	**2010**	2009
Short term employee benefits	**32**	35
Equity-settled share option expense	**–**	2
Total compensation paid to key management personnel	**32**	37

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

45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2010

HK$ million	Group			
Financial assets	**Financial assets at fair value through profit or loss – held for trading**	**Loans and receivables**	**Available-for-sale investments**	**Total**
Available-for-sale investments	–	–	106	106
Trade receivables	–	433	–	433
Financial assets included in prepayments, deposits and other receivables (note 27)	–	78	–	78
Financial assets at fair value through profit or loss	234	–	–	234
Pledged time deposits	–	83	–	83
Cash and cash equivalents	–	610	–	610
	234	1,204	106	1,544

HK$ million	Group
Financial liabilities	**Financial liabilities at amortised cost**
Trade and bills payables	502
Financial liabilities included in other payables and accruals (note 31)	78
Interest-bearing bank and other borrowings	661
	1,241

45. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2009

HK$ million	Group			
Financial assets	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Available-for-sale investments	Total
Available-for-sale investments	–	–	4	4
Trade receivables	–	401	–	401
Financial assets included in prepayments, deposits and other receivables (note 27)	–	54	–	54
Financial assets at fair value through profit or loss	255	–	–	255
Pledged time deposits	–	65	–	65
Cash and cash equivalents	–	566	–	566
	255	1,086	4	1,345

HK$ million	Group		
Financial liabilities	Financial liabilities at fair value through profit or loss – designated as such upon initial recognition	Financial liabilities at amortised cost	Total
Trade and bills payables	–	418	418
Financial liabilities included in other payables and accruals (note 31)	–	60	60
Derivative financial instruments	4	–	4
Interest-bearing bank and other borrowings	–	428	428
	4	906	910

45. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2010

HK$ million	**Company**
Financial assets	**Loans and receivables**
Financial assets included in investments in subsidiaries (note 18)	**1,340**
Due from subsidiaries (note 18)	**256**
Cash and cash equivalents	**112**
Financial assets included in prepayments, deposits and other receivables (note 27)	**1**
	1,709

2009

HK$ million	Company
Financial assets	Loans and receivables
Financial assets included in investments in subsidiaries (note 18)	1,247
Due from subsidiaries (note 18)	432
Cash and cash equivalents	106
Financial assets included in prepayments, deposits and other receivables (note 27)	1
	1,786

46. FAIR VALUE AND FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

46. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

Group

Assets measured at fair value as at 31 December 2010:

HK$ million	**Level 1**	**Level 2**	**Total**
Available-for-sale investments:			
Other assets, at fair value	**4**	**–**	**4**
Equity investment, at fair value	**100**	**–**	**100**
Financial assets at fair value through profit or loss	**234**	**–**	**234**
	338	**–**	**338**

Assets measured at fair value as at 31 December 2009:

HK$ million	Level 1	Level 2	Total
Available-for-sale investments:			
Other assets, at fair value	2	–	2
Financial assets at fair value through profit or loss	255	–	255
	257	–	257

The Company did not have any financial assets measured at fair value as at 31 December 2010 and 2009.

Group

Liabilities measured at fair value as at 31 December 2009:

HK$ million	Level 1	Level 2	Total
Derivative financial instruments	–	4	4

The Group did not have any financial liabilities measured at fair value as at 31 December 2010.

The Company did not have any financial liabilities measured at fair value as at 31 December 2010 and 2009.

During the year ended 31 December 2010, there was no transfer of fair value measurements between Level 1 and Level 2 (2009: Nil).

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The Board 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 interest rates are stable and are maintained at relatively low level, the Group's interest rate risk is not significant.

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

	Group	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$ million
2010		
HK$	**100**	**(2)**
US$	**100**	**(4)**
RMB	**100**	**(1)**
HK$	**(100)**	**2**
US$	**(100)**	**4**
RMB	**(100)**	**1**
2009		
HK$	100	(2)
US$	100	(2)
HK$	(100)	2
US$	(100)	2

47. 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.

A reasonably possible increase/(decrease) of 3.75% in the exchange rate between the RMB and the Hong Kong dollar would result in increase/(decrease) on the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) by HK$5 million in 2010 (2009: no material impact).

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, available-for-sale investments and certain derivative instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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

There is no significant concentration of credit risk in relation to the Group's financial assets, other than trade receivables. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 26 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, 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 31 December 2010

	Group				
HK$ million	Within one year or on demand	In the second year	In the third to fifth years, inclusive	Beyond five years	Total
Trade and bills payables	502	–	–	–	502
Other payables (note 31)	78	–	–	–	78
Interest-bearing bank and other borrowings	427	53	129	87	696
	1,007	53	129	87	1,276

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

Liquidity risk *(continued)*

As at 31 December 2009

HK$ million	Group Within one year or on demand	In the second year	Total
Trade and bills payables	418	–	418
Other payables (note 31)	60	–	60
Derivative financial instruments	4	–	4
Interest-bearing bank and other borrowings (Note)	439	1	440
	921	1	922

Note: Included in interest-bearing bank and other borrowings is a term loan in the amount of HK$143 million. The loan agreement contains a repayment on-demand clause giving the bank the unconditional right to call in the loan at any time and therefore, for the purpose of the above maturity profile, the loan is classified as "on demand".

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** **2010** **Within one year or on demand**	2009 Within one year or on demand
Guarantees given to banks in connection with facilities granted to subsidiaries (note 40)	**243**	312

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

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments and available-for-sale investments as at 31 December 2010. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity index for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2010	**High/low 2010**	31 December 2009	High/low 2009
Hong Kong – Hang Seng Index	**23,035**	**24,989/18,972**	21,873	23,100/11,345

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on then carrying amounts at the end of the reporting period.

	Carrying amounts of equity investments HK$ million	**Increase/ (decrease) in equity price %**	**Increase/ (decrease) in profit before tax HK$ million**
2010			
Investments listed in:			
Hong Kong – Held for trading (note 28)	**218**	**16.85**	**37**
	218	**(16.85)**	**(37)**
– Available-for-sale investments (note 20)	**100**	**16.85**	**17**
	100	**(16.85)**	**(17)**
2009			
Investments listed in:			
Hong Kong – Held for trading (note 28)	241	70.72	170
	241	(70.72)	(170)

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

Capital management

The primary objectives of the Group's capital management are to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder's 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 2010 and 2009.

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

	Group	
HK$ million	**2010**	2009
Interest-bearing bank and other borrowings	**661**	428
Total borrowings	**661**	428
Total capital	**2,085**	2,073
Total capital and borrowings	**2,746**	2,501
Gearing ratio	**24.1%**	17.1%

48. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group entered into an agreement for the disposal of certain non-current assets held for sale for a total consideration of approximately HK$139 million, resulting in a reversal of impairment of approximately HK$54 million being recognised in the consolidated income statement for the year ended 31 December 2010.

49. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation, and a third statement of financial position as at 1 January 2009 has been presented.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2011.

other information

PARTICULARS OF PROPERTIES UNDER DEVELOPMENT AS AT 31 DECEMBER 2010:

Name of projects	Locations	Uses	Site area (square metres)	Gross floor area (square metres)	Stage of completion	Attributable interest of the Group
Landmark City Phases II and III	No. 253 Jiu Dao Street, Tiexi District, Anshan City, Liaoning Province, the PRC	Residential and commercial	51,788.60	160,296.40	Planning	100%
Evian Villa	No. 37 Qian Ye Street, Gaoxin District, Anshan City, Liaoning Province, the PRC	Residential and commercial	74,738.08	106,868.80	Planning	100%

PARTICULARS OF COMPLETED PROPERTIES FOR SALE AS AT 31 DECEMBER 2010:

Name of project	Location	Uses	Site area (square metres)	Gross floor area (square metres)	Stage of completion	Attributable interest of the Group
Landmark City Phase I	No. 253 Jiu Dao Road, Tiexi District, Anshan City, Liaoning Province, the PRC	Residential and commercial	10,987.11	34,358.10	Completed	100%

five year financial summary

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

RESULTS

	Year ended 31 December				
HK$ million	**2010**	2009	2008	2007	2006
REVENUE	**1,919**	1,653	2,935	3,729	4,199
PROFIT/(LOSS) BEFORE TAX	**64**	51	(1,284)	414	387
Income tax expense	**(27)**	(18)	(5)	(17)	(21)
PROFIT/(LOSS) FOR THE YEAR	**37**	33	(1,289)	397	366
Profit/(loss) attributable to:					
Owners of the parent	**40**	42	(1,123)	484	358
Non-controlling interests	**(3)**	(9)	(166)	(87)	8
	37	33	(1,289)	397	366

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
HK$ million	**2010**	2009	2008	2007	2006
TOTAL ASSETS	**3,900**	3,517	3,893	5,459	4,730
TOTAL LIABILITIES	**(1,463)**	(1,089)	(1,316)	(1,684)	(1,921)
	2,437	2,428	2,577	3,775	2,809
EQUITY:					
Equity attributable to owners of the parent	**2,085**	2,073	2,213	3,225	2,752
Non-controlling interests	**352**	355	364	550	57
	2,437	2,428	2,577	3,775	2,809

glossary of terms

GENERAL TERMS

AGM	Annual general meeting
Audit Committee	The audit committee of the Company
Board	The board of Directors
CCT Tech	CCT Tech International Limited, a company listed on the Main Board of the Stock Exchange and a non wholly-owned subsidiary of the Company
CCT Tech Group	CCT Tech and its subsidiaries
CEO	The chief executive officer of the Company
Chairman	The chairman of the Company
Code	The Code on Corporate Governance Practices under the Listing Rules
Company	CCT Telecom Holdings Limited
Director(s)	The director(s) of the Company
Group	The Company and its subsidiaries
HK or Hong Kong	The Hong Kong Special Administrative Region of PRC
HK$	Hong Kong dollar(s), the lawful currency of Hong Kong
INED(s)	Independent non-executive director(s)
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
Merdeka Resources	Merdeka Resources Holdings Limited (formerly known as CCT Resources Holdings Limited), a company listed on the Growth Enterprise Market of the Stock Exchange, of which the Company is a substantial shareholder as at the date of this report
Model Code	The Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules
N/A	Not applicable
ODM	Original design manufacturing

Percentage Ratios	The assets ratio, the profits ratio, the revenue ratio, the consideration ratio and the equity capital ratio as defined under Rule 14.07 of the Listing Rules
PRC	The People's Republic of China
Remuneration Committee	The remuneration committee of the Company
RMB	Renminbi, the lawful currency of PRC
R&D	Research and development
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	The ordinary share(s) of HK$0.10 each in the share capital of the Company
Shareholder(s)	Holder(s) of the Share(s)
Share Option Scheme	A share option scheme adopted by the Company on 28 February 2002
Stock Exchange	The Stock Exchange of Hong Kong Limited
US	The United States of America
US$	United States dollar(s), the lawful currency of US
%	Per cent.

FINANCIAL TERMS

Gearing Ratio	Total borrowings (representing bank & other borrowings and finance lease payable) divided by total capital employed (i.e. total Shareholders' fund plus total borrowings)
Earnings Per Share	Profit for the year attributable to the 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