CCT TECH

2011 INTERIM REPORT

中建科技國際有限公司

Stock Code : 261

chairman's letter

On behalf of the board of CCT Tech International Limited, I present the results of the Group for the six months ended 30 June 2011.

During the period under review, the Group achieved a turnover of $737 million, representing a 5.6% increase compared with the turnover of the corresponding period in 2010. Despite growth in revenue, the net loss increased substantially from approximately $4 million for the last corresponding period to approximately $40 million for the current period. The deterioration in result during the period is mainly attributable to (i) the decrease in gross margin and (ii) the increase in costs for the new global branded distribution business using GE's trademark on the Group's telephony products.

INTERIM DIVIDEND

In order to conserve cash for ongoing business operations and future growth, the directors do not recommend payment of an interim dividend for the six months ended 30 June 2011 (30 June 2010: nil).

REVIEW OF OPERATIONS

The ultimate holding company of the Company is CCT Telecom whose shares are listed on the main board of the Stock Exchange. Despite a difficult operating environment, the Group posted a modest growth in turnover during the period. Traditional cordless phones remain our core products while new innovated products saw significant growth in revenue. Most of our sales are generated from ODM business. Europe remains the largest market of the Group and contributed approximately 61.7% of the Group's total turnover during the period. However, sales to Europe dropped by 20.5% led by reduced demand from one of our major European customers to reduce its inventory level. The Asian Pacific and other regions continue to be the Group's second largest market, contributed approximately 30.7% of the Group's total turnover. These regions outperformed other markets of the Group, achieving rise in revenue of 126.0% due to strong sales of the screen communication tablet in Australia, growth in sales of our GE telephony products in these regions and expansion of our business in the emerging markets like the PRC, Mexico and South America. The North American market contributed $56 million in turnover, more than doubled over the $26 million reported for the region in the corresponding period, as our newly designed GE telephony products started to generate revenue in US, which was our largest market until 2009. Although the US distribution company has achieved certain initial success, to relaunch the GE telephony products to several big box retailers, the progress of this new business is still lower than what we expected. This is caused by the hot sales of the iPhones which affect the traditional cordless phones, the high unemployment rate in US and the poor US consumer sentiment.

Amidst challenging operating environment, CMS delivered solid growth in revenue to approximately $35 million during the period, surged 191.7% as compared with $12 million in the previous corresponding period. CMS sales is forecast to rise for the second half as we expand product range and gain new CMS customers.

In the first half, our operations encountered many difficult challenges most of which were caused by uncontrollable external factors. Despite a modest growth in revenue, our result performance was adversely affected by a significant increase in the operating costs. Factory payroll including direct and indirect labor soared approximately 45% in the first half, fueled by increase in minimum wages and acute shortage of labor in the Guangdong Province. This was compounded with rising cost of materials, new charges imposed by local government, high inflation and appreciation in RMB, which caused negative impact on the Group's profitability in the first half. As a result, the Group's gross margin declined sharply from 7.6% in the last corresponding period to only 3.8% in the current period. In addition, the ramp up of the new branded distribution business is below expectation and has not yet reached a level to recover all the costs for start-up, product development, promotion and distribution of the GE telephony products worldwide. As a result, the global branded distribution business recorded a loss in the first half. These challenges pushed up the Group's net loss to $40 million in the current period, notwithstanding their impacts have been alleviated partly through improved operationally efficiency and tight cost measures.

We are strong in radio-frequency and broadband technologies and have invested substantially in product R&D activities. Our strong R&D capability continues to give us an edge in both existing and new product lines. During the period, we saw considerable growth in sales of 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. It is also encouraging to see that the newly designed cordless phones with big buttons have also received warm market response, particularly from senior consumers. The new series of SOHO products designed for use in small and home offices have been developed and launched. Sales of the SOHO products are currently small but we believe these products will offer the Group opportunity for growth. We acquired the office premises in Shenzhen at the end of 2010. Since then, we consolidated our R&D centers previously scattered in Hong Kong, Singapore and the leased premises in Shenzhen into the newly acquired Shenzhen office premises and moved some of the procurement, personnel and administration functions and the marketing staff from our Hong Kong operating office to the new Shenzhen office in the current period. These initiatives have improved coordination and efficiency. We expect this strategic move will reduce operating costs in the long term. Furthermore, the acquisition of the Shenzhen properties has proven to be a good investment as their value has elevated by approximately 50% since our acquisition.

OUTLOOK

The global economic outlook remains highly uncertain. Unemployment remains high in most developed countries. The debt crisis of Euro zone deepens as the risk of the credit rating of Spain and Italy being downgraded is increasing. Although the US Congress has passed the bill to raise debt ceiling and cut budget deficit to avoid debt default, the US credit rating has been downgraded by Standard & Poor from AAA to AA+ for the first time in history. The debt crisis in Europe and US has prompted calamitous falls on world stock markets. The already sluggish economy in US and the Euro zone is expected to slow down further. This has renewed fear that these major economies are close to recession. The regional political instability in Libya and the Middle East has elevated the price of petroleum, which has exerted further pressure on costs. In Asia, Japan's economy has been seriously hit by the multiple disasters caused by the earthquake and the tsunami although its large-scale reconstruction efforts have helped to boost its economy. In the PRC, wages of labor are forecast to rise further. It is generally expected that China's credit tightening policy will work and inflation may stabilize and may ease a little bit in the second half. RMB is expected to continue to appreciate and there is sign that China's manufacturing activities are slowing down. All these uncertain factors will affect our business and will impact our profit margin in the future.

We plan for top line growth in the second half. We will strive to gain orders from existing ODM customers and expand our ODM business geographically. We will endeavour to ramp up sales of the GE telephony products in US as well other markets worldwide. However, we expect that progress of this new distribution business will be affected by the current weak consumer market and sluggish economy in US. The prospects for our CMS business look promising and we believe the business will become a key driver of growth for the Group in the future. We will enhance our CMS customer base and diversify our product range to audio, video and other consumer electronic products. We will continue to enhance our product offerings and our product mix to meet market expectation. We have developed a full range of broadband and advance products like Android OS based products with touch screen, DECT/CAT-iq, WiFi and Bluetooth. These new products will provide opportunity for future growth of the Group's business. On the cost side, we will continue to drive productivity and efficiency and implement measures to control cost. We have adjusted prices of some of our products in order to pass some of the cost increases to our customers with a view to improve our gross margin. We are cautiously optimistic about the future outlook of our telecom product business although we expect to encounter tough challenges go forward. With our resilient management team, we believe that the Group is well positioned to withstand the current difficult operating environment and will continue to make steady growth in business.

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 August 2011

financial review

HIGHLIGHTS ON FINANCIAL RESULTS

HK$ million	Six months ended 30 June 2011 (Unaudited)	2010 (Unaudited)	% increase/ (decrease)
Turnover	**737**	698	5.6%
Gross profit	**28**	53	(47.2%)
Gross margin	**3.8%**	7.6%	(50.0%)
Loss before tax	**(39)**	(3)	1,200.0%
Income tax expense	**(1)**	(1)	–
Loss for the period	**(40)**	(4)	900.0%

Discussion on Financial Results

For the six months ended 30 June 2011, the Group recorded a turnover of $737 million, representing a 5.6% increase over the $698 million for the last corresponding period. The loss for the current period jumped to $40 million from $4 million in the last corresponding period. The sharp rise in loss was mainly caused by the decrease in gross margin from previous corresponding period of 7.6% to current period of 3.8% and the start-up, development and distribution costs for the new global branded distribution business using GE's trademark on our telephony products.

ANALYSIS BY BUSINESS SEGMENT

	Turnover Six months ended 30 June		(Loss)/profit before tax Six months ended 30 June	
HK$ million	**2011 (Unaudited)**	2010 (Unaudited)	**2011 (Unaudited)**	2010 (Unaudited)
Telecom and electronic products	**737**	698	**(34)**	2

During the period under review, the Group's turnover and operating results continued to be derived from one single business segment which is the manufacture and sale of telecom and electronic products. Despite growth in turnover, the Group incurred an operating loss of approximately $34 million for the six months ended 30 June 2011 as compared to an operating profit of $2 million in previous corresponding period. The deterioration of the Group's result was mainly caused by the significant increase in production costs and the costs of the global branded distribution business.

ANALYSIS BY GEOGRAPHICAL SEGMENT

	Turnover Six months ended 30 June				
	2011		2010		
HK$ million	**Amount (Unaudited)**	**Relative %**	Amount (Unaudited)	Relative %	% increase/ (decrease)
Europe	**455**	**61.7%**	572	82.0%	(20.5%)
Asian Pacific and others	**226**	**30.7%**	100	14.3%	126.0%
North America	**56**	**7.6%**	26	3.7%	115.4%
Total	**737**	**100.0%**	698	100.0%	5.6%

European market, the largest market of the Group during the period under review, contributed approximately 61.7% of the Group's total turnover. Sales to Europe dropped by 20.5% to $455 million in the current period as demand from one of our major customers decreased in order to reduce its inventory level. The Group's business in the Asian Pacific and other regions, however, rose significantly by 126.0% to $226 million, contributing 30.7% to the Group's total turnover. The increase in business in these regions, exceeding the drop in revenue in Europe, was mainly generated from strong growth of sales of the screen communication product in Australia, increased sales of GE telephony products in these regions and expansion of our business in the emerging markets. North American market registered rise of turnover of 115.4% to $56 million and contributed 7.6% to the Group's total turnover, mainly attributable to the new GE branded distribution business which started to generate revenue in US in the first half.

HIGHLIGHTS ON SIGNIFICANT MOVEMENT OF FINANCIAL POSITION

HK$ million	**30 June 2011 (Unaudited)**	31 December 2010 (Audited)	% increase/ (decrease)
Inventories	**133**	92	44.6%
Trade receivables	**337**	385	(12.5%)
Pledged time deposits	**207**	83	149.4%
Cash and cash equivalents	**255**	388	(34.3%)
Current and non-current interest-bearing bank and other borrowings	**448**	389	15.2%
Equity attributable to owners of the parent	**673**	713	(5.6%)

Discussion on Financial Position

Inventory increased by 44.6% as raw materials were accumulated to prepare for increase in production during peak season in the second half and for production of GE telephony products. However, the inventory turnover period of the Group for the period maintained at a healthy level of only 28.7 days (31 December 2010: 19.9 days).

Trade receivables of the Group amounted to $337 million as at 30 June 2011, a decrease of 12.5% from $385 million as at 31 December 2010, indicating improved management in trade debt collection.

Pledged time deposits rose from $83 million as at 31 December 2010 to $207 million as at 30 June 2011 due to increase in deposits pledged to secure additional banking facilities. Of the pledged deposits, a total amount of $124 million (equivalent to RMB102 million) deposits are denominated in RMB which have been pledged to a banker to secure equivalent amount of Hong Kong dollar loans. Under such arrangement which is aimed at hedging RMB appreciation risk, the Group is entitled to benefit from RMB appreciation whilst the Group can continue to use the funds for business purpose.

Cash and cash equivalents dropped by 34.3% to approximately $255 million as at 30 June 2011. The net decrease in cash and bank balance represents net cash used for operations and net repayment of working-capital bank loans in the first half.

The aggregate amount of the current and non-current interest-bearing bank and other borrowings increased from approximately $389 million as at 31 December 2010 to approximately $448 million as at 30 June 2011, up 15.2%. The net increase of the bank borrowings represents additional bank loans borrowed for arrangements to hedge RMB exposure less net repayment of working-capital bank loans during the period.

Equity attributable to owners of the parent dropped 5.6% from $713 million as at 31 December 2010 to $673 million as at 30 June 2011 due primarily to the loss attributable to the owners of the parent in the first half of 2011.

CAPITAL STRUCTURE AND GEARING RATIO

	30 June 2011		31 December 2010	
HK$ million	**Amount (Unaudited)**	**Relative %**	Amount (Audited)	Relative %
Bank borrowings	**448**	**40.0%**	388	35.2%
Finance lease payable	**–**	**–**	1	0.1%
Total borrowings	**448**	**40.0%**	389	35.3%
Equity	**673**	**60.0%**	713	64.7%
Total capital employed	**1,121**	**100.0%**	1,102	100.0%

The Group's gearing ratio increased to 40.0% as at 30 June 2011 (31 December 2010: 35.3%) as a result of net increase of the bank borrowings during the period. After taking into account the cash on hand, the Group did not have any net borrowings, indicating that the Group's financial position remains healthy.

The Group's outstanding bank and other borrowings amounted to approximately $448 million as at 30 June 2011 (31 December 2010: $389 million). As at 30 June 2011, the maturity profile of the Group's bank and other borrowings falling due within one year, in the second to the fifth year and in the sixth to the tenth year amounted to $334 million, $84 million and $30 million respectively (31 December 2010: $264 million, $82 million and $43 million respectively).

All the Group's bank borrowings were borrowed to finance the ordinary business of the Group. There is no material effect of seasonality on the Group's borrowing requirements.

LIQUIDITY AND FINANCIAL RESOURCES

HK$ million	**30 June 2011 (Unaudited)**	31 December 2010 (Audited)
Current assets	**1,065**	1,077
Current liabilities	**876**	858
Current ratio	**121.6%**	125.5%

Current ratio as at 30 June 2011 maintained at a healthy level of 121.6% (31 December 2010: 125.5%). Among the total cash balance of $462 million, approximately $207 million (31 December 2010: $83 million) was pledged for general banking facilities and for arrangement of hedging RMB appreciation.

In view of the Group's current cash position and the banking facilities available, the Group maintains a sound financial position and has sufficient resources to finance its operations and its future expansion plan.

CAPITAL COMMITMENTS

As at 30 June 2011, capital commitment of the Group amounted to approximately $3 million (31 December 2010: $9 million). The capital commitment will be funded partly by internal resources and partly by bank borrowings.

TREASURY MANAGEMENT

The Group employs a conservative approach to cash management and risk control. To achieve better risk control and efficient fund management, the Group's treasury activities are centralised.

During the period under review, the Group's receipts were mainly denominated in US dollar, with some in Hong Kong dollar and the Euro. Payments were mainly made in Hong Kong dollar, US dollar and RMB and some made in Euro. Cash was generally placed in short-term deposits denominated in Hong Kong dollar, US dollar and RMB. As at 30 June 2011, the Group's borrowings were mainly denominated in Hong Kong dollar, US dollar and RMB and interest on the borrowings was principally determined on a floating rate basis.

The objective of the Group's treasury policies is to minimize risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. The Group does not have any significant interest rate risk as 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 RMB in terms of the production costs (including workers' wages and overheads) in the PRC. For US dollar exposure, since the Hong Kong dollar remains pegged to the US dollar, the exchange fluctuation is not expected to be significant. In addition, as a large portion of the Group's purchases are also made in US dollar, which are to be paid out of our sales receipts in US dollar, the management considers that the foreign exchange exposure risk for the US dollar is not material.

For RMB exposure, as wages and overheads in our factories in the PRC are paid in RMB, our production costs will rise due to the further appreciation of RMB. During the period, we converted some of surplus funds from Hong Kong dollars to RMB. So far, we have accumulated approximately RMB102 million in cash and the RMB so converted has been placed on short-term deposits to secure equivalent amount of Hong Kong dollar loans. As we will be entitled to the exchange gain that may be generated from future appreciation of the RMB deposits, we consider such initiative is an effective way to hedge some of our exposure against RMB appreciation.

ACQUISITIONS AND DISPOSALS OF MATERIAL SUBSIDIARIES AND ASSOCIATES

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

SIGNIFICANT INVESTMENT

The Group did not hold any significant investment as at 30 June 2011 (31 December 2010: Nil).

PLEDGE OF ASSETS

As at 30 June 2011, certain of the Group's assets with net book value of $437 million (31 December 2010: $468 million) and time deposits of approximately $207 million (31 December 2010: $83 million) were pledged to secure general banking facilities granted to the Group and for hedging RMB exposure.

CONTINGENT LIABILITIES

As at 30 June 2011, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group as at 30 June 2011 was 5,371 (31 December 2010: 4,685). The Group's remuneration policy is built on the principle of equitable, motivating, performance-oriented and market-competitive remuneration package to employees. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. As at 30 June 2011, there were outstanding share options of approximately 600,000,000 (31 December 2010: 600,000,000).

interim results

The Board of the Company is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2011 together with the comparative figures for the corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

		Six months ended 30 June	
HK$ million	Notes	**2011 (Unaudited)**	2010 (Unaudited)
REVENUE	3	**737**	698
Cost of sales		**(709)**	(645)
Gross profit		**28**	53
Other income and gains		**17**	17
Selling and distribution costs		**(24)**	(13)
Administrative expenses		**(55)**	(53)
Other expenses		**–**	(3)
Finance costs		**(5)**	(4)
LOSS BEFORE TAX	4	**(39)**	(3)
Income tax expense	5	**(1)**	(1)
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		**(40)**	(4)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic		**(HK0.06 cent)**	(HK0.01 cent)
Diluted		**(HK0.06 cent)**	(HK0.01 cent)

Details of the dividends payable and proposed for the period are disclosed in note 6 to the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Six months ended 30 June	
HK$ million	**2011 (Unaudited)**	2010 (Unaudited)
LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT	**(40)**	(4)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2011

HK$ million	Notes	30 June 2011 (Unaudited)	31 December 2010 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**333**	344
Investment properties		**178**	178
Prepaid land lease payments		**67**	69
Prepayments for acquisition of property, plant and equipment		**–**	8
Goodwill		**22**	22
Total non-current assets		**600**	621
Current assets			
Inventories		**133**	92
Non-current assets held for sale		**–**	70
Trade receivables	9	**337**	385
Prepayments, deposits and other receivables		**133**	59
Pledged time deposits		**207**	83
Cash and cash equivalents		**255**	388
Total current assets		**1,065**	1,077
Total assets		**1,665**	1,698
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital	11	**654**	654
Reserves		**19**	59
Total equity		**673**	713
Non-current liabilities			
Interest-bearing bank and other borrowings		**114**	125
Deferred tax liabilities		**2**	2
Total non-current liabilities		**116**	127
Current liabilities			
Trade and bills payables	10	**411**	456
Tax payable		**10**	9
Other payables and accruals		**121**	129
Interest-bearing bank and other borrowings		**334**	264
Total current liabilities		**876**	858
Total liabilities		**992**	985
Total equity and liabilities		**1,665**	1,698
Net current assets		**189**	219
Total assets less current liabilities		**789**	840

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the parent						
HK$ million	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital reserve (Unaudited)	Share option reserve (Unaudited)	Exchange fluctuation reserve (Unaudited)	Accumulated losses (Unaudited)	Total (Unaudited)
At 1 January 2011	654	238	733	6	1	(919)	713
Total comprehensive loss for the period	–	–	–	–	–	(40)	(40)
At 30 June 2011	654	238	733	6	1	(959)	673
At 1 January 2010	654	238	733	6	1	(914)	718
Total comprehensive loss for the period	–	–	–	–	–	(4)	(4)
At 30 June 2010	654	238	733	6	1	(918)	714

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

HK$ million	Six months ended 30 June 2011 (Unaudited)	 2010 (Unaudited)
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES	**(61)**	7
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(131)**	(29)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**59**	100
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(133)**	78
Cash and cash equivalents at beginning of period	**388**	349
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**255**	427
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**172**	152
Non-pledged time deposits with original maturity of less than three months when acquired	**83**	275
	255	427

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2010 (the "**2010 Annual Report**").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's 2010 Annual Report.

The following new and revised HKFRSs have been adopted by the Company with effect from 1 January 2011. The adoption of the new and revised HKFRSs does not have any significant financial effect on the interim financial statements.

HKFRSs (Amendments)	*Improvements to HKFRSs 2010*
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*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*

3. OPERATING SEGMENT INFORMATION

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

Management monitors the results of its operating segment separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment 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 the head office and corporate expenses is excluded from such measurement.

Segment assets exclude non-current assets held for sale, 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.

Segment information about the single business segment of the Group for the period ended 30 June 2011 and 2010 is presented as below:

	Telecom and electronic products		Reconciliations		Group total	
HK$ million	**2011 (Unaudited)**	2010 (Unaudited)	**2011 (Unaudited)**	2010 (Unaudited)	**2011 (Unaudited)**	2010 (Unaudited)
Segment revenue:						
Revenue from external customers	**737**	698	**–**	–	**737**	698
Operating (loss)/profit	**(30)**	5	**–**	–	**(30)**	5
Interest income	**1**	1	**–**	–	**1**	1
Finance costs	**(5)**	(4)	**–**	–	**(5)**	(4)
Reconciled item:						
Corporate and other unallocated expenses	**–**	–	**(5)**	(5)	**(5)**	(5)
(Loss)/profit before tax	**(34)**	2	**(5)**	(5)	**(39)**	(3)
Other segment information:						
Expenditure for non-current assets	**15**	9	**–**	–	**15**	9
Depreciation and amortisation	**(25)**	(27)	**–**	–	**(25)**	(27)
Other material non-cash item:						
Net impairment of trade receivables	**–**	(3)	**–**	–	**–**	(3)

3. OPERATING SEGMENT INFORMATION *(continued)*

HK$ million	Telecom and electronic products 30 June 2011 (Unaudited)	Telecom and electronic products 31 December 2010 (Audited)	Reconciliations 30 June 2011 (Unaudited)	Reconciliations 31 December 2010 (Audited)	Group total 30 June 2011 (Unaudited)	Group total 31 December 2010 (Audited)
Segment assets	**1,655**	1,614	**–**	–	**1,655**	1,614
Reconciled items:						
Non-current assets held for sale	**–**	–	**–**	70	**–**	70
Corporate and other unallocated assets	**–**	–	**10**	14	**10**	14
Total assets	**1,655**	1,614	**10**	84	**1,665**	1,698
Segment liabilities	**980**	973	**–**	–	**980**	973
Reconciled item:						
Corporate and other unallocated liabilities	**–**	–	**12**	12	**12**	12
Total liabilities	**980**	973	**12**	12	**992**	985

Geographical information

a) *Revenue from external customers*

HK$ million	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Europe	**455**	572
Asian Pacific and others	**226**	100
North America	**56**	26
	737	698

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	30 June 2011 (Unaudited)	31 December 2010 (Audited)
Hong Kong	**45**	43
Mainland China	**554**	577
Other countries	**1**	1
	600	621

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

3. **OPERATING SEGMENT INFORMATION** *(continued)*

Information about major customers

For the six months ended 30 June 2011, revenue from each of three major customers of the telecom and electronic products segment was HK$220 million, HK$212 million and HK$92 million respectively, representing 30%, 29% and 12% of the Group's total revenue, respectively.

For the six months ended 30 June 2010, revenue from each of two major customers of the telecom and electronic products segment was HK$287 million and HK$220 million respectively, representing 41% and 32% of the Group's total revenue, respectively.

4. **LOSS BEFORE TAX**

The Group's loss before tax is arrived at after charging:

	Six months ended 30 June	
HK$ million	**2011 (Unaudited)**	2010 (Unaudited)
Cost of inventories sold	**709**	645
Depreciation	**24**	26
Amortisation of prepaid land lease payments	**1**	1

5. **INCOME TAX EXPENSE**

No Hong Kong profits tax has been provided for the six months ended 30 June 2011 as the Group had no profits chargeable to Hong Kong profits tax during that period whereas Hong Kong profits tax has been provided at the rate of 16.5% for the corresponding period in 2010. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	Six months ended 30 June	
HK$ million	**2011 (Unaudited)**	2010 (Unaudited)
Current – Hong Kong	**–**	1
Current – Elsewhere	**1**	–
Total tax charge for the period	**1**	1

6. **DIVIDENDS**

The directors do not recommend payment of an interim dividend for the six months ended 30 June 2011 (30 June 2010: nil).

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

The calculation of basic and diluted loss per share amount for the period is based on the loss for the period attributable to ordinary equity holders of the parent of HK$40 million (30 June 2010: HK$4 million), and the weighted average number of 65,413,993,990 (30 June 2010: 65,413,993,990) ordinary shares in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the period ended 30 June 2011 and 30 June 2010 in respect of a dilution as the impact of the outstanding share options had an anti-dilutive effect on the basic loss per share amounts presented.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired fixed assets of approximately HK$15 million (six months ended 30 June 2010: HK$9 million).

9. TRADE RECEIVABLES

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:

	30 June 2011 (Unaudited)		31 December 2010 (Audited)	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**153**	**46**	131	34
31 to 60 days	**105**	**31**	126	33
61 to 90 days	**75**	**22**	114	30
Over 90 days	**4**	**1**	14	3
	337	**100**	385	100

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

10. 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:

	30 June 2011 (Unaudited)		31 December 2010 (Audited)	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**152**	**37**	112	25
31 to 60 days	**84**	**20**	122	27
61 to 90 days	**82**	**20**	70	15
Over 90 days	**93**	**23**	152	33
	411	**100**	456	100

Included in the trade and bills payables are trade payables of HK$50 million (31 December 2010: HK$70 million) due to Neptune Holding Limited ("**Neptune**") and Electronic Sales Limited ("**ESL**"), being wholly-owned subsidiaries of CCT Telecom, which are unsecured, interest-free and are repayable within 90 days from the invoice date.

11. SHARE CAPITAL

HK$ million	**30 June 2011 (Unaudited)**	31 December 2010 (Audited)
Authorised: 120,000,000,000 (31 December 2010: 120,000,000,000) ordinary shares of HK$0.01 each	**1,200**	1,200
Issued and fully paid: 65,413,993,990 (31 December 2010: 65,413,993,990) ordinary shares of HK$0.01 each	**654**	654

There were no transactions involving the Company's issued ordinary share capital during the six months ended 30 June 2011.

12. CONTINGENT LIABILITIES

As at 30 June 2011, the Group did not have any significant contingent liabilities (31 December 2010: Nil).

13. PLEDGE OF ASSETS

At 30 June 2011, the Group's interest-bearing bank borrowings were secured by:

(a) the pledge of certain of the Group's factory buildings situated in the PRC, which had an aggregate carrying value at the end of the reporting period of approximately HK$214 million (31 December 2010: HK$244 million);

(b) the pledge of the Group's investment properties situated in the PRC, which had an aggregate carrying value at the end of the reporting period of approximately HK$178 million (31 December 2010: HK$178 million);

(c) the pledge of certain of the Group's leasehold land situated in the PRC, which had an aggregate carrying value at the end of the reporting period of approximately HK$45 million (31 December 2010: HK$46 million); and

(d) the pledge of certain of the Group's time deposits amounting to approximately HK$207 million (31 December 2010: HK$83 million).

14. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements with leases negotiated for terms of three years.

At 30 June 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

HK$ million	**30 June 2011 (Unaudited)**	31 December 2010 (Audited)
Within one year	**2**	2

(b) As lessee

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

At 30 June 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

HK$ million	**30 June 2011 (Unaudited)**	31 December 2010 (Audited)
Within one year	**1**	2
In the second to fifth years, inclusive	**1**	2
	2	4

15. COMMITMENTS

In addition to the operating lease commitments detailed in note 14(b) above, the Group had the following capital commitments at the end of the reporting period:

HK$ million	**30 June 2011 (Unaudited)**	31 December 2010 (Audited)
Contracted, but not provided for:		
Building	**3**	1
Purchases of plant and machinery	**–**	8
	3	9

16. RELATED PARTY TRANSACTIONS

(a) During the current period, the Group had the following transactions with the CCT Telecom Remaining Group:

HK$ million		Six months ended 30 June 2011 (Unaudited)	2010 (Unaudited)
Fellow subsidiaries:			
Purchase of components	(i)	**107**	113
Factory rental income	(ii)	**3**	3
Office rental expenses	(iii)	**1**	1
Sale of electronic children products	(iv)	**4**	1
Ultimate holding company:			
Management information system service fee	(v)	**3**	3

Notes:

(i) The power supply components, transformers and plastic casings and components and toolings for the production of telecom and electronic products for the Group were purchased by the subsidiaries of the Company from fellow subsidiaries within the CCT Telecom Remaining Group at prices mutually agreed between the relevant parties.

(ii) The factory rental income was charged to a fellow subsidiary within the CCT Telecom Remaining Group for the provision of factory space in Huiyang, at a rate determined in accordance with the terms and conditions set out in a tenancy agreement.

(iii) The office rental expenses were charged to the Company by a fellow subsidiary within the CCT Telecom Remaining Group for the provision of office spaces in Hong Kong, at rates determined in accordance with the terms and conditions set out in the tenancy agreements.

(iv) The electronic children products were sold to fellow subsidiaries within the CCT Telecom Remaining Group, pursuant to which the Company agrees to design, develop, manufacture and supply through the Company and its subsidiaries certain electronic children products, electronic components and toolings for the CCT Telecom Remaining Group. The selling prices were determined in accordance with the terms and conditions set out in the electronic children products manufacturing agreement.

(v) The management information system service fee was charged to CCT Telecom by the Company for the provision of general management information system support, network and software consultation and hardware maintenance services. The rate was determined in accordance with the terms and conditions set out in MIS agreement.

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

HK$ million	Six months ended 30 June 2011 (Unaudited)	2010 (Unaudited)
Short term employee benefits	**4**	4
Post-employment benefits	**–**	–
Total compensation paid to key management personnel	**4**	4

disclosure of interests

DIRECTORS' INTERESTS

As at 30 June 2011, the Directors and chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company:

(a) Interests and short positions in the Shares and the underlying Shares of the share options of the Company as at 30 June 2011

(i) 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)	120,000,000	33,026,391,124	33,146,391,124	50.67
Cheng Yuk Ching, Flora	18,000,000	–	18,000,000	0.03
Tam Ngai Hung, Terry	20,000,000	–	20,000,000	0.03
Chen Li	10,000,000	–	10,000,000	0.02

Note: Of the shareholding in which Mr. Mak Shiu Tong, Clement was interested, 33,026,391,124 Shares were held by CCT Telecom through its indirect wholly-owned subsidiaries. Mr. Mak Shiu Tong, Clement is deemed to be interested in such Shares under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of CCT Telecom through his interest in the shareholding of 50.03% of the total issued share capital in CCT Telecom as at 30 June 2011.

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

Name of the Directors	Date of grant of the share options	Exercise period of the share options	Exercise price per Share	Number of the share options outstanding	Number of the total underlying Shares	Approximate percentage of the total issued share capital of the Company
			HK$			(%)
Cheng Yuk Ching, Flora	23/7/2009	23/7/2009 – 6/11/2012	0.01	245,000,000	245,000,000	0.37
Tam Ngai Hung, Terry	23/7/2009	23/7/2009 – 6/11/2012	0.01	223,000,000	223,000,000	0.34
William Donald Putt	23/7/2009	23/7/2009 – 6/11/2012	0.01	8,000,000	8,000,000	0.01
Chow Siu Ngor	23/7/2009	23/7/2009 – 6/11/2012	0.01	8,000,000	8,000,000	0.01
Lau Ho Kit, Ivan	23/7/2009	23/7/2009 – 6/11/2012	0.01	8,000,000	8,000,000	0.01
Chen Li	23/7/2009	23/7/2009 – 6/11/2012	0.01	8,000,000	8,000,000	0.01

(b) Interests and short positions in the shares and the underlying shares of an associated corporation – CCT Telecom as at 30 June 2011

Long positions in the shares of CCT Telecom:

Name of the Directors	Number of the shares interested and nature of interest			Approximate percentage of the total issued share capital of CCT Telecom
	Personal	Corporate	Total	
				(%)
Mak Shiu Tong, Clement (Note)	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 of CCT Telecom were beneficially held by Capital Force International Limited, New Capital Industrial Limited and Capital Winner Investments Limited, all of which are corporations wholly-owned by him, his spouse and his two sons. Mr. Mak Shiu Tong, Clement is deemed to be interested in such shares of CCT Telecom under the SFO as he controls the exercise of one-third or more of the voting power at general meetings of Capital Force International Limited, New Capital Industrial Limited and Capital Winner Investments Limited.

Save as disclosed above, as at 30 June 2011, 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 "Directors' Interests" above and "Share Option Schemes" below, at no time during the period for the six months ended 30 June 2011 was the Company, or any of its holding companies, subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2011, 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 30 June 2011:

Name of the Shareholders	Number of the Shares held	Approximate percentage of the total issued share capital of the Company
		(%)
CCT Telecom (Note 1)	33,026,391,124	50.49
CCT Technology Investment Limited (Note 2)	33,026,391,124	50.49
Jade Assets Company Limited	29,326,391,124	44.83

Notes:

1. The interest disclosed represents 33,026,391,124 Shares indirectly owned by CCT Technology Investment Limited through the subsidiaries stated in Note 2 below. CCT Technology Investment Limited is a wholly-owned subsidiary of CCT Telecom.

2. The interest disclosed represents 29,326,391,124 Shares held by Jade Assets Company Limited, 1,350,000,000 Shares held by CCT Assets Management Limited and 2,350,000,000 Shares held by Expert Success International Limited, all of which are wholly-owned subsidiaries of CCT Technology Investment Limited.

Save as disclosed above, the Directors and chief executive of the Company are not aware that there is any party who, as at 30 June 2011, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

share option schemes

The Company adopted the Old Scheme on 17 September 2002 and which took effect on 7 November 2002. At the AGM of each of the Company and CCT Telecom, the ultimate holding company of the Company, held on 27 May 2011, the shareholders of the Company and CCT Telecom approved the adoption of the New Scheme and the termination of the operation of the Old Scheme. Thereafter, no further share options will be granted under the Old Scheme but in all other respects the provisions of the Old Scheme will remain in force to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with provisions of the Old Scheme and share options granted prior to the termination will continue to be valid and exercisable in accordance with the Old Scheme.

The New Scheme became effective on 30 May 2011, being the date on which the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, on the Stock Exchange, any Shares which may fall to be allotted and issued by the Company pursuant to the exercise of the share options in accordance with the terms and conditions of the New Scheme. Unless otherwise cancelled or amended, the New Scheme will be valid for a period of 10 years from the date of its adoption.

The Old Scheme

No share option has been granted, exercised, cancelled or has lapsed under the Old Scheme during the period for the six months ended 30 June 2011. Details of the movements of the share options under the Old Scheme during the period were as follows:

	Number of share options							
Name or category of the participants	Outstanding as at 1 January 2011	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 30 June 2011	Date of grant of the share options	Exercise period of the share options	Exercise price of the share options (Note)
								HK$ per Share
Executive Directors								
Cheng Yuk Ching, Flora	245,000,000	–	–	–	245,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Tam Ngai Hung, Terry	223,000,000	–	–	–	223,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
William Donald Putt	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
	476,000,000	–	–	–	476,000,000			

Name or category of the participants	Number of share options: Outstanding as at 1 January 2011	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 30 June 2011	Date of grant of the share options	Exercise period of the share options	Exercise price of the share options (Note)
								HK$ per Share
Independent non-executive Directors								
Chow Siu Ngor	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Lau Ho Kit, Ivan	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Chen Li	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
	24,000,000	–	–	–	24,000,000			
Other eligible participant								
In aggregate	100,000,000	–	–	–	100,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
	100,000,000	–	–	–	100,000,000			
	600,000,000	–	–	–	600,000,000			

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

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

As at 30 June 2011 and the date of this Interim Report, there were 600,000,000 share options outstanding under the Old Scheme. Based on these outstanding share options, the total number of Shares available for issue is 600,000,000, which represents approximately 0.92% of the total issued share capital of the Company as at 30 June 2011 and the date of this Interim Report. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 600,000,000 additional ordinary Shares and additional share capital of HK$6,000,000.

The New Scheme

No share option has been granted, exercised, cancelled or has lapsed under the New Scheme since its adoption and accordingly there was no share option outstanding under the New Scheme as at 30 June 2011.

other information

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 period for the six months ended 30 June 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Corporate Governance Practices

In the opinion of the Directors, the Company has complied with the code provisions under the Code set out in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 June 2011, except for the following deviations from the code provisions of the Code:

Code Provision A.2.1

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

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

Mr. Mak Shiu Tong, Clement currently assumes the roles of both the Chairman and the CEO. Mr. Mak has substantial experience and a firmly established reputation in the telecom industry that is essential to fulfilling the role of the Chairman. At the same time, Mr. Mak has the appropriate management skills and business acumen that are the pre-requisites for assuming the role of the CEO in the day-to-day management of the Group. The Board is composed of four executive directors (including the Chairman) and three INEDs with a balance of skills and experience appropriate for the requirements of the Group. Furthermore, the roles of the managing director and the general managers of the Company's major operating subsidiaries are performed by other individuals. The Board believes that there is no need to segregate the roles of the Chairman and the CEO as the balance of power and authority is already ensured by the current structure. The Board does not believe that the separation of the roles of the Chairman and the CEO will improve the corporate performance.

Code Provision A.4.1

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

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

Code Provision A.4.2

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

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

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

Other information on the corporate governance practices of the Company has been disclosed in the corporate governance report contained in the 2010 Annual Report of the Company issued in April 2011.

Audit Committee

The Company has established the Audit Committee with specific written terms of reference formulated in accordance with the requirements of the Listing Rules. The 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 consists of three members comprising three INEDs, namely Mr. Lau Ho Kit, Ivan, Mr. Chow Siu Ngor and Mr. Chen Li, one of whom is a qualified accountant and has extensive experience in accounting and financial matters. The Audit Committee is currently chaired by Mr. Lau Ho Kit, Ivan who is an INED.

The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2011 and the 2011 Interim Report of the Company.

Remuneration Committee

The Company has established the Remuneration Committee with specific written terms of reference in line with the code provisions under the Code. The Remuneration Committee consists of five members comprising three INEDs, namely Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Chen Li, and two executive directors, namely Mr. Mak Shiu Tong, Clement and Mr. Tam Ngai Hung, Terry. The Remuneration Committee is currently chaired by Mr. Chow Siu Ngor who is an INED.

Model Code for Securities Transactions by the Directors

The Company has adopted its code of conduct regarding the securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code adopted by the Company throughout the period for the six months ended 30 June 2011.

Independent Non-executive Directors

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of a sufficient number of the INEDs and at least an INED with appropriate professional qualifications or accounting or related financial management expertise throughout the period for the six months ended 30 June 2011. The Board comprises three INEDs, one of whom has accounting and financial expertise, and the three INEDs bring strong independent judgement, knowledge and experience to the Board.

BOARD OF DIRECTORS

As at the date of the 2011 Interim Report, the executive Directors are Mr. Mak Shiu Tong, Clement, Ms. Cheng Yuk Ching, Flora, Mr. Tam Ngai Hung, Terry and Dr. William Donald Putt and the INEDs of the Company are Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Chen Li.

By Order of the Board
Mak Shiu Tong, Clement
Chairman

Hong Kong, 29 August 2011

glossary of terms

GENERAL TERMS

"AGM"	Annual general meeting
"Audit Committee"	The audit committee of the Company
"Board"	The board of Directors
"CCT Telecom"	CCT Telecom Holdings Limited, a company listed on the Main Board of the Stock Exchange and the ultimate holding company of the Company
"CCT Telecom Remaining Group"	CCT Telecom and its subsidiaries other than the Group
"CEO"	The chief executive officer of the Company
"Chairman"	The chairman of the Company
"CMS"	Contract manufacturing service
"Code"	The Code on Corporate Governance Practices under the Listing Rules
"Company"	CCT Tech International Limited
"Director(s)"	The director(s) of the Company
"GE"	General Electric
"Group"	The Company and its subsidiaries
"HK" or "Hong Kong"	The Hong Kong Special Administrative Region of PRC
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"INED(s)"	Independent non-executive director(s)
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules
"New Scheme"	The share option scheme conditionally adopted by the Company on 27 May 2011 which took effect on 30 May 2011

"ODM"	Original design manufacturing
"Old Scheme"	The share option scheme conditionally adopted by the Company on 17 September 2002 which took effect on 7 November 2002 and the operation of which was subsequently terminated with effect from the adoption of the New Scheme
"PRC" or "China"	The People's Republic of China
"Remuneration Committee"	The remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of PRC
"R&D"	Research and development
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	The ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	The holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US"	The United States of America
"%"	Per cent.

FINANCIAL TERMS

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