CCT TELECOM

2011 INTERIM REPORT

中建電訊集團有限公司

Stock Code : 138

chairman's letter

On behalf of the board of CCT Telecom Holdings Limited, I present the interim results of the Company and its subsidiaries for the six months ended 30 June 2011.

During period under review, the Group achieved turnover of $938 million, a rise of approximately 14.5% over the corresponding period in 2010. Despite solid growth in turnover, the Group recorded loss attributable to equity holders of the Company of approximately $57 million as opposed to a profit of $28 million in the last corresponding period. The deterioration in results is mainly attributable to decrease in gross margin of our manufacturing businesses, rise in operating costs and the unrealised fair value loss arising from the Group's holding of listed securities in Hong Kong.

INTERIM DIVIDEND

Despite unfavorable results in the period, the Board has declared an interim dividend of HK$0.03 per Share for 2011 (30 June 2010: HK$0.03 per Share) to be payable from the Company's distributable reserve. The interim dividend of HK$0.03 per Share will be payable on or around Wednesday, 28 September 2011 to the Shareholders whose names appear on the register of members of the Company on Friday, 16 September 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 14 September 2011 to Friday, 16 September 2011 (both days inclusive), during which period no transfer of Share(s) will be effected. In order to qualify for the interim dividend of HK$0.03 per Share, all transfer of Share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Monday, 12 September 2011.

REVIEW OF OPERATIONS

During the period under review, the principal businesses of the Group are (i) the manufacture and sale of telecom and electronic products; (ii) the manufacture and sale of 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.

Despite a difficult operating environment, the CCT Tech Group posted a modest growth in turnover during the period. Traditional cordless phones remain the CCT Tech Group's core products while new innovated products saw significant growth in revenue. Most of revenue of the telecom product business is generated from ODM business. Europe remains the largest market of the CCT Tech Group, which contributed 61.7% of the CCT Tech Group's total turnover during the period. However, sales of telecom products 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 CCT Tech Group's second largest market, which contributed approximately 30.7% of the CCT Tech Group's total turnover. These regions outperformed other markets of the CCT Tech Group, achieving rise in revenue of 126.0% due to strong sales of the screen communication tablet in Australia, growth in sales of the CCT Tech Group's telephony products using GE's trademark in these regions and expansion of CCT Tech Group's business in the emerging markets like the PRC, Mexico and South America. The North American market contributed $56 million in turnover to the CCT Tech Group, 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 of the telecom product business 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 in the second half as we expand product range and gain new CMS customers.

In the first half, the telecom product business encountered many difficult challenges most of which were caused by uncontrollable external factors. Despite a modest growth in revenue, the result performance of the telecom product business 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 CCT Tech Group's profitability in the first half. As a result, the gross margin of the CCT Tech Group 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 net loss of the CCT Tech Group to $40 million in the current period, notwithstanding their impacts have been alleviated partly through improved operationally efficiency and tight cost measures.

The CCT Tech Group is strong in radio-frequency and broadband technologies and has 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, the telecom product business achieved 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 CCT Tech 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.

Manufacturing of electronic and plastic components

The Group's component business continues to provide vertical support to the CCT Tech Group for production of telecom and electronic products. Most of the components produced by the Group are sold to the CCT Tech Group but some of the plastic component products are sold to independent third parties. During the period, turnover of the component business was $133 million, a rise of 7.3% in line with the growth in business of the CCT Tech Group. Like most of other manufacturing businesses, our component manufacturing business also faced rising operating costs including high material costs, rising labor costs and continuing appreciation of RMB. Fueled by the elevated oil price, the price of plastic resin rose 18.0% as compared with previous corresponding period. Another major cost increase is the labor payroll which escalated 35.0% in the first half. As a result, the profit margin was eroded and the component business posted an operating loss of $15 million during the six months ended 30 June 2011.

Infant and child product business

Amidst challenging business environment, turnover of the infant and child product business dropped 11.0% from $109 million in the last corresponding period to $97 million in the current period, led by decline in business of the segment's major US customer as a result of the stagnant economy in US. Despite keen market competition and high production costs, this business segment contributed an operating profit of approximately $2 million for the current period. The child nursery and care products and the milk bottle sterilizers remain the core products of this business and generated most of the segment's revenue during the period. The baby monitor product that was launched in the first half of 2011 received good response from the market. A new series of baby monitor products has been developed and will be launched in the second half of 2011. The Group will continue to dedicate more resources to expand its business, broaden its customer base and enhance its product offerings.

Securities business

The global financial markets remained volatile during the first half of 2011. The Hong Kong stock market was affected by external factors and experienced a downturn in the first half. As such, the Group's securities business incurred an unrealised loss of $21 million on securities held. Partly offset by realised gain and dividend received during the period, the securities business posted a net operating loss of $18 million in the first half as compared with the net operating loss of $9 million in the last corresponding period.

The Group continues to closely monitor the performance of its securities portfolio which comprises Hang Seng Index constituent stocks and major Chinese corporations. We are confident in the future economic outlook of Hong Kong and the PRC and anticipate that the securities portfolio will return to positive contribution and provide satisfactory returns in the future.

Property development

Our property development projects in Anshan City, the Liaoning Province progressed well in the current period notwithstanding the central government of the PRC introduced and implemented new series of tightening measures. Momentum of pre-sale of the first phase of the project entitled "Landmark City" situated in the Tiexi District of Anshan continued in the first half. Up to 30 June 2011, most of the first phase units of "Landmark City" have been pre-sold, of which more than 80% of the pre-sold units have been delivered to the buyers for occupation as of 30 June 2011. We are delighted to see that in the first half, this business generated revenue of approximately $86 million and achieved an operating profit of approximately $10 million. Encouraged by the success of the first phase development, we have stepped up the development and construction of the second phase of "Landmark City" and have also commenced construction of the first phase of the project entitled "Evian Villa" in the Gao Xin (high-technological) District of Anshan. "Evian Villa" is situated in a newly developed city zone with better view and living environment and is expected to demand a higher property prices than "Landmark City". We plan to pre-sell property units of the second phase of "Landmark City" and the first phase of "Evian Villa" in the second half.

Property investment and holding

The Group's holdings of residential property investment include three luxury residential houses situated in the prime luxury residential areas in the southern side of the Hong Kong Island. Two residential houses are located at 56 Repulse Bay Road, Hong Kong and the third house is House No. 7, Rosecliff, No. 20 Tai Tam Road, Hong Kong. Although the Hong Kong government has imposed a series of measures with a view to cool the overheating residential property market, the prices of luxury residential have not been affected and continued to rise in the first half, although the pace of price hike was slower than last year. In the first half, the segment contributed a net gain of $14 million, attributable to unrealised revaluation gain net off against related expenses on the properties held including mortgage loan interest.

Disposal of land

The Group entered into an agreement on 23 June 2011 for the disposal of a piece of industrial land situated in Huiyang, Huizhou City, the Guangdong Province, China at a consideration of RMB130.5 million (equivalent to approximately HK$156.6 million). The land has not yet been developed because the Group already owns sufficient plant and facilities to meet with the need of its manufacturing businesses and thus the land is in excess of the industrial need of the Group. The first installment of the consideration in the amount of RMB45 million (equivalent to approximately HK$54 million) was fully received in July 2011. The final installment of the consideration in the amount of RMB85.5 million (equivalent to approximately HK$102.6 million) is expected to be received in October 2011, pursuant to the terms of the agreement. An estimated disposal gain of approximately HK$20 million will be recognised on the disposal.

OUTLOOK

The global economic outlook remains highly uncertain. Unemployment remains high in most developed countries. The debt crisis of Euro zone countries 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 manufacturing businesses and will impact our profit margin in the future.

We plan for top line growth in the second half. With regard to the telecom product business, 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 CCT Tech 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 the gross margin of the telecom product business. 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 CCT Tech Group is well positioned to withstand the current difficult operating environment and will continue to make steady growth in business.

We remain positive on the growth potential of the infant and child product business. We are committed to put in more resources in expanding such business and to continue to streamline the operations and costs to improve its productivity. We will strive to improve its profit margin. We will enhance our customer base and will diversify our product range into electronic toys and personal healthcare products such as air purifier, which we believe will create new opportunity for growth.

We anticipate that the stock market is still very volatile and uncertain in the second half. Global stock market has tumbled as fears about recession in US and Euro zone is rising. In response to the weak market, we have adjusted our securities portfolio with a view to switch some of our investment in the lagging shares to the high-growth shares. As such, our revised stock portfolio is expected to perform better as when the stock market rebounds in the future. We will also consider to realise some of our securities investment as when suitable opportunities arise in the future.

In spite of the recent release of new tightening measures imposed by the central and local governments to cool down the high property prices in the PRC, the outlook of the residential property market in the PRC remains positive given sustained growth in housing demand and the robust economic growth in the PRC. We will consider opportunity to expand our land bank. The prospects for our property development business look promising. We expect that this business segment will continue to outperform other business segments of the Group in 2011 and in the coming years. We believe that this business will become a key driver for our revenue and profitability growth in the future.

We are optimistic about the luxury residential market in Hong Kong as supply of luxury residential houses in Hong Kong Island is very scarce but demand is growing, boosted by rich investors in China. The external economic factors and the Hong Kong Government's austerity measures may affect the property prices in the short term. However, given the distorted residential market in Hong Kong, we believe the prices of luxury residential properties will continue to rise in the long term. We intend to hold the two houses at 56 Repulse Bay Road for long term. As House 7 at Tai Tam has already recorded significant revaluation gain, the Board intends to sell House 7 to realise its gain as when suitable opportunities arise.

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 AND OTHER COMPREHENSIVE INCOME

HK$ million	Six months ended 30 June 2011 (Unaudited)	2010 (Unaudited)	% increase/ (decrease)
Financial results			
Turnover	**938**	819	14.5%
(Loss)/profit for the period	**(77)**	26	N/A
(Loss)/profit attributable to:			
Owners of the parent	**(57)**	28	N/A
Non-controlling interests	**(20)**	(2)	900.0%
	(77)	26	N/A
(Loss)/earnings per share	**(HK$0.094)**	HK$0.046	N/A
Dividends per share	**HK$0.030**	HK$0.030	–
Other comprehensive income, net of tax			
Change in fair value of available-for-sale investments	**32**	–	N/A
Exchange differences on translation of foreign operations	**14**	1	1,300.0%
Share of other comprehensive income of an associate	**–**	1	N/A
	46	2	2,200.0%

Discussion on Financial Results and Other Comprehensive Income

For the six month ended 30 June 2011, the Group achieved a turnover of $938 million, a rise of 14.5% as compared to the last corresponding period. The revenue growth was mainly due to the growth of the telecom product business and the property development business.

The Group posted a loss after tax of $77 million for the period as opposed to a profit after tax of $26 million reported in the last corresponding period, caused by the decrease in gross margin of our manufacturing business, the start-up, development and distribution costs for the new global branded distribution business, decrease in the unrealised revaluation gain from the property investment and holding business and the unrealised fair value loss from the securities business.

Other comprehensive income increased substantially during the period was mainly attributable to unrealised mark-to-market fair value gain of $32 million calculated based on the market price as at 30 June 2011 on the available-for-sale investments, representing the Group's interest in Merdeka Resources and the unrealised exchange gain of $14 million arising from translation of the accounts of the property development companies in the PRC. The translation gain was caused by appreciation in RMB.

ANALYSIS BY BUSINESS SEGMENT

Turnover
Six months ended 30 June

HK$ million	2011 Amount (Unaudited)	2011 Relative %	2010 Amount (Unaudited)	2010 Relative %	% increase/ (decrease)
Telecom product business	**737**	**78.6%**	698	85.2%	5.6%
Component business	**133**	**14.2%**	124	15.1%	7.3%
Infant and child product business	**97**	**10.3%**	109	13.3%	(11.0%)
Securities business	**4**	**0.4%**	2	0.3%	100.0%
Property development	**86**	**9.2%**	–	–	N/A
Property investment and holding	**1**	**0.1%**	2	0.3%	(50.0%)
Intersegment transactions	**(120)**	**(12.8%)**	(116)	(14.2%)	3.4%
Total	**938**	**100.0%**	819	100.0%	14.5%

(Loss)/profit before tax
Six months ended 30 June

HK$ million	2011 (Unaudited)	2010 (Unaudited)	% increase/ (decrease)
Telecom product business	**(34)**	2	N/A
Component business	**(15)**	(13)	15.4%
Infant and child product business	**2**	8	(75.0%)
Securities business	**(18)**	(9)	100.0%
Property development	**10**	(7)	N/A
Property investment and holding	**14**	88	(84.1%)
Unallocated items	**(26)**	(25)	4.0%
Total	**(67)**	44	N/A

The telecom product business continues to be the largest business segment of the Group, which contributed 78.6% of the Group's total turnover during the period. Despite a 5.6% growth in turnover, this business segment 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 segment's result was mainly caused by the significant increase in production costs and the costs for the global branded distribution business.

Revenues derived from the component business increased 7.3% to $133 million in the first half, in line with the increase in sales of the telecom product business to which the component business supplies most of its component products. This business segment incurred an operating loss of approximately $15 million in first half, an increase of 15.4% as compared to the previous corresponding period, which was mainly due to rise in production costs.

Turnover of the infant and child product segment dropped by 11.0% to $97 million, due to decline of business of its major US customer. As a result, the segment recorded an operating profit of only $2 million for the period, representing a 75.0% decrease from the profit of $8 million reported for the corresponding period. The decrease of the segment's profit was mainly attributable to drop in turnover and rising production costs.

The Group's securities business posted an operating loss of $18 million for six months ended 30 June 2011, caused mainly by an unrealised mark-to-market loss of $21 million on its securities portfolio, as compared to a net loss of $9 million from the same period last year.

The property development business reported turnover of $86 million in first half contributed by the first phase of "Landmark City" Tiexi project. The segment achieved a net operating profit of approximately $10 million for the period as opposed to a loss of $7 million in the corresponding period when the first phase of the "Landmark City" project was still under construction.

The property investment and holding business posted a net profit of approximately $14 million for the period (last corresponding period: $88 million), mainly due to the unrealised fair value gain arising from revaluation of its luxury residential properties in Hong Kong at the period end. The decrease in net profit of the segment was mainly due to the slower rise in property price in the current period as compared with last year.

Unallocated items mainly represent the head office administrative expenses which slightly increased by 4.0% to $26 million.

ANALYSIS BY GEOGRAPHICAL SEGMENT

	Turnover Six months ended 30 June				
	2011		2010		
HK$ million	**Amount (Unaudited)**	**Relative %**	Amount (Unaudited)	Relative %	% increase/ (decrease)
Europe	**462**	**49.3%**	603	73.6%	(23.4%)
Asian Pacific and others	**353**	**37.6%**	125	15.3%	182.4%
North America	**123**	**13.1%**	91	11.1%	35.2%
Total	**938**	**100.0%**	819	100.0%	14.5%

European market remains the largest market of the Group and contributed approximately 49.3% of the Group's total turnover during the period. Sales to Europe dropped by 23.4% to $462 million in the current period as one of the customers of the telecom product business reduced demand in order to reduce its inventory level. The Group's business in the Asian Pacific and other regions, however, rose significantly by 182.4% to $353 million, contributing 37.6% 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 the telecom product business in the regions and the contribution from the property development business in China. North American market registered rise of turnover of 35.2% to $123 million, contributed 13.1% 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)
CURRENT ASSETS			
Inventories	**173**	129	34.1%
Trade receivables	**386**	433	(10.9%)
Properties under development	**386**	305	26.6%
Completed properties held for sale	**46**	99	(53.5%)
Pledged time deposits	**287**	83	245.8%
Cash and cash equivalents	**456**	610	(25.2%)
CURRENT LIABILITIES			
Current interest-bearing bank and other borrowings	**549**	411	33.6%
EQUITY AND NON-CURRENT LIABILITIES			
Non-current interest-bearing bank and other borrowings	**352**	250	40.8%
Equity attributable to owners of the parent	**2,053**	2,085	(1.5%)

Discussion on Financial Position

Inventories of the Group increased by 34.1% to $173 million 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 reasonable low level of 34.0 days (31 December 2010: 24.7 days).

Trade receivables of the Group amounted to $386 million as at 30 June 2011, a decrease of 10.9% from $433 million as at 31 December 2010, indicating improved management in trade debt collection.

Properties under development rose to approximately $386 million, up 26.6% during the period. The increase is mainly attributable to the construction and development expenditure incurred relating to the property development projects in Anshan.

As at 30 June 2011, completed properties held for sale of $46 million represents the costs of those completed units of the first phase of "Landmark City", which have not yet sold or delivered for occupation at the period end. The completed units decreased by 53.5% due to delivery of the pre-sold units to buyers for occupation in the first half.

Pledged time deposits rose from $83 million as at 31 December 2010 to $287 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 $204 million (equivalent to RMB169 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 arising from RMB appreciation whilst the Group can continue to use the funds for business purpose.

Cash and cash equivalents dropped by 25.2% to approximately $456 million as at 30 June 2011. The net decrease in cash and bank balance represents net cash used for operations of the Group and payment of the 2010 final dividend in the first half.

The aggregate amount of the current and non-current interest-bearing bank and other borrowings increased from approximately $661 million as at 31 December 2010 to approximately $901 million as at 30 June 2011, up 36.3%. The net increase of the bank borrowings during the period represents mainly the $195 million bank loans borrowed on the security of the equivalent amount of the RMB deposits for hedging RMB exposure. The balance of the increase of $45 million represents net additional bank loans to finance for operations of the Group.

Equity attributable to owners of the parent declined by 1.5% to approximately $2,053 million as at 30 June 2011, led primarily by the loss attributable to the owners of the parent net off against the other net comprehensive income recognised during the first half of 2011.

CAPITAL STRUCTURE AND GEARING RATIO

HK$ million	30 June 2011 Amount (Unaudited)	30 June 2011 Relative %	31 December 2010 Amount (Audited)	31 December 2010 Relative %
Bank borrowings	**896**	**30.3%**	659	24.0%
Finance lease payable	**5**	**0.2%**	2	0.1%
Total borrowings	**901**	**30.5%**	661	24.1%
Equity	**2,053**	**69.5%**	2,085	75.9%
Total capital employed	**2,954**	**100.0%**	2,746	100.0%

The Group's gearing ratio was 30.5% as at 30 June 2011 (31 December 2010: 24.1%) as a result of net increase of the bank borrowings during the period under review.

Outstanding bank borrowings amounted to $896 million at 30 June 2011 (31 December 2010: $659 million). 61.0% of these bank borrowings was arranged on a short-term basis for the manufacturing business activities of the Group and was repayable within one year. The remaining 39.0% of the bank borrowings was of long-term nature, principally comprised of mortgage loans on properties held by the Group.

Acquisition of certain of the Group's assets was financed by way of finance leases and the total outstanding finance lease payables for the Group as at 30 June 2011 amounted to approximately $5 million (31 December 2010: $2 million).

As at 30 June 2011, 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 $549 million, $235 million and $117 million, respectively (31 December 2010: $411 million, $166 million and $84 million, respectively). There was 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	**2,589**	2,467
Current liabilities	**1,271**	1,182
Current ratio	**203.7%**	208.7%

The Group's current ratio as at 30 June 2011 was 203.7% (31 December 2010: 208.7%). The strong liquid position is attributable to the effective financial management of the Group.

As at 30 June 2011 the Group's cash balance amounted to $743 million (31 December 2010: $693 million), of which $287 million (31 December 2010: $83 million) was pledged for general banking facilities and for arrangement of hedging RMB appreciation. 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 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 $68 million (31 December 2010: $24 million) mainly for construction cost of property development projects in Anshan. 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, RMB and US dollar and some made in Euro. Cash was generally placed in short-term deposits denominated in Hong Kong dollar, RMB and US dollar. As at 30 June 2011, the Group's borrowings were mainly denominated in Hong Kong dollar, RMB and US dollar and interest on the Group's borrowings was principally determined 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 RMB 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 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 RMB169 million in cash and the RMB so converted has been placed on short-term deposit 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.

ACQUISITION AND DISPOSAL OF MATERIAL SUBSIDIARIES AND ASSOCIATES

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

SIGNIFICANT INVESTMENT

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

PLEDGE OF ASSETS

As at 30 June 2011, certain of the Group's assets with a net book value of $879 million (31 December 2010: $886 million) and time deposits of approximately $287 million (31 December 2010: $83 million) were pledged to secure the 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 8,582 (31 December 2010: 8,059). The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitive remuneration package to employees. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. At 30 June 2011, there were no outstanding share options issued by the Company.

interim results

The Board of the Company is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 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

HK$ million	Notes	Six months ended 30 June 2011 (Unaudited)	2010 (Unaudited)
REVENUE	3	**938**	819
Cost of sales		**(871)**	(744)
Gross profit		**67**	75
Other income and gains	4	**46**	126
Selling and distribution costs		**(30)**	(21)
Administrative expenses		**(122)**	(106)
Other expenses		**(21)**	(14)
Finance costs		**(7)**	(5)
Share of loss of an associate		**–**	(11)
(LOSS)/PROFIT BEFORE TAX	5	**(67)**	44
Income tax expense	6	**(10)**	(18)
(LOSS)/PROFIT FOR THE PERIOD		**(77)**	26
Attributable to:			
Owners of the parent		**(57)**	28
Non-controlling interests		**(20)**	(2)
		(77)	26
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**(HK$0.094)**	HK$0.046
Diluted		**(HK$0.094)**	HK$0.046

Details of the dividends payable and proposed for the period are disclosed in note 7 to the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

HK$ million	Six months ended 30 June 2011 (Unaudited)	 2010 (Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	**(77)**	26
Other comprehensive income, net of tax:		
Change in fair value of available-for-sale investments	**32**	–
Exchange differences on translation of foreign operations	**14**	1
Share of other comprehensive income of an associate	**–**	1
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(31)**	28
Attributable to:		
Owners of the parent	**(11)**	30
Non-controlling interests	**(20)**	(2)
	(31)	28

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		**679**	696
Prepayments for acquisition of property, plant and equipment		**–**	11
Investment properties		**345**	325
Prepaid land lease payments		**235**	239
Goodwill		**55**	55
Available-for-sale investments		**138**	106
Deferred tax assets		**1**	1
Total non-current assets		**1,453**	1,433
Current assets			
Inventories		**173**	129
Properties under development		**386**	305
Completed properties held for sale		**46**	99
Investment property classified as held for sale		**147**	137
Non-current assets held for sale		**20**	159
Trade receivables	10	**386**	433
Prepayment, deposits and other receivables		**448**	278
Financial assets at fair value through profit or loss		**240**	234
Pledged time deposits		**287**	83
Cash and cash equivalents		**456**	610
Total current assets		**2,589**	2,467
Total assets		**4,042**	3,900

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

30 June 2011

HK$ million	Notes	30 June 2011 (Unaudited)	31 December 2010 (Audited)
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital	12	**61**	61
Reserves		**1,992**	2,024
		2,053	2,085
Non-controlling interests		**332**	352
Total equity		**2,385**	2,437
Non-current liabilities			
Interest-bearing bank and other borrowings		**352**	250
Deferred tax liabilities		**34**	31
Total non-current liabilities		**386**	281
Current liabilities			
Trade and bills payables	11	**468**	502
Tax payable		**30**	32
Other payables and accruals		**205**	198
Receipts in advance		**19**	39
Interest-bearing bank and other borrowings		**549**	411
Total current liabilities		**1,271**	1,182
Total liabilities		**1,657**	1,463
Total equity and liabilities		**4,042**	3,900
Net current assets		**1,318**	1,285
Total assets less current liabilities		**2,771**	2,718

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the parent												
HK$ million	Issued share capital (Unaudited)	Share premium account (Unaudited)	Capital reserve (Unaudited)	Distributable reserve (Unaudited)	Investment revaluation reserve (Unaudited)	Equity component of convertible bonds (Unaudited)	Share option reserve (Unaudited)	Capital redemption reserve (Unaudited)	Exchange fluctuation reserve (Unaudited)	Accumulated losses (Unaudited)	Total (Unaudited)	Non-controlling interests (Unaudited)	Total equity (Unaudited)
At 1 January 2011	61	12	745	1,300	(8)	–	3	24	68	(120)	2,085	352	2,437
Total comprehensive income/ (loss) for the period	–	–	–	–	32	–	–	–	14	(57)	(11)	(20)	(31)
2010 final dividend	–	–	–	(21)	–	–	–	–	–	–	(21)	–	(21)
At 30 June 2011	61	12	745	1,279	24	–	3	24	82	(177)	2,053	332	2,385
At 1 January 2010	61	12	745	1,339	1	44	9	24	48	(210)	2,073	355	2,428
Total comprehensive income/ (loss) for the period	–	–	–	–	–	–	–	–	2	28	30	(2)	28
Deemed disposal of interest in an associate	–	–	–	–	–	(8)	–	–	–	8	–	–	–
2009 final dividend	–	–	–	(21)	–	–	–	–	–	–	(21)	–	(21)
At 30 June 2010	61	12	745	1,318	1	36	9	24	50	(174)	2,082	353	2,435

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June	
HK$ million	**2011 (Unaudited)**	2010 (Unaudited)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**(139)**	(15)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(248)**	(36)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**219**	153
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(168)**	102
Cash and cash equivalents at beginning of period	**610**	566
Effect of foreign exchange rate changes, net	**14**	2
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**456**	670
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**293**	390
Non-pledged time deposits with original maturity of less than three months when acquired	**163**	280
	456	670

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 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 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 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.

3. OPERATING SEGMENT INFORMATION *(continued)*

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

2011

HK$ million	Telecom and electronic products (Unaudited)	Components (Unaudited)	Infant and child products (Unaudited)	Securities business (Unaudited)	Property development (Unaudited)	Property investment and holding (Unaudited)	Reconciliations (Unaudited)	Group total (Unaudited)
Segment revenue:								
Sales to external customers	734	18	96	4	86	-	-	938
Other revenue	10	1	2	-	-	-	10	23
Intersegment revenue	3	115	1	-	-	1	(120)	-
	747	134	99	4	86	1	(110)	961
Operating (loss)/profit	(30)	(15)	2	(17)	10	15	-	(35)
Interest income	1	-	-	-	-	-	-	1
Finance costs	(5)	-	-	(1)	-	(1)	-	(7)
Reconciled items:								
Corporate and other unallocated expenses	-	-	-	-	-	-	(26)	(26)
(Loss)/profit before tax	(34)	(15)	2	(18)	10	14	(26)	(67)
Other segment information:								
Expenditure for non-current assets	15	1	7	-	1	-	-	24
Depreciation and amortisation	(25)	(10)	(2)	-	-	(4)	-	(41)
Other material non-cash items:								
Fair value gain on investment properties and investment property classified as held for sale	-	-	-	-	-	21	-	21
Fair value loss on financial assets at fair value through profit or loss	-	-	-	(21)	-	-	-	(21)

3. OPERATING SEGMENT INFORMATION *(continued)*

2010

HK$ million	Telecom and electronic products (Unaudited)	Components (Unaudited)	Infant and child products (Unaudited)	Securities business (Unaudited)	Property development (Unaudited)	Property investment and holding (Unaudited)	Reconciliations (Unaudited)	Group total (Unaudited)
Segment revenue:								
Sales to external customers	697	11	109	2	–	–	–	819
Other revenue	9	1	1	–	–	1	17	29
Intersegment revenue	1	113	–	–	–	2	(116)	–
	707	125	110	2	–	3	(99)	848
Operating profit/(loss)	5	(13)	8	(9)	(7)	89	–	73
Interest income	1	–	–	–	–	–	–	1
Finance costs	(4)	–	–	–	–	(1)	–	(5)
Reconciled items:								
Corporate and other unallocated expenses	–	–	–	–	–	–	(14)	(14)
Share of loss of an associate	–	–	–	–	–	–	(11)	(11)
Profit/(loss) before tax	2	(13)	8	(9)	(7)	88	(25)	44
Other segment information:								
Expenditure for non-current assets	9	1	3	–	1	–	2	16
Depreciation and amortisation	(27)	(11)	(1)	–	–	(4)	(1)	(44)
Other material non-cash items:								
Net impairment of trade receivables	(3)	–	–	–	–	–	–	(3)
Fair value gain on investment properties and investment property classified as held for sale	–	–	–	–	–	95	–	95
Fair value loss on financial assets at fair value through profit or loss	–	–	–	(10)	–	–	–	(10)

3. OPERATING SEGMENT INFORMATION *(continued)*

30 June 2011

HK$ million	Telecom and electronic products (Unaudited)	Components (Unaudited)	Infant and child products (Unaudited)	Securities business (Unaudited)	Property development (Unaudited)	Property investment and holding (Unaudited)	Reconciliations (Unaudited)	Group total (Unaudited)
Segment assets	1,564	369	218	241	715	671	(59)	3,719
Reconciled items:								
Non-current assets held for sale	–	–	–	–	–	–	20	20
Corporate and other unallocated assets	–	–	–	–	–	–	303	303
Total assets	1,564	369	218	241	715	671	264	4,042
Segment liabilities	980	81	140	86	107	245	(58)	1,581
Reconciled item:								
Corporate and other unallocated liabilities	–	–	–	–	–	–	76	76
Total liabilities	980	81	140	86	107	245	18	1,657

31 December 2010

HK$ million	Telecom and electronic products (Audited)	Components (Audited)	Infant and child products (Audited)	Securities business (Audited)	Property development (Audited)	Property investment and holding (Audited)	Reconciliations (Audited)	Group total (Audited)
Segment assets	1,527	315	126	236	664	645	(72)	3,441
Reconciled items:								
Non-current assets held for sale	70	69	–	–	–	–	20	159
Corporate and other unallocated assets	–	–	–	–	–	–	300	300
Total assets	1,597	384	126	236	664	645	248	3,900
Segment liabilities	973	82	44	91	89	176	(72)	1,383
Reconciled item:								
Corporate and other unallocated liabilities	–	–	–	–	–	–	80	80
Total liabilities	973	82	44	91	89	176	8	1,463

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
HK$ million	**2011 (Unaudited)**	2010 (Unaudited)
Europe	**462**	603
Asian Pacific and others	**353**	125
North America	**123**	91
	938	819

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	**579**	527
Mainland China	**873**	905
Other countries	**1**	1
	1,453	1,433

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

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 23%, 23% and 10% 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 35% and 27% of the Group's total revenue, respectively.

4. OTHER INCOME AND GAINS

HK$ million	Six months ended 30 June 2011 (Unaudited)	2010 (Unaudited)
Fair value gain on investment properties and investment property classified as held for sale	**21**	95
Foreign exchange gain	**2**	2
Others	**23**	29
	46	126

5. (LOSS)/PROFIT BEFORE TAX

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

HK$ million	Six months ended 30 June 2011 (Unaudited)	2010 (Unaudited)
Cost of inventories sold	**767**	744
Cost of properties sold	**66**	–
Depreciation	**38**	41
Amortisation of prepaid land lease payments	**3**	3

6. 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 was 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.

HK$ million	Six months ended 30 June 2011 (Unaudited)	2010 (Unaudited)
Current – Hong Kong	**–**	1
Current – Elsewhere	**7**	1
Deferred tax	**3**	16
Total tax charge for the period	**10**	18

7. DIVIDENDS

The board of directors has declared an interim dividend for 2011 of HK$0.03 per share (30 June 2010: HK$0.03 per share) to be payable from the Company's distributable reserve. The interim dividend will be paid on or around Wednesday, 28 September 2011 to the shareholders whose names appear on the register of members of the Company on Friday, 16 September 2011. The register of members of the Company will be closed from Wednesday, 14 September 2011 to Friday, 16 September 2011 (both days inclusive).

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic and diluted (loss)/earnings per share amount for the period is based on the loss for the period attributable to owners of the parent of HK$57 million (30 June 2010: profit of HK$28 million), and the weighted average number of 606,144,907 (30 June 2010: 606,144,907) ordinary shares in issue during the period.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the period ended 30 June 2011 and 2010 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 (loss)/earnings per share amounts presented.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired fixed assets of approximately HK$24 million (six months ended 30 June 2010: HK$16 million).

10. 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	**190**	**49**	164	38
31 to 60 days	**109**	**29**	130	30
61 to 90 days	**78**	**20**	119	27
Over 90 days	**9**	**2**	20	5
	386	**100**	433	100

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

11. 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	**180**	**38**	151	31
31 to 60 days	**88**	**19**	122	24
61 to 90 days	**75**	**16**	72	14
Over 90 days	**125**	**27**	157	31
	468	**100**	502	100

12. SHARE CAPITAL

HK$ million	30 June 2011 (Unaudited)	31 December 2010 (Audited)
Authorised:		
2,000,000,000 (31 December 2010: 2,000,000,000) ordinary shares of HK$0.10 each	**200**	200
Issued and fully paid:		
606,144,907 (31 December 2010: 606,144,907) ordinary shares of HK$0.10 each	**61**	61

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

13. CONTINGENT LIABILITIES

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

14. PLEDGE OF ASSETS

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

(a) 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$345 million (31 December 2010: HK$325 million);

(b) mortgage over certain of the Group's leasehold 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$387 million (31 December 2010: HK$424 million);

(c) mortgage over an 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$147 million (31 December 2010: HK$137 million); and

(d) the pledge of certain of the Group's time deposits approximately amounting to HK$287 million (31 December 2010: HK$83 million).

15. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

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	**–**	1
In the second to fifth years, inclusive	**–**	3
	–	4

(b) As lessee

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

At 30 June 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	**2**	4
In the second to fifth years, inclusive	**1**	1
	3	5

15. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee (continued)

At 30 June 2011, the Group had total future minimum lease payments under non-cancellable operating leases with initial lease terms ranging from fifty to fifty one years in respect of land on which certain of the Group's factories are situated falling due as follows:

HK$ million	**30 June 2011 (Unaudited)**	31 December 2010 (Audited)
Within one year	**3**	3
In the second to fifth years, inclusive	**12**	11
Beyond five years	**128**	127
	143	141

16. COMMITMENTS

In addition to the operating lease commitments detailed in note 15(b) above, the Group had the following capital commitments at the end of reporting period:

HK$ million	**30 June 2011 (Unaudited)**	31 December 2010 (Audited)
Contracted, but not provided for:		
Building	**3**	2
Investment property	**–**	3
Construction cost for properties under development	**65**	11
Purchases of plant and machinery	**–**	8
	68	24

17. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	Six months ended 30 June	
HK$ million	**2011 (Unaudited)**	2010 (Unaudited)
Short term employee benefits	**13**	12
Post-employment benefits	**–**	–
Total compensation paid to key management personnel	**13**	12

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 as at 30 June 2011

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.

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

(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 30 June 2011.

(ii) Long positions in the underlying shares of the share options granted under the CCT Tech 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 CCT Tech
			HK$			(%)
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

(c) Interests and short positions in the shares and the underlying shares of the share options of an associated corporation – Merdeka Resources as at 30 June 2011

(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	24.44
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 30 June 2011.

(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	Number of the share options outstanding	Number of the total underlying shares	Approximate percentage of the total issued share capital of Merdeka Resources
			HK$			(%)
Mak Shiu Tong, Clement	5/7/2006	14/8/2006 – 13/8/2011	0.038	22,500,000	22,500,000	0.41
Tam Ngai Hung, Terry	5/7/2006	14/8/2006 – 13/8/2011	0.038	18,000,000	18,000,000	0.33
	7/7/2009	11/8/2009 – 6/3/2012	0.160	40,500,000	40,500,000	0.73
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	0.83
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	0.06

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 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
		(%)
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 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

SHARE OPTION SCHEMES OF THE COMPANY

The Old Scheme was adopted by the Company on 28 February 2002. At the AGM of the Company held on 27 May 2011, the Shareholders 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.

As at 30 June 2011, there was no share option outstanding under both the Old Scheme and the New Scheme. No share option has been granted, exercised, cancelled or has lapsed under both the Old Scheme and the New Scheme during the period for the six months ended 30 June 2011.

SHARE OPTION SCHEMES OF CCT TECH

CCT Tech adopted the CCT Tech Old Scheme on 17 September 2002 and which took effect on 7 November 2002. At the AGM of each of CCT Tech and the Company held on 27 May 2011, the shareholders of CCT Tech and the Company approved the adoption of the CCT Tech New Scheme and the termination of the operation of the CCT Tech Old Scheme. Thereafter, no further share options will be granted under the CCT Tech Old Scheme but in all other respects the provisions of the CCT Tech 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 CCT Tech Old Scheme and share options granted prior to the termination will continue to be valid and exercisable in accordance with the CCT Tech Old Scheme.

The CCT Tech 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 of CCT Tech which may fall to be allotted and issued by CCT Tech pursuant to the exercise of the share options in accordance with the terms and conditions of the CCT Tech New Scheme. Unless otherwise cancelled or amended, the CCT Tech New Scheme will be valid for a period of 10 years from the date of its adoption.

The CCT Tech Old Scheme

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

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 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 capitalisation issue, rights issue, sub-division or consolidation of the shares of CCT Tech, or other similar changes in the 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 30 June 2011 and the date of this Interim Report, there were 600,000,000 share options outstanding under the CCT Tech Old Scheme. 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 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 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 CCT Tech New Scheme

No share option has been granted, exercised, cancelled or has lapsed under the CCT Tech New Scheme since its adoption and accordingly there was no share option outstanding under the CCT Tech 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 least once every three years at the AGM of the Company in accordance with the bye-laws of the Company.

Code Provision A.4.2

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

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

Pursuant to the bye-laws of the Company, the Chairman and 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. Tam King Ching, Kenny, Mr. Lau Ho Man, Edward and Mr. Chen Li, two of whom are qualified accountants and have extensive experience in accounting and financial matters. The Audit Committee is currently chaired by Mr. Tam King Ching, Kenny 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. Lau Ho Man, Edward, Mr. Tam King Ching, Kenny 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. Lau Ho Man, Edward 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, two of whom have accounting and financial expertise, and the three INEDs bring strong independent judgement, knowledge and experience to the Board.

DISCLOSURE ON CHANGE OF INFORMATION OF DIRECTOR(S) PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

On 30 May 2011, Mr. Lau Ho Man, Edward has retired from his office as INED of Singamas Container Holdings Limited, a company listed on the Main Board of the Stock Exchange.

BOARD OF DIRECTORS

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

By Order of the Board
Mak Shiu Tong, Clement
Chairman

Hong Kong, 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 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
"CCT Tech New Scheme"	The share option scheme conditionally adopted by CCT Tech on 27 May 2011 which took effect on 30 May 2011
"CCT Tech Old Scheme"	The share option scheme conditionally adopted by CCT Tech 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 CCT Tech New Scheme
"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 Telecom Holdings 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
"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
"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 adopted by the Company on 28 February 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$0.10 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 and finance lease payable) divided by total capital employed (i.e. total Shareholders' fund plus total borrowings)
"(Loss)/Earnings Per Share"	(Loss)/profit attributable to the owners of the parent divided by weighted average number of Shares in issue during the period
"Current Ratio"	Current assets divided by current liabilities