CCT TELECOM

中建電訊集團有限公司

Stock Code : 138

2011

CCT TELECOM

contents

chairman's letter

On behalf of the Board of the Company, I report the annual results of the Group for the year ended 31 December 2011.

The year 2011 has turned out to be another turbulent year for the global economy and financial markets, after the global financial crisis happened in 2008. In 2011, the Group encountered numerous challenges led by various events occurred globally (the "**Material Adverse Events**"), details of which have been disclosed in the Company's announcement dated 29 December 2011. The Material Adverse Events have caused the Group to terminate the license agreement with GE Trademark Licensing, Inc. ("**GE**") with effect from 31 December 2011 (the "**Discontinuation**") and then to discontinue the business of manufacturing and distributing the GE licensed products worldwide (the "**License Business**"). As a result of the Material Adverse Events, the Group has incurred certain exceptional costs and losses in an aggregate amount of $171 million (the "**Exceptional Losses**") associated with the License Business, the Discontinuation, the measures to restructure the Group's manufacturing businesses and losses on the securities business. These Exceptional Losses have a material negative impact on the Group's results for the year ended 31 December 2011.

During the year under review, the Group's turnover was $2,034 million, increased by approximately 6.0% as compared with the corresponding previous year. Rising costs posed a major challenge to the Group in 2011. The combined impact of the rising costs and the Exceptional Losses has resulted in the Group reporting a significant net loss attributable to owners of the parent of approximately $195 million for 2011, as opposed to a net profit attributable to owners of the parent of approximately $40 million for 2010.

PROPOSED FINAL DIVIDEND

Despite the unsatisfactory in results of the Group, the Board recommended the payment of a final dividend of $0.035 per share for the year 2011 to the shareholders whose names appear on the register of members of the Company on Friday, 1 June 2012, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company. The proposed final dividend will be payable from the Company's distributable reserve and will be paid on or around Wednesday, 20 June 2012 following the shareholders' approval at the forthcoming annual general meeting of the Company. Taking into account the $0.030 per share 2011 interim dividend paid in September 2011, the total dividend per ordinary share amounted to $0.065 per share for this financial year 2011, same dividend as 2010. Notwithstanding the adverse performance of the Group in 2011, the Board proposed payment of the same amount of dividend for the year to reward the shareholders of the Company, signifying that the Board is still positive on the future prospects of the Group.

REVIEW OF OPERATIONS

During the year under review, the principal businesses of the Group are (i) the manufacture and sale of telecom and electronic products; (ii) the manufacture and sale of electronic and plastic components; (iii) the manufacture and sale of baby 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, remains the largest business sector of the Group, in terms of turnover.

As the Discontinuation occurred only at the end of 2011, it has little impact on the CCT Tech Group's revenue for 2011. Nor the Discontinuation is expected to have any significant impact on the CCT Tech Group's revenue for future years as the revenue of the License Business represents only 10.2% of the CCT Tech Group's total revenue for 2011. Adversely affected by the sluggish economy in the US, its high unemployment rate, and unprecedented sovereign credit downgrading, the US consumer market has been dampened and as a result, the sale performance of the License Business is much lower than expected. Compounded with its high ramp-up and operating costs, the License Business has recorded loss since commencement and its loss increased further in 2011, owing to the Material Adverse Events. The Discontinuation has resulted in the CCT Tech Group incurring certain one-off costs and losses associated with closure of the CCT Tech Group's US distribution company, winding up of the operations and clearing of the inventory of the License Business. Furthermore, certain moulds and tools used to manufacture GE licensed products, which may not be used to produce other products of the CCT Tech Group have been impaired. Although the exceptional losses arising from the License Business and the Discontinuation have materially adversely impacted the CCT Tech Group's result for 2011, the Discontinuation has enabled the CCT Tech Group to eliminate the loss-making License Business and this is expected to have a positive impact on the CCT Tech Group's performance for the future financial years.

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 CCT Tech Group, contributing 56.7% of the CCT Tech Group's total turnover during the year. However, sales to Europe declined by 25.9% in 2011, led by the stagnant economy in Europe as the eurozone debt crisis deepened. The Asian Pacific and other regions, accounting for 33.6% of the CCT Tech Group's turnover, continued to outperform other market regions of the CCT Tech Group. Revenue derived from these market regions rose 61.1% due to strong sales of the screen communication tablet in Australia and expansion of CCT Tech's business in the emerging markets like the PRC, South America and Mexico. The North American market contributed $151 million in turnover, increased by a 143.5% over the last corresponding year mainly attributable to sales of the GE licensed telephony products in the US before the Discontinuation.

The CCT Tech Group is strong in radio-frequency and broadband technologies and has invested substantially in product R&D activities. Its strong R&D and manufacturing capability has enabled it to develop and introduce well-designed products with multi-functions and superior quality. During the year, 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 continued to sell well. The CCT Tech Group has also launched the Android based Multimedia Phone in 2011, which has a 3.2 inches large display touch-screen operation, built-in WiFi, CAT-iq 2.0 compatible and this new product has received good market response.

Amidst challenging operating environment, it is encouraging to see that the CMS of the CCT Tech Group delivered strong growth in revenue to approximately $131 million during the year, surged 254.1% as compared with $37 million in the previous corresponding year. The CMS business has added new customers and has broadened its product mix to include audio, video and other consumer products. The e-Books, which are electronic books in multimedia tablets equipped with Android 2.3 or above operating system with colour TFT display, was launched in 2011. Other new products include the Audio and Stereo Mobile headsets and the Bluetooth Cell Link Devices enabling audio or music playback routing from mobile phone to its tailor-made audio system and equipped with Apple devices connectors for charging and synchronization with iTunes. These new CMS products have achieved strong sales and favourable market response.

Besides the impact of Discontinuation, the result performance of the CCT Tech Group was also adversely affected by a significant increase in the operating costs. Factory payroll soared approximately 41.0% in 2011, led by increase in minimum wages and acute shortage of labor in the Guangdong Province. This was compounded with new charges and levies imposed by local government, rising cost of materials and commodities (including petroleum), high inflation and continuing appreciation in RMB, which together caused material negative impact on the CCT Tech Group's profitability in 2011. As a result, the CCT Tech Group's gross margin declined sharply from 6.9% in 2010 to only 3.0% in 2011.

To combat rising costs, measures have been implemented not only to trim costs all across the board, but also to consolidate, centralise, and restructure the CCT Tech Group's manufacturing operations, in order to rationalise both variable and fixed operational expenses at a lower level. Such restructuring initiatives will improve efficiency, productivity and competitiveness of the CCT Tech Group in the long run but have resulted in certain one-off losses which formed part of the Exceptional Losses charged for 2011.

As a result of the rising operating costs and the Exceptional Losses, the CCT Tech Group's net loss for 2011 soared to approximately $165 million.

Manufacturing of electronic and plastic components

Same as previous years, 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 manufactured by the Group are sold to the CCT Tech Group and some of the plastic component products are sold to independent third parties. 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. As a result, the gross margin was eroded and the component business posted an operating loss before tax of $11 million during the year ended 31 December 2011.

Baby and child product business

The products of the baby and child product business are diversified and comprise a wide range of products for infants and children ranging from child nursery, feeding, health care, hygiene and safety products to baby monitors. The child nursery, feeding and care products and baby monitors remain the core products of this business . Amidst challenging business environment, turnover of the baby and child product business dropped 3.7% to $206 million in the year under review, led by decline in business of the segment's major US customer, suffered from the poor market sentiment in the US. To combat the current difficult operating environment, the Group has restructured, consolidated and streamlined the operation of the baby and child product business in order to drive productivity and efficiency. The Group has also implemented tight measures to control costs. As a result, certain one-off costs of approximately $16 million, which have been included in the Exceptional Losses, were incurred in 2011, which represent mainly impairment of fixed assets for certain under-utilised production facilities and other costs associated with the restructuring, consolidation and streamlining of the operations. As such, this business segment recorded an operating loss of approximately $18 million for the current financial year as compared to an operating profit of approximately $11 million for the last financial year.

Securities business

Confronted by the global economic woes in the US and the debt turmoil in the eurozone, the world stock markets were volatile and plummeted in 2011. The Hang Seng Index and the Hang Seng China Enterprises Index plunged 29.5% and 36.2% respectively from 31 December 2010 to their lowest level in 2011, appeared on 4 October 2011 and still declined 20.0% and 21.7% respectively to the closing indexes of 18,434 and 9,936 respectively at the end of 2011. In view of the uncertain outlook of the stock market, the Group realised some of its securities holdings to reduce its investment in listed shares in 2011 and incurred net realised losses of approximately $9 million as a result. In addition, the Group's securities business also recorded unrealised fair value losses of approximately $32 million, which represent mark-to-market losses in the value of its securities portfolio as at 31 December 2011. As a result of the market downturn caused by the Material Adverse Events, the Group's securities business ended up posting a net loss before tax of $42 million in 2011, which loss forms part of the Exceptional Losses, as compared to an operating loss of only $1 million in 2010.

Property development

Our property development projects are situated in Anshan City, the Liaoning Province, the PRC. This business segment performed well in 2011, notwithstanding that the central government of the PRC introduced and implemented a series of tightening measures to control housing prices. Development of the first phase of "Landmark City" situated in the Tiexi District of Anshan was completed in 2010. This project has an aggregate gross floor area ("**GFA**") of approximately 54,179 sq. m., comprising 519 residential units with total GFA of approximately 51,761 sq. m. and shops of approximately 2,418 sq. m., of which about 90% of the housing units representing GFA of approximately 44,719 sq. m. and shops of GFA of approximately 1,959 sq. m. have been sold in the two years of 2010 and 2011. Besides the first phase of "Landmark City", the construction of the second phase of "Landmark City" project and the first phase of "Evian Villa" project has been completed in 2011. The second phase of "Landmark City" comprises 496 housing units with a total GFA of approximately 48,476 sq. m. and shops with a total GFA of approximately 1,753 sq. m.. The first phase of "Evian Villa" is situated in the Gao Xin (high-technological) District of Anshan, a newly developed city zone with better view and living environment. This project has an aggregate GFA of approximately 64,010 sq. m. comprising 291 housing units with GFA of approximately 48,689 sq. m., shops of approximately 2,139 sq. m. and 290 car parks of approximately 13,182 sq. m.. As the project is situated in an up-market residential location, the project can demand higher unit price per GFA than the "Landmark City" project. Notwithstanding slowing housing markets in the mainland, the sale momentum of our property projects in Anshan picked up in 2011. We sold an aggregate 462 housing units with total GFA of approximately 46,349 sq. m. and shops of approximately 2,974 sq. m. in 2011. Benefited by a large increase in sales, the property development business achieved strong growth, generated revenue of approximately $259 million and contributed an operating profit before tax of approximately $48 million in 2011, as compared with revenue of $85 million and operating profit of only $9 million in 2010.

Property investment and holding

The Group's holdings of residential property investment in Hong Kong include three luxury houses situated in the prime up-market residential areas in the southern side of the Hong Kong Island. Because of shortage of supply, the prices of our residential properties continued to rise in the first half of 2011, but the pace of price hike was slower than 2010 as the residential property market encountered consolidation amid financial volatility and policy headwinds in the second half of 2011. The property investment segment recorded an operating loss before tax of approximately $1 million for 2011, attributable to expenses related to the properties held, including mortgage loan interest, net off against unrealised revaluation gain on the luxury residential houses recognised in the first half of 2011. This segment, however, contributed an operating profit before tax of approximately $102 million for 2010, due to the strong unrealised gain recognised on revaluation of our investment properties, led by surge in prices of prime luxury properties in that year. As the Group has confidence on the property market in Hong Kong in the long term, it purchased two floors of the office building located at 31/F and 32/F and 7 car parking of Fortis Tower, 77–79 Gloucester Road, Hong Kong at the end of 2011, of which one floor has been occupied as the new corporate head office of the Group and the other floor will be held for long term investment purpose.

Acquisition of medical business

On 2 August 2011, the Group entered into an agreement with InnoMed Scientific Limited (the "**InnoMed Owner**") for acquisition of 51% equity interests in InnoMed Scientific International Limited ("**InnoMed**") and its subsidiaries (the "**InnoMed Group**") for a total consideration of US$6 million. As part of the deal, the Group has also agreed to grant a call option, representing 16% equity interests in InnoMed, to the InnoMed Owner at the option consideration of US$1.8 million. After completion of the above acquisition, members of the InnoMed Group have become non-wholly subsidiaries of the Company. As of now, the InnoMed Group has not yet commenced commercial operations and it will be engaged in manufacture and sale of cardiovascular medical services and other medical devices. Application is being made to obtain approval from the PRC State Food and Drug Administration ("**SFDA**") on InnoMed's medical device products. The medical business is expected to commence commercial operations in the latter part of 2012. In view of the huge demand of medical devices in China, we are optimistic in the future prospects of this newly acquired business.

OUTLOOK

The global economy and financial markets continue to face unabated uncertainties. The downgrade of the credit ratings of the US and various eurozone countries by credit rating agencies in 2011 and in early 2012 indicates continued downside risks in the world economic outlook. The debt crisis in the euro countries will not be resolved in the near term and new wave of turbulences may arise in the future. China has lowered its economic growth target this year to 7.5%, below the symbolic 8% level as it prepares to face myriad challenges in the external environment. Despite a lower growth rate, it is expected that the PRC government will adhere to a proactive fiscal policy and prudent monetary policy, aiming to deliver steady and robust economic development.

Notwithstanding that the outlook of the manufacturing industry will remain uncertain and challenging in 2012, we plan for improvement to our operation and performance in the current year. On the sales front, the CCT Tech Group will strive to gain orders from existing ODM customers and enhance its product offerings and product mix by development of a full range of broadband and advance products at competitive prices. The CCT Tech Group will step up expansion of its CMS business by gaining new CMS customers and enhancing and diversifying its CMS product range. We are optimistic about the potentials and prospects of the CMS business and expect that this business may become a key driver of growth for the CCT Tech Group in the future.

On the cost side, we expect payroll and production costs will continue to rise in China. The CCT Tech Group will endeavour to take appropriate actions to shift some of the cost increases to our customers with a view to improving its gross margin. The CCT Tech Group will continue to take initiatives to drive its productivity and competitiveness and to exercise tight cost control over its operations.

We still have confidence in the prospects of the baby and child product business, despite the deterioration of its performance in 2011. It is because this business segment has built up a solid customer base, most of which are major international customers with well-known child product brand names. Furthermore, a large number of well-designed new products including different kinds of milk bottle sterilizers, bottle warmers, new feeding & safety items and new model of baby monitors, have been developed and will be launched in 2012 and future years. We expect when these new products are launched, they will receive praise from the market and they will deliver growth in sales because of the advance technology used and high quality of the products. Following the completion of the intra-group transfer of the baby and child business from the Company to the CCT Tech Group, we expect that the management and cost structure of this business will be streamlined and improved, which will further drive its productivity and efficiency and will improve its profitability.

The on-going sovereign debt crisis introduces uncertainty to the global financial markets. We expect the stock market in Hong Kong will remain volatile in 2012. In view of the uncertainty outlook in the Hong Kong stock market, the Group has captured the recent market rebound in the first two months of 2012 and has divested most of our stock portfolio. Some of the unrealised fair value losses recognised in 2011 will be reversed in 2012 upon sale of the related share portfolio. We will closely monitor the financial market and will prudently invest our surplus funds to enhance yields and returns.

The mainland residential market continued to see consolidation over the past few months with prices softening and transactions slowing as a result of tightening measures imposed by the central and local governments. There is no sign that the central government will relax the austerity measures on housing market in the near future. Nevertheless, the recent adjustment in the market should improve affordability and contribute to healthy development in the housing market over the longer term. Furthermore, all of our property projects are situated in Anshan, a second-tier city, which is less affected by the austerity measures and in which the property prices are relatively stable. We plan for a top line growth in our property development business in Anshan for 2012. We will step up promotional programs and presale of the already completed housing units of the second phase of "Landmark City" and the first phase of "Evian Villa". The aggregate costs already incurred on these complete projects amount to $437 million and we expect these projects will bring in significant revenue and profit to the Group in 2012 and 2013, upon planned sale of the property units in these two years. We also plan for construction of the third phase of "Landmark City" in 2012, which will have a total GFA of approximately 108,852 sq. m. comprising 85,300 sq. m. of housing units accommodating 980 households, 14,800 sq. m. of commercial areas and 8,752 sq. m. of 260 car parks. We expect the third phase of "Landmark City" will contribute revenue and profit to the Group in the year 2013 and onwards. Apart from the projects that are already developed or under development, we have a land bank reserve with an estimated total GFA of approximately 276,000 sq. m. available for development in the future years. We will monitor progress of our property projects closely and we will consider enhancing our land bank as opportunity arises. However, we have adopted a prudent strategy in our expansion plan as the control of housing prices remains one of the top targets of the central government this year. We are confident that the property development business will continue to grow in the coming years and will become a key driver for growth in the future.

Given the relatively low mortgage interest rate and the supply of prime luxury residential houses in Hong Kong Island is very scarce but the demand is strong, we are optimistic about the luxury residential market in Hong Kong. In view of the fact that substantial revaluation gain has been recognised on the luxury houses, the Board intends to sell one of these properties to realise its gain as when suitable opportunities arise. The Board intends to keep the other two houses and the commercial properties at Fortis Tower for long term purposes.

Conclusion

We expect that the Group will start to see benefits from measures implemented to restructure and revitalise its manufacturing operations in 2012. We look forward to seeing improvement of results of our manufacturing businesses. We also expect that the growth momentum of the Group's property development business will continue in 2012 and this business segment will continue to outperform other business segments in 2012. With our healthy financial position and sound business fundamentals, we believe we will be able to withstand the adverse impact arising from the Material Adverse Events and to regain a solid financial foothold.

APPRECIATION

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

Mak Shiu Tong, Clement
Chairman

Hong Kong, 29 March 2012

directors and senior management

EXECUTIVE DIRECTORS

Mr. MAK Shiu Tong, Clement, aged 58, has served as the Chairman, the CEO and an executive Director since January 1994. Mr. Mak is a substantial Shareholder and a member of the Remuneration Committee. He is also a member and the chairman of the Nomination Committee. Mr. Mak is the chairman of the Board and provides leadership for the Board. He is responsible for the corporate planning and overall strategic direction of the Group and takes a leading role in managing the businesses of the Group. He has over 35 years of experience in the electronics manufacturing and distribution industry, and substantial experience in property investment and development and financial investment businesses. In his many years in the businesses, he has demonstrated a keen understanding in the diversified businesses in which the Group is engaged. He holds a Diploma in Electrical Engineering. Mr. Mak is also the chairman, the chief executive officer and an executive director of CCT Tech, whose shares are listed on the main board of the Stock Exchange. He is also a director of certain subsidiaries of the Company and CCT Tech. Mr. Mak was the chairman, the chief executive officer and an executive director of Merdeka Resources, a company listed on the Growth Enterprise Market of the Stock Exchange, until his resignation which took effect on 23 November 2010.

Mr. TAM Ngai Hung, Terry, aged 58, has served as an executive Director and the Group Finance Director since March 2001. Mr. Terry Tam was appointed as the deputy Chairman on 9 December 2005 and is also a member of the Remuneration Committee and the Nomination Committee. Mr. Terry Tam is mainly responsible for the corporate finance and accounting function of the Group. Mr. Terry Tam has more than 34 years of experience in finance and accounting management, and management experience in diversified businesses. He also possesses substantial knowledge in corporate finance matters, mergers and acquisitions and company secretarial matters. Mr. Terry Tam is a fellow of the Association of Chartered Certified Accountants and an associate of both the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Secretaries and Administrators. He previously held a number of senior positions in several listed companies. He is also an executive director of CCT Tech, whose shares are listed on the main board of the Stock Exchange. He is also a director of certain subsidiaries of the Company and CCT Tech. Mr. Terry Tam was an executive director of Merdeka Resources, a company listed on the Growth Enterprise Market of the Stock Exchange, until his resignation which took effect on 23 November 2010.

Ms. CHENG Yuk Ching, Flora, aged 58, has served as an executive Director since February 1998. Ms. Cheng assists the Chairman/CEO in overseeing the day-to-day management of the telecom and electronic product business, component and industrial product business, and property investment and development business of the Group. Ms. Cheng has over 32 years of experience in the electronics industry, and substantial experience in property investment and development industries. She held senior positions in various well-known electronics companies. She holds a Diploma in Business Administration. Ms. Cheng is also an executive director of CCT Tech, whose shares are listed on the main board of the Stock Exchange. She is also a director of certain subsidiaries of the Company and CCT Tech. Ms. Cheng was an executive director of Merdeka Resources, a company listed on the Growth Enterprise Market of the Stock Exchange, until her resignation which took effect on 23 November 2010.

Dr. William Donald PUTT, aged 74, has served as an executive Director since January 1997. Dr. Putt is responsible for the overseas business development and also assists the Chairman/CEO in setting the overall strategic direction of the Group. Dr. Putt obtained his PhD in Management from the Massachusetts Institute of Technology in the US. Dr. Putt has over 39 years of experience in the telecom industry, and was the president and co-founder of TeleConcepts Corporation, which specialised in the design, production and distribution of telecom products. Dr. Putt also serves on the boards of several foundations and non-profit organisations in the US and is on the Leadership Council for the Public Service Center at the Massachusetts Institute of Technology. Dr. Putt is also an executive director of CCT Tech, whose shares are listed on the main board of the Stock Exchange. Dr. Putt was an executive director of Merdeka Resources, a company listed on the Growth Enterprise Market of the Stock Exchange, until his resignation which took effect on 23 November 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TAM King Ching, Kenny, aged 62, has served as an INED of the Company since December 1999. Mr. Kenny Tam is a member of the Remuneration Committee and the Nomination Committee, and is also a member and the chairman of the Audit Committee. Mr. Kenny Tam is a practising Certified Public Accountant in Hong Kong. He holds a Bachelor's Degree in Commerce and is a fellow of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Kenny Tam is serving as a member of the Practice Review Committee, the Restructuring and Insolvency Faculty Executive Committee, the Insolvency SD Vetting Committee and the Small and Medium Practitioners Leadership Panel in the Hong Kong Institute of Certified Public Accountants. He is also a Past President of The Society of Chinese Accountants and Auditors. He also serves as an INED of five other companies listed on the main board of the Stock Exchange, namely, Kingmaker Footwear Holdings Limited, Shougang Concord Grand (Group) Limited, Starlite Holdings Limited, Van Shung Chong Holdings Limited and West China Cement Limited, and a company listed on the Growth Enterprise Market of the Stock Exchange, namely, North Asia Strategic Holdings Limited.

Mr. LAU Ho Man, Edward, aged 57, has served as an INED of the Company since February 2000. Mr. Lau is a member of the Audit Committee and the Nomination Committee, and is also a member and the chairman of the Remuneration Committee. Mr. Lau has more than 35 years of experience in finance, accounting management and administration, and also has extensive experience in taxation and corporate finance matters. He is a Certified Public Accountant (Practising), a fellow of the Hong Kong Institute of Certified Public Accountants and an associate of The Institute of Chartered Accountants in England and Wales and The American Institute of Certified Public Accountants. He was also an INED of Singamas Container Holdings Limited, a company listed on the main board of the Stock Exchange until his retirement on 30 May 2011.

Mr. CHEN Li, aged 47, has served as an INED of the Company since February 2008. Mr. Chen is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Chen is currently a senior management of a reputable telecommunications company in China. Mr. Chen graduated from the faculty of physics in a university in China in 1985 with a profession in radio technology and has extensive experience in the Chinese telecommunications and management field. Mr. Chen is an INED of CCT Tech, whose shares are listed on the main board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. WONG Wah Shun, Kent, aged 48, has been in service with the Group for nearly two years since June 2010. Mr. Wong currently holds the position of Chief Executive Officer of the manufacturing operations of the Group. He is the key management executive responsible for the business development and day-to-day management of the telecom and electronic product business of the Group, and takes a leading role in overseeing the management of the industrial and consumer product businesses within the Group. Mr. Wong obtained an Executive MBA from the Kellogg School of Management of Northwestern University, a Master's Degree in Engineering Management from the City University of Hong Kong and a Master's Degree in Engineering from the University of Warwick. Mr. Wong is a Chartered Engineer and a Chartered Manager, and is a member of The Institution of Engineering and Technology and a fellow member of the Chartered Management Institute in the United Kingdom. Mr. Wong has over 21 years of experience in consumer electronic industry. Prior to joining the Group, he held various senior positions in renowned companies in Hong Kong.

Ms. NG Yin Fun, Elaine, has been in service with the Group for nearly three years since April 2009. Ms. Ng currently holds the position of Managing Director in Business Development in a principal subsidiary of the Company. She leads the day-to-day management of the telecom and child product business of the Group, and supervises principal functions of the business segment, including sales and marketing, customer service, logistics activities and product planning and development. Ms. Ng graduated from the University of Technology, Sydney, Australia with a Master's Degree of Engineering Management in 2000. Ms. Ng has also taken Business Management course in the Harvard University in the US in 2007. Ms. Ng has been in the consumer electronic industry for more than 22 years with extensive business development experience.

SENIOR MANAGEMENT *(continued)*

Mr. LEUNG Ho Yin, Henry, aged 41, has been in service with the Group for nearly two years since June 2010. Mr. Leung currently holds the position of General Counsel of the Group. He is responsible for advising on all legal matters of the Group. Mr. Leung graduated from The Chinese University of Hong Kong with a Bachelor of Arts Degree and The University of Hong Kong with a Bachelor of Laws Degree. He is a practicing solicitor qualified to practise in Hong Kong.

Ms. CHAN Sau Chiu, Jess, aged 37, has been in service with the Group for 11 years since February 2001. Ms. Chan currently holds the position of Financial Controller of the Company. She is the head of the finance and accounting department of the Company. Ms. Chan graduated from The Hong Kong University of Science and Technology in 1998 with a Bachelor of Business Administration in Accounting. Ms. Chan is a Chartered Financial Analyst and is an associate of the Hong Kong Institute of Certified Public Accountants. She is also a director of certain subsidiaries of CCT Tech.

Ms. TONG Kam Yin, Winnie, aged 35, has been in service with the Group for nearly six years since April 2006 and has served as the Company Secretary of the Company since January 2011. Ms. Tong graduated from The Hong Kong Polytechnic University in 1998 with an Honours Degree in Language and Communication and then obtained a Postgraduate Diploma in Corporate Administration from the City University of Hong Kong in 2001. She is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She is also the Company Secretary and a director of certain subsidiaries of CCT Tech.

financial review

HIGHLIGHTS ON FINANCIAL RESULTS AND OTHER COMPREHENSIVE INCOME

$ million	2011	2010	% increase/ (decrease)
Financial results			
Turnover	**2,034**	1,919	6.0%
Gross profit	**140**	180	(22.2%)
Gross margin	**6.9%**	9.4%	(26.6%)
(Loss)/profit attributable to:			
Owners of the parent	**(195)**	40	N/A
Non-controlling interests	**(82)**	(3)	2,633.3%
(Loss)/profit for the year	**(277)**	37	N/A
(Loss)/earnings per share	**($0.322)**	$0.066	N/A
Dividends per share	**$0.065**	$0.065	—
Other comprehensive income, net of tax	**38**	11	245.5%

Discussion on Financial Results and Other Comprehensive Income

The Group reported a turnover of $2,034 million for the year, representing an increase of 6.0% compared to the last corresponding year. The revenue growth was largely due to the growth of the property development business, partly set off by the decline in revenue from the manufacturing businesses of the Group.

Suffered from surging operating costs, the gross profit and gross margin ratio dropped from $180 million and 9.4% respectively in 2010 to $140 million and 6.9% respectively in 2011. The combined impact of the rising costs and the Exceptional Losses turned the Group's result from a profit of approximately $37 million in 2010 to a substantial loss of approximately $277 million in 2011. Excluding the share of non-controlling interest in the loss of the CCT Tech Group, the net loss attributable to owners of the parent was $195 million for 2011, as opposed to a net profit of $40 million for 2010.

Other comprehensive income after tax was $38 million, representing mainly exchange gains on translation of operations in China, caused by appreciation of RMB.

ANALYSIS BY BUSINESS SEGMENT

	Turnover				
	2011		2010		% increase/
$ million	Amount	Relative %	Amount	Relative %	(decrease)
Telecom product business	**1,553**	**76.4%**	1,573	81.9%	(1.3%)
Component business	**257**	**12.6%**	293	15.2%	(12.3%)
Baby and child product business	**206**	**10.1%**	214	11.2%	(3.7%)
Securities business	**(9)**	**(0.4%)**	9	0.5%	N/A
Property development	**259**	**12.7%**	85	4.4%	204.7%
Property investment and holding	**5**	**0.2%**	5	0.3%	—
Intersegment transactions	**(237)**	**(11.6%)**	(260)	(13.5%)	(8.8%)
Total	**2,034**	**100.0%**	1,919	100.0%	6.0%

	(Loss)/profit before tax		
			% increase/
$ million	**2011**	2010	(decrease)
Telecom product business	**(161)**	1	N/A
Component business	**(11)**	1	N/A
Baby and child product business	**(18)**	11	N/A
Securities business	**(42)**	(1)	4,100.0%
Property development	**48**	9	433.3%
Property investment and holding	**(1)**	102	N/A
Unallocated items	**(71)**	(59)	20.3%
Total	**(256)**	64	N/A

The telecom product business continued to be the largest business segment of the Group, in terms of turnover and number of employees. The turnover of this business segment was $1,553 million contributing approximately 76.4% of the Group's total turnover in 2011, slightly decreased by 1.3% as compared to 2010. This business segment recorded an operating loss of approximately $161 million for the year as compared to an operating profit of $1 million in the last corresponding year. The significant deterioration of the result of the business sector was caused by the significant increase in production costs and the non-recurrent Exceptional Losses.

Revenues derived from the component business declined 12.3% to $257 million for year ended 31 December 2011, due primarily to the decrease in sales of the telecom product business to which the component business supplies most of its component products. The component business sector incurred an operating loss of approximately $11 million in 2011, as opposed to an operating profit of approximately $1 million in 2010, which was mainly due to rise in production costs.

Turnover of the baby and child product business segment dropped by 3.7% to $206 million in 2011, due to decline of business of one of its major US customers, suffered from the sluggish US economy. This business segment was further adversely affected by the one-off non-recurrent restructuring costs of $16 million incurred to counter rise in costs and as a result, posted an operating loss before tax of approximately $18 million in 2011 as opposed to an operating profit of approximately $11 million in 2010.

Caused by a downturn in stock market in 2011, the Group's securities business recorded an operating loss of $42 million for the year, which represented a realised loss of approximately $9 million and an unrealised mark-to-market loss of $32 million on its securities portfolio, as compared to a net loss of approximately $1 million from the last corresponding year.

The property development business achieved remarkable growth in turnover to reach $259 million in 2011, up 204.7% as compared with the turnover of $85 million in 2010, contributed by surge in sales of the housing units of the property projects in Anshan. As a result of increased turnover, this segment contributed a net operating profit of approximately $48 million in 2011, rose 433.3% from the $9 million operating profit in 2010.

The property investment and holding business registered a net loss of approximately $1 million for 2011, as opposed to an operating profit of approximately $102 million for 2010, as a result of the reduction in unrealised revaluation gain on its luxury properties, due to slower rise in property prices in Hong Kong in 2011, as compared with 2010.

Unallocated items, representing the head office administrative expenses and other expenses not allocable to the business segments of the Group, increased by 20.3% to $71 million in 2011, due largely to the unrealised fair value loss of approximately $37 million on the Group's interest in the shares of Merdeka Resources Holdings Limited due to decline in market price of its shares at year end.

ANALYSIS BY GEOGRAPHICAL SEGMENT

	Turnover				
	2011		2010		% increase/
$ million	**Amount**	**Relative %**	Amount	Relative %	(decrease)
Europe	**896**	**44.1%**	1,200	62.6%	(25.3%)
Asian Pacific and others	**855**	**42.0%**	521	27.1%	64.1%
North America	**283**	**13.9%**	198	10.3%	42.9%
Total	**2,034**	**100.0%**	1,919	100.0%	6.0%

European market remained the largest market of the Group during the year and contributed approximately 44.1% of the Group's total turnover. Sales to Europe dropped by 25.3% to $896 million in the year amidst debt crisis in the eurozone countries. The Group's business in the Asian Pacific and other regions, however, rose significantly by 64.1% to $855 million, contributing 42.0% to the Group's total turnover. The strong business growth in these regions was partly generated from increased sales of telecom products in these market areas and partly due to growth of the property development business in Anshan, China. North American market registered a rise of turnover of 42.9% to $283 million, accounting for 13.9% to the Group's total turnover, mainly attributable to sale of the GE telephony products in the US during the year.

HIGHLIGHTS ON SIGNIFICANT MOVEMENTS ON FINANCIAL POSITION

$ million	**31 December 2011**	31 December 2010	% increase/ (decrease)
NON-CURRENT ASSETS			
Property, plant and equipment	**882**	696	26.7%
Investment properties	**254**	325	(21.8%)
Prepaid land lease payments	**100**	239	(58.2%)
Goodwill	**87**	55	58.2%
Other receivable	**14**	—	N/A
CURRENT ASSETS			
Inventories	**156**	129	20.9%
Trade receivables	**375**	433	(13.4%)
Properties under development	**192**	305	(37.0%)
Completed properties held for sale	**437**	99	341.4%
Pledged time deposits	**300**	83	261.4%
Cash and cash equivalents	**573**	610	(6.1%)
CURRENT LIABILITIES			
Current interest-bearing bank and other borrowings	**549**	411	33.6%
Derivative financial instruments	**14**	—	N/A
Other payable	**16**	—	N/A
EQUITY AND NON-CURRENT LIABILITIES			
Non-current interest-bearing bank and other borrowings	**412**	250	64.8%
Non-controlling interests	**284**	352	(19.3%)
Equity attributable to owners of the parent	**1,889**	2,085	(9.4%)

Discussion on Financial Position

As at 31 December 2011, the balance of the property, plant and equipment increased by 26.7% to approximately $882 million. The change was mainly attributable to the combined results of (i) the reclassification of a residential house in Hong Kong, which has been used as director's quarters during the year, from the investment property account to property, plant and equipment account; (ii) the cost of acquisition of one floor of the commercial property situated at Fortis Tower, which has been used as the corporate head office of the Company; and (iii) the depreciation charge during the year.

With effect from 1 July 2011, one of the residential houses included in the investment properties has been used by the Company to provide quarters to the Chairman and Chief Executive Officer of the Company, and at the same time his remuneration receivable from the Company has been reduced. As a result of the change of use of this residential property, its carrying value has been reclassified from the investment property account to the property, plant and equipment account. The decrease in the balance of the investment properties account from $325 million as at 31 December 2010 to $254 million as at 31 December 2011 was the net result of the abovementioned reclassification of accounts and the cost of acquisition of one floor of the office building situated at the Fortis Tower, which is held by the Group for long term investment purpose.

The prepaid land lease payments decreased from $239 million to $100 million as at 31 December 2011 was mainly due to the disposal of the development right on a vacant industrial land during the year.

Goodwill increased by $32 million to $87 million as at 31 December 2011 was attributable to the acquisition of the medical device product business.

Other receivable presented as non-current assets as at 31 December 2011 of approximately $14 million (equivalent to US$1.8 million) represented the option premium receivable from the InnoMed Owner for the call option of 16% interest in InnoMed granted to the InnoMed Owner.

Inventory increased by 20.9% in the year under review. Despite the increase in inventory balance, the inventory turnover period maintained at a healthy level of only 30.5 days (31 December 2010: 24.7 days).

Trade receivables of the Group amounted to $375 million as at 31 December 2011, a decrease of 13.4% from $433 million as at 31 December 2010, indicating continuing improved management in trade debt collection.

As at 31 December 2011, the balance of the properties under development decreased by 37.0% to approximately $192 million. The decrease is mainly attributable to reclassification of the costs (mainly land costs) of the first phase of "Evian Villa" and the second phase of "Landmark City" from properties under development to completed properties held for sale as these projects were completed during the year.

Completed properties held for sale increased 341.4% to $437 million as at 31 December 2011, representing the significant increase in the completed property projects in Anshan, which have not yet sold or delivered for occupation at the year end.

Pledged time deposits rose from $83 million from end of 2010 to $300 million at the end of 2011. The increase in pledged deposits was to secure additional banking facilities granted to the Group. Of the pledged deposits, a total amount of $209 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. Such arrangements are aimed at hedging RMB appreciation risk as the Group is entitled to benefit from exchange appreciation of the pledged RMB deposits whilst the Group can continue to use the funds borrowed in Hong Kong dollars for business purpose.

Cash and cash equivalents dropped by 6.1% to approximately $573 million as at 31 December 2011. The net decrease in cash and bank balance represents cash used for operations and payment of the dividend, net of cash received from disposal of investments during the year.

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 $961 million as at 31 December 2011, up 45.4%. The net increase of the bank borrowings represents mainly additional mortgage loans of $81 million borrowed for acquisition of the office properties at Fortis Tower and the Hong Kong dollar loans of approximately $205 million secured by equivalent amount of pledged RMB deposits for hedging against RMB exposure.

Derivative financial instruments of approximately $14 million (equivalent to US$1.8 million) represented the fair value of the call option of 16% interest in InnoMed granted to the InnoMed Owner as at 31 December 2011.

Other payable presented as non-current liability of approximately $16 million (equivalent to US$2 million) represented the balance of the consideration payable for the acquisition of the Medical Business.

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

Equity attributable to owners of the parent declined 9.4% from $2,085 million as at 31 December 2010 to $1,889 million as at 31 December 2011. The change was the combined results of the loss and the other comprehensive income attributable to the owners of the parent for the year and the dividend paid during the year.

CAPITAL STRUCTURE AND GEARING RATIO

	31 December 2011		31 December 2010	
$ million	**Amount**	**Relative %**	Amount	Relative %
Bank borrowings	**958**	**33.6%**	659	24.0%
Finance lease payable	**3**	**0.1%**	2	0.1%
Total borrowings	**961**	**33.7%**	661	24.1%
Equity	**1,889**	**66.3%**	2,085	75.9%
Total capital employed	**2,850**	**100.0%**	2,746	100.0%

The Group's gearing ratio was approximately 33.7% as at 31 December 2011 (2010: 24.1%) as a result of net increase in the bank borrowings during the year under review. Taking into account the pledged deposits, unpledged time deposits and the free cash on hand, the Group's net borrowings were only $80 million, representing only 2.8% of the total capital employed.

Outstanding bank borrowings amounted to $958 million at 31 December 2011 (2010: $659 million). Approximately 57.2% of these bank borrowings was arranged on a short-term basis mainly for the manufacturing business activities of the Group and for hedging RMB appreciation risk and was repayable within one year. The remaining 42.8% of the bank borrowings was of long-term nature, principally comprised of mortgage loans on properties held by the Group.

Acquisition of certain of the Group's assets was financed by way of finance leases and the total outstanding finance lease payables for the Group as at 31 December 2011 amounted to approximately $3 million (2010: $2 million).

As at 31 December 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 beyond five years amounted to $549 million, $251 million and $161 million, respectively (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

$ million	**31 December 2011**	31 December 2010
Current assets	**2,622**	2,467
Current liabilities	**1,397**	1,182
Current ratio	**187.7%**	208.7%

The Group's current ratio as at 31 December 2011 was 187.7% (2010: 208.7%). The decline in current ratio is caused by additional Hong Kong dollar borrowings to hedge against RMB exposure. The liquid position nevertheless, is attributable to the effective financial management of the Group.

As at 31 December 2011, the Group's cash balance amounted to $881 million (2010: $693 million), of which $300 million (2010: $83 million) was pledged for general banking facilities and for arrangement of hedging against 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 31 December 2011, capital commitment of the Group amounted to approximately $9 million (2010: $24 million) mainly for construction cost of a property development project 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 financial year 2011, 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 31 December 2011, the Group's borrowings were mainly denominated in Hong Kong dollar, RMB and US dollar and interest on the Group's borrowings were principally made on a floating rate basis.

The objective of the Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. The Group does not have any significant interest rate risk as the interest rates currently remain at extremely low level. In terms of foreign exchange exposures, the Group is principally exposed to two major currencies, namely the US dollar in terms of receipts and the 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 dollars, the management considers that the foreign exchange exposure risk for the US dollar is not material.

As for RMB exposure, as wages and overhead in our factories in the PRC are paid in RMB, our production costs will rise due to the further appreciation of RMB. During the year, we converted some of our surplus funds from Hong Kong dollars to RMB. We have accumulated approximately RMB209 million in cash up to the end of the year and the RMB funds have 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

Save for the acquisition of medical device product business, the Group did not acquire or dispose of any material subsidiaries and associates during the year under review.

SIGNIFICANT INVESTMENT

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

PLEDGE OF ASSETS

As at 31 December 2011, certain of the Group's assets with a net book value of $1,098 million (2010: $886 million) and time deposits of approximately $300 million (2010: $83 million) were pledged to secure the general banking facilities granted to the Group and for hedging RMB exposure.

CONTINGENT LIABILITIES

As at 31 December 2011, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group as at 31 December 2011 was 6,458 (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 31 December 2011, there were no outstanding share options issued by the Company.

corporate information

COMPANY NAME
CCT Telecom Holdings Limited

BOARD OF DIRECTORS

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

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

COMPANY SECRETARY
Tong Kam Yin, Winnie

PRINCIPAL BANKERS
Nanyang Commercial Bank, Limited
Wing Hang Bank Limited

SOLICITORS
Sidley Austin

AUDITORS
Ernst & Young, Certified Public Accountants

FINANCIAL YEAR END
31 December

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Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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77–79 Gloucester Road
Hong Kong

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tricor Tengis Limited
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COMPANY WEBSITE
www.cct.com.hk

STOCK CODE
138

corporate governance report

CORPORATE GOVERNANCE PRACTICES

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

Throughout the financial year ended 31 December 2011, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions under the Code set out in Appendix 14 to the Listing Rules, except for the following deviations from the code provisions of the Code:

Code Provision A.2.1

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

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

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

Code Provision A.4.1

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

As at 31 December 2011, none of the INEDs of the Company was 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.

All INEDs of the Company have signed letters of appointment with the Company recently pursuant to which they have been appointed for a term of three years commencing from 1 April 2012, and their appointment is subject to retirement by rotation and re-election at the AGM of the Company in accordance with the bye-laws of the Company.

CORPORATE GOVERNANCE PRACTICES *(continued)*

Code Provision A.4.2

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

As at 31 December 2011, all Directors (including the INEDs) were not appointed for a specific term. On 29 March 2012, all Directors (including the INEDs) signed letters of appointment with the Company pursuant to which they have been appointed for a term of three years commencing from 1 April 2012, and their appointment (save for the Chairman and the managing Director) is subject to retirement by rotation and re-election at the AGM of the Company in accordance with the bye-laws of the Company.

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its code of conduct regarding the securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code adopted by the Company throughout the financial year ended 31 December 2011.

THE BOARD

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

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

— the strategic direction of the Group;

— the objectives of the Group;

— monitoring the performance of the management of the Group;

THE BOARD *(continued)*

— ensuring prudent and effective control measures are in place;

— material bank facilities arrangements;

— material acquisitions and disposals of assets and significant investments;

— material transactions with connected persons;

— material corporate finance transactions including placing or sale of shares or convertible bonds, corporate restructuring, take-over, including approval of the announcements and the circulars;

— reviewing and approving interim and annual financial statements, declaration of dividends;

— appointment, re-appointment of auditors and determination of their remuneration; and

— reviewing and determination of the terms and remuneration of the Directors.

The management of the Group was delegated the authority and responsibility by the Board for managing the businesses of the Group, with division heads responsible for different aspects of the business. The Board meets at least four times each year and meets as and when required. Appropriate and sufficient information including notices were provided to the Board's members in a timely manner. During the financial year ended 31 December 2011, the Board held 13 meetings. The attendance of the Directors at the Board's meetings (either in person or by phone) is set out as follows:

Name of the Directors	Number of attendance
Mak Shiu Tong, Clement	13/13
Tam Ngai Hung, Terry	13/13
Cheng Yuk Ching, Flora	13/13
William Donald Putt	13/13
Tam King Ching, Kenny	12/13
Lau Ho Man, Edward	13/13
Chen Li	13/13

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

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

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

BOARD'S COMPOSITION

As at the date of this Annual Report, the Board comprises four executive directors, namely Mr. Mak Shiu Tong, Clement (also acting as the Chairman and the CEO), Mr. Tam Ngai Hung, Terry (also acting as the deputy Chairman), Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt and three INEDs, namely Mr. Tam King Ching, Kenny, Mr. Lau Ho Man, Edward and Mr. Chen Li. The Board has maintained a balance of skills and experience appropriate of the requirements, promotion and development of the businesses of the Group. Its composition represents a mixture of management, technical, marketing, procurement, accounting and finance with substantial experience in the businesses in which the Group is engaged.

The Company has received annual confirmation of independence from the three INEDs of the Company in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all INEDs of the Company are independent within the definition of the Listing Rules.

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of a sufficient number of the INEDs and at least an INED with appropriate professional qualifications or accounting or related financial management expertise throughout the financial year ended 31 December 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.

The Board's members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board's composition is formed to ensure strong independence exists across the Board and has met the recommended best practice under the Code for the Board to have at least one-third in number of its members comprising the INEDs. The biographies of the Directors are set out in the section headed "Directors and Senior Management" in this Annual Report, which demonstrate a diversity of skills, expertise, experience and qualifications.

THE CHAIRMAN AND THE CEO

Mr. Mak Shiu Tong, Clement currently assumes the roles of both the Chairman and the CEO. The reasons for the deviation from the Code Provision A.2.1 under the Code are set out in the section headed "Corporate Governance Practices" above. Mr. Mak is responsible for the corporate planning, overall strategic direction of the Group and takes a leading role in managing the businesses of the Group.

RE-ELECTION AND RETIREMENT OF THE DIRECTORS

The bye-laws of the Company provide that (i) each Director (except the Chairman and the managing Director) is required to retire by rotation at least once every three years and that one-third (or the number nearest to but not less than one-third) of the Directors shall retire from office by rotation and be eligible for re-election at each AGM of the Company; and (ii) any Director appointed by the Board, either to fill a casual vacancy on or as an addition to the existing Board, shall hold office only until the next following AGM of the Company and shall then be eligible for re-election at that meeting.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the INEDs of the Company has filed a written confirmation to the Company confirming his independence pursuant to Rule 3.13 of the Listing Rules and has undertaken to inform the Stock Exchange and the Company as soon as practicable if there is any subsequent change in circumstances which may affect his independence. As at the date of this Annual Report, the Board still considers the INEDs of the Company to be independent.

BOARD COMMITTEES

As at 31 December 2011, the Board has established two committees, namely the Remuneration Committee and the Audit Committee, with clearly defined written terms of reference. The main roles and responsibilities of these two committees, including all authorities delegated to them by the Board, as set out in the terms of reference, are published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cct.com.hk in the sub-section of "Corporate Governance" under the section of "Investor Information". The different committees' independent views and recommendations not only ensure proper control of the Group but also the continual achievement of the high corporate governance standards expected of a listed company. The chairman of each committee reports the outcome of the committee's meetings to the Board for further discussion and approval.

Remuneration Committee

Pursuant to the requirements of the Listing Rules, the Company has established the Remuneration Committee since 2005 with specific written terms of reference in line with the code provisions under the Code. The main responsibilities of the Remuneration Committee include, inter alia, (i) making recommendations to the Board on the policy and structure for the remuneration of the directors and senior management of the Group; (ii) making recommendations to the Board on the remuneration package of individual executive Directors and senior management of the Group; (iii) reviewing and making recommendations to the Board the fees payable to the INEDs of the Company; and (iv) reviewing and making recommendations to the Board the compensation, if any, payable to executive Directors and senior management in connection with any loss or termination of office or appointment.

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.

During the financial year ended 31 December 2011, the Remuneration Committee held one meeting. The attendance of the members of the Remuneration Committee at the Remuneration Committee's meeting (either in person or by phone) is set out as follows:

Name of the members of the Remuneration Committee	Number of attendance
Lau Ho Man, Edward	1/1
Tam King Ching, Kenny	1/1
Chen Li	1/1
Mak Shiu Tong, Clement	1/1
Tam Ngai Hung, Terry	1/1

During the financial year ended 31 December 2011, the Remuneration Committee met on one occasion and reviewed the current framework, policies and structure for the remuneration of the directors and senior management of the Group and reported to the Board of their reviews with recommendations. The Remuneration Committee also reviewed specific remuneration package including the terms of employment, incentive rewards and discretionary bonuses of the executive Directors and senior management of the Group and the fees payable to the INEDs of the Company.

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

The primary objective of the Group's remuneration policy is to retain and motivate the executive Directors and senior management of the Group by linking their rewards to the corporate and individual performance, job complexity and responsibilities, so that the interests of the executive Directors are aligned with those of the Shareholders. No Director can, however, approve his/her own remuneration.

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

Details of the amount of the Directors' emoluments are set out in note 8 to the financial statements in this Annual Report and details of the share option schemes of the Group are set out in the section headed "Report of the Directors" in this Annual Report.

Audit Committee

The Company has established the Audit Committee since 2000 with specific written terms of reference formulated in accordance with the requirements of the Listing Rules. The primary duties of the Audit Committee are to ensure the objectivity and credibility of the Company's financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company.

The main responsibilities of the Audit Committee include, inter alia, (i) reviewing the Company's interim and annual financial statements and making recommendations as to the approval of the Company's interim and annual financial statements by the Board; (ii) reviewing and making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and the terms of engagement including the remuneration of the external auditors; (iii) discussing with the external auditors the nature and scope of the audit; (iv) monitoring and assessing the independence and objectivity of the external auditors and the effectiveness of the audit process in accordance with the applicable standards; (v) reviewing and monitoring the financial reporting and the reporting judgement contained in them; and (vi) reviewing the financial and internal control (including the adequacy of resources, the appropriateness of standing within the Group and the effectiveness of the internal audit function), accounting policies and practices with the management of the Group, and the internal and external auditors of the Company.

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

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

During the financial year ended 31 December 2011, the Audit Committee held three meetings. The attendance of the members of the Audit Committee at the Audit Committee's meetings (either in person or by phone) is set out as follows:

Name of the members of the Audit Committee	Number of attendance
Tam King Ching, Kenny	3/3
Lau Ho Man, Edward	3/3
Chen Li	3/3

In 2011, the members of the Audit Committee met with the Group's external auditors to discuss the annual audit plan. The external auditors made presentations to the Audit Committee on the findings on key issues addressed in the annual audit at the meeting.

For the financial year ended 31 December 2011, the Audit Committee reviewed the accounting principles and practices adopted by the Company and discussed with the management of the Group the financial reporting matters. The Audit Committee also reviewed the internal control and risk management system of the Group with the internal auditors of the Company. The Audit Committee also reviewed both the interim results for the six months ended 30 June 2011 and the annual results for the year ended 31 December 2011 of the Company, and confirmed that the preparation of such complied with the applicable accounting principles and practices adopted by the Company, the requirements of the Stock Exchange and adequate disclosures has been made, before announcement of both results.

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

NOMINATION OF THE DIRECTORS

As at 31 December 2011, the Company did not set up the Nomination Committee, the establishment of which is only a recommended best practice of the Code before 1 April 2012.

The Board is empowered under the bye-laws of the Company to appoint any person as a Director either to fill a casual vacancy on or as an additional member to the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience relevant to the Company's businesses. During the financial year under review, no new Director was appointed to the Board.

Subsequent to the end of the reporting period, the Company established the Nomination Committee on 29 March 2012 with specific written terms of reference in line with the code provisions under the Code which will become effective from 1 April 2012. The Nomination Committee consists of five members comprising two executive Directors, namely Mr. Mak Shiu Tong, Clement and Mr. Tam Ngai Hung, Terry, and three INEDs, namely Mr. Tam King Ching, Kenny, Mr. Lau Ho Man, Edward and Mr. Chen Li. Mr. Mak Shiu Tong, Clement, as the Chairman, has been appointed by the Board as the chairman of the Nomination Committee.

CORPORATE GOVERNANCE FUNCTIONS

Subsequent to the end of the reporting period, the Board has adopted written terms of reference for performing the corporate governance duties which are in line with the code provisions under the Code which will become effective from 1 April 2012.

AUDITORS' REMUNERATION

During the financial year ended 31 December 2011, the remuneration paid to the external auditors of the Company, Ernst & Young, is set out as follows:

Services rendered	**Fees paid/payable**
	$'000
Audit services	4,000
Non-audit services:	
Tax compliance services	562
Other services	61
Total	4,623

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such financial statements. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

The statement of the external auditors of the Company, Ernst & Young, with regard to their reporting responsibilities on the Company's financial statements is set out in the section headed "Independent Auditors' Report" in this Annual Report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to the events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Board therefore continues to adopt the going concern approach in preparing the accounts.

INTERNAL CONTROL AND INTERNAL AUDIT

The Board is entrusted with the overall responsibility for establishing and maintaining the Group's internal control system and reviewing their effectiveness. The Group's internal control system has been designed for safeguarding assets, maintaining proper accounting records and ensuring reliability of the financial information. Through the Company's internal audit team, the Board has conducted a review of the effectiveness of the internal control system of the Group which covers all material controls, including operational, financial and compliance controls and risk management functions. The Board also reviewed and considered the adequacy of resources, staff qualifications and experience and training programmes and budget of the Company's accounting and financial reporting function.

The internal audit team of the Company reviews the major operational, financial and compliance controls and risk management functions of the Group on a continuing basis and aims to cover all major operations of the Group on a rotational basis. The internal audit team of the Company presents their internal audit plan annually to the CEO for approval and they also discuss and agree their audit plan with the Audit Committee at the Audit Committee's meeting. The reports and findings prepared by the internal audit team of the Company have been circulated to the CEO, the Group Finance Director and the Audit Committee for review.

report of the directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the manufacture, sale, design and development of telecom and electronic products and accessories, the manufacture of plastic and power supply components, the manufacture and sale of baby and child products, investment in securities business, property development and property investment and holding. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 47 to 132.

An interim dividend of $0.030 per ordinary share was paid on 28 September 2011.

The Directors recommend the payment of a final dividend of $0.035 (2010: $0.035) per ordinary share in respect of the year to shareholders whose names appear on the register of members of the Company on 1 June 2012 subject to the approval of the shareholders of the Company at the forthcoming AGM. This recommendation has been incorporated in the financial statements as an allocation of distributable reserve within the equity section of the statement of financial position.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 134. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and the investment properties of the Company and the Group during the year are set out in notes 14 and 15 to the financial statements, respectively.

SHARE CAPITAL

There were no movements in the Company's authorised and issued share capital during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed Shares during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 38(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2011, the Company's reserve available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda, amounted to $1,408 million, of which $21 million has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount to $12 million, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totally $3 million (2010: $4 million).

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers, respectively, during the financial year is as follows:

	Percentage of the Group's total			
	Sales		Purchases	
	2011	2010	**2011**	2010
Largest customer	**20%**	31%		
Five largest customers in aggregate	**59%**	77%		
Five largest suppliers in aggregate			**<30%**	<30%

None of the Directors of the Company or any of their associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors during the year and up to the date of this Annual Report were as follows:

Executive Directors:
Mak Shiu Tong, Clement
Tam Ngai Hung, Terry
Cheng Yuk Ching, Flora
William Donald Putt

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

In accordance with the bye-laws of the Company, Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt will retire and, being eligible, offer themselves for re-election at the forthcoming AGM of the Company.

All Directors (except the Chairman and the managing Director) are subject to retirement by rotation and re-election at least once every three years at the AGM of the Company in accordance with the bye-laws of the Company. As at 31 December 2011, all Directors (including the INEDs) were not appointed for a specific term. On 29 March 2012, all Directors (including the INEDs) signed letters of appointment with the Company pursuant to which they have been appointed for a term of three years commencing from 1 April 2012, and their appointment (save for the Chairman and the managing Director) is subject to retirement by rotation and re-election at the AGM of the Company in accordance with the bye-laws of the Company.

The Company has received from each of the INEDs of the Company an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and, as at the date of this Annual Report, still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 10 to 12 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

During the year, no Director had a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

SHARE OPTION SCHEMES OF THE GROUP

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. The New Scheme then 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.

There is no material difference between the terms of the Old Scheme and the New Scheme, save that the definition of "eligible participants" and necessary modifications and/or amendments have been made pursuant to the Listing Rules.

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

The purpose of the New Scheme is to replace the Old Scheme and to enable the Company to grant share options to the eligible participants, as incentives and/or rewards for their contribution to the Group and/or any Invested Entity or the holding company of the Company (if applicable). Eligible participants of the New Scheme include:

(a) any director or proposed director (whether executive or non-executive and whether independent or not), any executive, officer, employee or any person to whom any offer of employment has been made, executive or officer (whether full-time or part-time, on an employment or contractual or honorary basis or otherwise and whether paid or unpaid) of any member of the Group, any Invested Entity or the holding company of the Company (if applicable);

(b) any supplier or provider of goods and/or services, professional, consultant, agent, contractor, adviser, customer, partner, business associate or shareholder of any member of the Group, any Invested Entity or the holding company of the Company (if applicable), or any holder of any securities issued or proposed to be issued by any member of the Group, any Invested Entity or the holding company of the Company (if applicable), who, in the sole discretion of the Board, will contribute or has contributed to the Group, the Invested Entity or the holding company of the Company (if applicable); and

(c) any person whom the Board in its sole discretion considers, will contribute or has contributed to any members of the Group, the Invested Entity or the holding company of the Company (if applicable) (as the case may be).

Following the termination of the operation of the Old Scheme during the year, 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.

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share option schemes of the Company *(continued)*

Pursuant to the New Scheme, the maximum number of Shares which may be issued upon exercise of all share options to be granted under the New Scheme and any other share option scheme(s) of the Company must not exceed 10% of the total number of Shares in issue as at the date of adoption of the New Scheme. Shares which would have been issuable pursuant to the share options which have lapsed or cancelled in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit. Notwithstanding the foregoing, Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the New Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the total number of the Shares in issue from time to time. No share option shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded. As at the date of this Annual Report, the total number of Shares available for issue under the New Scheme is 60,614,490, which represents 10% of the total issued share capital of the Company as at the date of this Annual Report.

The total number of Shares issued and which may fall to be issued upon exercise of the share options granted under the Old Scheme, the New Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the total number of Shares in issue as at the date of grant. Any further grant of the share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders at a general meeting with such eligible participant and his/her associates abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to the approval in advance by the INEDs of the Company, excluding the INED(s) of the Company who is/are the grantee(s) of the share options. In addition, any share option granted to a substantial shareholder or an INED of the Company, or to any of their respective associates, in excess of 0.1% of the total number of Shares in issue as at the date of grant or with an aggregate value (based on the closing price of the Shares as at the date of grant) in excess of $5 million, within any 12-month period, is subject to the issue of a circular by the Company and the approval of the Shareholders in advance at a general meeting.

The offer of a grant of the share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of $1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than (i) 10 years from the date of grant of the share options, or (ii) the expiry date of the Old Scheme or the New Scheme (as the case may be), whichever is earlier. There is no specific requirement under both the Old Scheme and the New Scheme that a share option must be held for any minimum period before it can be exercised, but the terms of both the Old Scheme and the New Scheme provide that the Board has the discretion to impose a minimum period at the time of grant of any particular share option.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of:

(i) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to grant the share options);

(ii) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share option schemes of the Company *(continued)*

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

As at 31 December 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 year.

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. The CCT Tech New Scheme then 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.

There is no material difference between the terms of the CCT Tech Old Scheme and the CCT Tech New Scheme, save that the definition of "eligible participants" and necessary modifications and/or amendments have been made pursuant to the Listing Rules.

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

The purpose of the CCT Tech New Scheme is to replace the CCT Tech Old Scheme and to enable CCT Tech to grant share options to the eligible participants, as incentives and/or rewards for their contribution to the CCT Tech Group and/or any CCT Tech Invested Entity or the holding company of CCT Tech (if applicable). Eligible participants of the CCT Tech New Scheme include:

(a) any director or proposed director (whether executive or non-executive and whether independent or not), any executive, officer, employee or any person to whom any offer of employment has been made, executive or officer (whether full-time or part-time, on an employment or contractual or honorary basis or otherwise and whether paid or unpaid) of any member of the CCT Tech Group, any CCT Tech Invested Entity or the holding company of CCT Tech (if applicable);

(b) any supplier or provider of goods and/or services, professional, consultant, agent, contractor, adviser, customer, partner, business associate or shareholder of any member of the CCT Tech Group, any CCT Tech Invested Entity or the holding company of CCT Tech (if applicable), or any holder of any securities issued or proposed to be issued by any member of the CCT Tech Group, any CCT Tech Invested Entity or the holding company of CCT Tech (if applicable), who, in the sole discretion of the board of directors of CCT Tech, will contribute or has contributed to the CCT Tech Group, the CCT Tech Invested Entity or the holding company of CCT Tech (if applicable); and

(c) any person whom the board of directors of CCT Tech in its sole discretion considers, will contribute or has contributed to any members of the CCT Tech Group, the CCT Tech Invested Entity or the holding company of CCT Tech (if applicable) (as the case may be).

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share option schemes of CCT Tech *(continued)*

Following the termination of the operation of the CCT Tech Old Scheme during the year, 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.

Pursuant to the CCT Tech New Scheme, the maximum number of shares which may be issued upon exercise of all share options to be granted under the CCT Tech New Scheme and any other share option scheme(s) of CCT Tech must not exceed 10% of the total number of the shares of CCT Tech in issue as at the adoption date of CCT Tech New Scheme. Shares of CCT Tech which would have been issuable pursuant to the share options which have lapsed or cancelled in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit. Notwithstanding the foregoing, shares of CCT Tech which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the CCT Tech New Scheme and any other share option scheme(s) of CCT Tech at any time shall not exceed 30% of the total number of the shares of CCT Tech in issue from time to time. No share option shall be granted under any scheme(s) of CCT Tech or any of its subsidiaries if this will result in the 30% limit being exceeded. As at the date of this Annual Report, the total number of shares of CCT Tech available for issue under the CCT Tech New Scheme is 6,541,399,399, which represents 10% of the total issued share capital of CCT Tech as at the date of this Annual Report.

The total number of shares of CCT Tech issued and which may fall to be issued upon exercise of the share options granted under the CCT Tech Old Scheme, the CCT Tech New Scheme and any other share option scheme(s) of CCT Tech (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the total number of shares of CCT Tech in issue as at the date of grant. Any further grant of the share options in excess of this 1% limit shall be subject to the issue of a circular by CCT Tech (and so long as CCT Tech remains a subsidiary of another company which is listed on the Stock Exchange, also by its listed holding company) and the approval of the shareholders of CCT Tech (and so long as CCT Tech remains a subsidiary of another company which is listed on the Stock Exchange, also to be approved by the shareholders of that listed holding company) at a general meeting with such eligible participant and his/her associates abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

Share options granted to a director, chief executive or substantial shareholder of CCT Tech, or to any of their respective associates, are subject to the approval in advance by the INEDs of CCT Tech (and so long as CCT Tech remains a subsidiary of another company which is listed on the Stock Exchange, also to be approved by the INEDs of that listed holding company), excluding the INED(s) of CCT Tech and its listed holding company who is/are the grantee(s) of the share options. In addition, any share option granted to a substantial shareholder or an INED of CCT Tech, or to any of their respective associates, in excess of 0.1% of the total number of shares of CCT Tech in issue as at the date of grant or with an aggregate value (based on the closing price of the shares of CCT Tech as at the date of grant) in excess of $5 million, within any 12-month period, is subject to the issue of a circular by CCT Tech (and so long as CCT Tech remains a subsidiary of another company which is listed on the Stock Exchange, also by its listed holding company) and the approval of the shareholders of CCT Tech (and so long as CCT Tech remains a subsidiary of another company which is listed on the Stock Exchange, also to be approved by the shareholders of that listed holding company) in advance at a general meeting.

The offer of a grant of the share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of $1 in total by the grantee. The exercise period of the share options granted is determinable by the board of directors of CCT Tech, and commences on a specified date and ends on a date which is not later than (i) 10 years from the date of grant of the share options, or (ii) the expiry date of the CCT Tech Old Scheme or the CCT Tech New Scheme (as the case may be), whichever is earlier. There is no specific requirement under both the CCT Tech Old Scheme and the CCT Tech New Scheme that a share option must be held for any minimum period before it can be exercised, but the terms of both the CCT Tech Old Scheme and the CCT Tech New Scheme provide that the board of directors of CCT Tech has the discretion to impose a minimum period at the time of grant of any particular share option.

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share option schemes of CCT Tech *(continued)*

The exercise price of the share options is determinable by the board of directors of CCT Tech, but may not be less than the highest of:

(i) the closing price of the shares of CCT Tech as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day (and for this purpose shall be taken to be the date of the meeting of the board of directors of CCT Tech at which it proposes to grant the share options);

(ii) the average closing price of the shares of CCT Tech as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and

(iii) the nominal value of a share of CCT Tech.

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

As at 31 December 2011, there were 600,000,000 share options outstanding under the CCT Tech Old Scheme and no share options outstanding under the CCT Tech New Scheme. No share option has been granted, exercised, cancelled or has lapsed under both the CCT Tech Old Scheme and the CCT Tech New Scheme during the year. 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 year were as follows:

	Number of share options							
Name or category of the participants	**Outstanding as at 1 January 2011**	**Granted during the year**	**Exercised during the year**	**Cancelled/ Lapsed during the year**	**Outstanding as at 31 December 2011**	**Date of grant of the share options**	**Exercise period of the share options**	**Exercise price of the share options** (Note 1)
								$ per share
Executive Directors								
Tam Ngai Hung, Terry (Note 2)	223,000,000	–	–	–	223,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Cheng Yuk Ching, Flora (Note 2)	245,000,000	–	–	–	245,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
William Donald Putt (Note 2)	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 (Note 3)	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 4)	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Lau Ho Kit, Ivan (Note 4)	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			

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share option schemes of CCT Tech *(continued)*

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. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt are also executive directors of CCT Tech.

3. Mr. Chen Li is also an INED of CCT Tech.

4. 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 $0.011.

As at 31 December 2011 and the date of this Annual 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 31 December 2011 and the date of this Annual Report. The exercise in full of the outstanding share options would, under the present capital structure of CCT Tech, result in the issue of 600,000,000 additional ordinary shares of CCT Tech and additional share capital of $6,000,000.

DIRECTORS' INTERESTS

As at 31 December 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 31 December 2011

Long positions in the Shares:

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

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

DIRECTORS' INTERESTS *(continued)*

(b) Interests and short positions in the shares and the underlying shares of the share options of an associated corporation — CCT Tech as at 31 December 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)	—	33,026,391,124	33,026,391,124	50.49
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: The interest disclosed represents 33,026,391,124 shares of CCT Tech 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 approximately 50.03% of the total issued share capital in the Company as at 31 December 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 (%)
Tam Ngai Hung, Terry	23/7/2009	23/7/2009 — 6/11/2012	0.01	223,000,000	223,000,000	0.34
Cheng Yuk Ching, Flora	23/7/2009	23/7/2009 — 6/11/2012	0.01	245,000,000	245,000,000	0.37
William Donald Putt	23/7/2009	23/7/2009 — 6/11/2012	0.01	8,000,000	8,000,000	0.01
Chen Li	23/7/2009	23/7/2009 — 6/11/2012	0.01	8,000,000	8,000,000	0.01

DIRECTORS' INTERESTS *(continued)*

(c) Interests and short positions in the shares and the underlying shares of the share options of an associated corporation — Merdeka Resources as at 31 December 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)	—	1,331,764,070	1,331,764,070	20.88
Tam Ngai Hung, Terry	25,500,000	—	25,500,000	0.40

Note: The interest disclosed represents 1,331,764,070 shares of Merdeka Resources 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 approximately 50.03% of the total issued share capital in the Company as at 31 December 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 (%)
Tam Ngai Hung, Terry	7/7/2009	11/8/2009 — 6/3/2012	0.160	40,500,000	40,500,000	0.63
Cheng Yuk Ching, Flora	7/7/2009	11/8/2009 — 6/3/2012	0.160	46,000,000	46,000,000	0.72
William Donald Putt	7/7/2009	11/8/2009 — 6/3/2012	0.160	3,500,000	3,500,000	0.05

Save as disclosed above, as at 31 December 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 "Share Option Schemes of the Group" and "Directors' Interests" above, at no time during the year was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 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 31 December 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. Mr. Mak Shiu Tong, Clement's interest in such Shares has also been disclosed under the section headed "Directors' Interests" above.

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions under the Code set out in Appendix 14 to the Listing Rules throughout the financial year under review, except for the deviations from Code Provisions A.2.1, A.4.1 and A.4.2. Detailed information of such deviations and their respective considered reasons as well as other information on the corporate governance practices of the Company are set out in the section headed "Corporate Governance Report" in this Annual Report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of not less than 25% of the total issued share capital of the Company as required under the Listing Rules throughout the financial year under review and up to the date of this Annual Report.

AUDITORS

The financial statements for the year ended 31 December 2011 have been audited by Ernst & Young, who will retire at the forthcoming AGM of the Company. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM of the Company.

ON BEHALF OF THE BOARD

Mak Shiu Tong, Clement
Chairman

Hong Kong
29 March 2012

independent auditors' report

ERNST & YOUNG
安永

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

We have audited the consolidated financial statements of CCT Telecom Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 47 to 132, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
29 March 2012

consolidated income statement

Year ended 31 December 2011

HK$ million	Notes	2011	2010
REVENUE	5	**2,034**	1,919
Cost of sales		**(1,894)**	(1,739)
Gross profit		**140**	180
Other income and gains	5	**88**	220
Selling and distribution costs		**(73)**	(60)
Administrative expenses		**(239)**	(228)
Other expenses		**(156)**	(17)
Finance costs	7	**(16)**	(13)
Share of loss of an associate		**—**	(18)
(LOSS)/PROFIT BEFORE TAX	6	**(256)**	64
Income tax expense	10	**(21)**	(27)
(LOSS)/PROFIT FOR THE YEAR		**(277)**	37
Attributable to:			
Owners of the parent	11	**(195)**	40
Non-controlling interests		**(82)**	(3)
		(277)	37
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		**(HK$0.32)**	HK$0.07
Diluted		**(HK$0.32)**	HK$0.07

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

consolidated statement of comprehensive income

Year ended 31 December 2011

HK$ million	2011	2010
(LOSS)/PROFIT FOR THE YEAR	**(277)**	37
Other comprehensive income/(loss), net of tax:		
Available-for-sale investments:		
Changes in fair value	**1**	(9)
Reclassification adjustments for losses included in the consolidated income statement — impairment losses	**9**	—
	10	(9)
Exchange differences on translation of foreign operations	**28**	20
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(239)**	48
Attributable to:		
Owners of the parent	**(157)**	51
Non-controlling interests	**(82)**	(3)
	(239)	48

consolidated statement of financial position

31 December 2011

HK$ million	Notes	2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	14	**882**	696
Prepayments for acquisition of property, plant and equipment		**7**	11
Investment properties	15	**254**	325
Prepaid land lease payments	16	**100**	239
Goodwill	17	**87**	55
Available-for-sale investments	19	**79**	106
Other receivable	32	**14**	—
Deferred tax assets	35	**1**	1
Total non-current assets		**1,424**	1,433
Current assets			
Inventories	20	**156**	129
Properties under development	21	**192**	305
Completed properties held for sale	22	**437**	99
Investment property classified as held for sale	23	**147**	137
Non-current assets held for sale	24	**20**	159
Trade receivables	25	**375**	433
Prepayments, deposits and other receivables	26	**279**	278
Financial assets at fair value through profit or loss	27	**135**	234
Pledged time deposits	28	**300**	83
Time deposits with original maturity of more than three months	28	**8**	—
Cash and cash equivalents	28	**573**	610
Total current assets		**2,622**	2,467
Total assets		**4,046**	3,900
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital	36	**61**	61
Reserves	38(a)	**1,807**	2,003
Proposed final dividend	12	**21**	21
		1,889	2,085
Non-controlling interests		**284**	352
Total equity		**2,173**	2,437
Non-current liabilities			
Derivative financial instrument	32	**14**	—
Interest-bearing bank and other borrowings	33	**412**	250
Other payable	39	**16**	—
Deferred tax liabilities	35	**34**	31
Total non-current liabilities		**476**	281

HK$ million	Notes	2011	2010
Current liabilities			
Trade and bills payables	29	**562**	502
Tax payable		**39**	32
Other payables and accruals	30	**244**	198
Receipts in advance	31	**3**	39
Interest-bearing bank and other borrowings	33	**549**	411
Total current liabilities		**1,397**	1,182
Total liabilities		**1,873**	1,463
Total equity and liabilities		**4,046**	3,900
Net current assets		**1,225**	1,285
Total assets less current liabilities		**2,649**	2,718

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

consolidated statement of changes in equity

Year ended 31 December 2011

HK$ million	Notes	Issued capital	Share premium account	Capital reserve (note 38(a))	Distributable reserve	Investment revaluation reserve	Equity component of convertible bonds	Share option reserve	Exchange fluctuation reserve	Capital redemption reserve	Accumulated losses	Proposed final dividend	Total	Non-controlling interests	Total equity
		Attributable to owners of the parent													
At 1 January 2010		61	12	745	1,318	1	44	9	48	24	(210)	21	2,073	355	2,428
Profit for the year		–	–	–	–	–	–	–	–	–	40	–	40	(3)	37
Other comprehensive income/(loss) for the year:															
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	20	–	–	–	20	–	20
Changes in fair value of available-for-sale investments		–	–	–	–	(9)	–	–	–	–	–	–	(9)	–	(9)
Total comprehensive income/(loss) for the year		–	–	–	–	(9)	–	–	20	–	40	–	51	(3)	48
Deemed disposal of investment in an associate		–	–	–	–	–	(8)	–	–	–	8	–	–	–	–
Disposal of investment in an associate		–	–	–	–	–	(36)	(6)	–	–	42	–	–	–	–
2009 final dividend paid		–	–	–	–	–	–	–	–	–	–	(21)	(21)	–	(21)
2010 interim dividend	12	–	–	–	(18)	–	–	–	–	–	–	–	(18)	–	(18)
Proposed 2010 final dividend	12	–	–	–	(21)	–	–	–	–	–	–	21	–	–	–
At 31 December 2010		61	12*	745*	1,279*	(8)*	–*	3*	68*	24*	(120)*	21	2,085	352	2,437
At 1 January 2011		61	12	745	1,279	(8)	–	3	68	24	(120)	21	2,085	352	2,437
Loss for the year		–	–	–	–	–	–	–	–	–	(195)	–	(195)	(82)	(277)
Other comprehensive income/(loss) for the year:															
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	28	–	–	–	28	–	28
Available-for-sale investments:															
Changes in fair value		–	–	–	–	1	–	–	–	–	–	–	1	–	1
Reclassification adjustments for losses included in the consolidated income statement-impairment loss		–	–	–	–	9	–	–	–	–	–	–	9	–	9
Total comprehensive income/(loss) for the year		–	–	–	–	10	–	–	28	–	(195)	–	(157)	(82)	(239)
Acquisition of subsidiaries	39	–	–	–	–	–	–	–	–	–	–	–	–	14	14
2010 final dividend paid		–	–	–	–	–	–	–	–	–	–	(21)	(21)	–	(21)
2011 interim dividend	12	–	–	–	(18)	–	–	–	–	–	–	–	(18)	–	(18)
Proposed 2011 final dividend	12	–	–	–	(21)	–	–	–	–	–	–	21	–	–	–
At 31 December 2011		61	12*	745*	1,240*	2*	–*	3*	96*	24*	(315)*	21	1,889	284	2,173

* These reserve accounts comprise the consolidated reserves of HK$1,807 million (2010: HK$2,003 million) in the consolidated statement of financial position.

consolidated statement of cash flows

Year ended 31 December 2011

HK$ million	Notes	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(256)**	64
Adjustments for:			
Finance costs	7	**16**	13
Share of loss of an associate		**—**	18
Interest income	5	**(3)**	(2)
Depreciation	6	**77**	82
Amortisation of prepaid land lease payments	6	**6**	5
Net (reversal of impairment)/impairment of trade receivables	6	**(3)**	7
Write-off of items of property, plant and equipment	6	**22**	—
Reversal of impairment of items of property, plant and equipment	6	**—**	(71)
Gain on disposal of subsidiaries	5	**(13)**	—
Loss on disposal of items of property, plant and equipment	6	**6**	—
Gain on disposal of a prepaid land lease payment	5	**(23)**	—
Gain on disposal of investment in an associate	6	**—**	(10)
Fair value gain on investment properties	6	**(10)**	(97)
Fair value gain on investment property classified as held for sale	6	**(10)**	(17)
Provision for slow-moving and obsolete inventories	6	**15**	—
Fair value loss on financial assets at fair value through profit or loss	6	**32**	10
Impairment loss on available-for-sale investments	6	**37**	—
		(107)	2
Increase in inventories		**(46)**	(31)
Decrease/(increase) in trade receivables		**61**	(39)
Decrease/(increase) in properties under development		**113**	(176)
Increase in completed properties held for sale		**(338)**	(99)
(Increase)/decrease in prepayments, deposits and other receivables		**(1)**	127
Increase in trade and bills payables, and other payables and accruals		**109**	89
(Decrease)/increase in receipts in advance		**(36)**	39
Cash used in operations		**(245)**	(88)
Interest received		**3**	2
Interest paid		**(16)**	(13)
Hong Kong profits tax paid		**—**	(8)
The People's Republic of China (the "PRC") tax paid		**(11)**	(2)
Net cash flows used in operating activities		**(269)**	(109)

HK$ million	Notes	2011	2010
Net cash flows used in operating activities		**(269)**	(109)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	14	**(112)**	(69)
Additions to prepaid land lease payments	16	**—**	(37)
Proceeds from disposal of items of property, plant and equipment		**4**	—
Proceeds from disposal of non-current assets held for sale		**139**	—
Proceeds from disposal of prepaid land lease payments		**158**	—
Proceeds from disposal of investment properties		**—**	1
Additions to investment properties	15	**(93)**	(2)
Proceeds from disposal of investment in an associate		**—**	68
Acquisition of subsidiaries	39	**1**	—
Disposal of subsidiaries	40	**7**	—
Net proceeds from disposal of financial assets at fair value through profit or loss		**67**	11
Decrease in derivative financial instruments		**—**	(4)
Increase in pledged time deposits		**(217)**	(18)
Increase in time deposits with original maturity of more than three months		**(8)**	—
Increase in prepayments for acquisition of property, plant and equipment		**—**	(11)
Net cash flows used in investing activities		**(54)**	(61)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**630**	396
New trust receipts loans, net		**11**	59
Repayment of bank loans		**(342)**	(222)
Capital element of finance lease rental payments		**(1)**	—
Dividends paid		**(39)**	(39)
Net cash flows from financing activities		**259**	194
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(64)**	24
Cash and cash equivalents at beginning of year		**610**	566
Effect of foreign exchange rate changes, net		**27**	20
CASH AND CASH EQUIVALENTS AT END OF YEAR		**573**	610
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	**414**	420
Non-pledged time deposits with original maturity of less than three months when acquired		**159**	190
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**573**	610

statement of financial position

31 December 2011

HK$ million	Notes	2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	14	**2**	1
Investments in subsidiaries	18	**1,205**	1,341
Total non-current assets		**1,207**	1,342
Current assets			
Due from subsidiaries	18	**193**	256
Prepayments, deposits and other receivables	26	**1**	1
Cash and cash equivalents	28	**107**	112
Total current assets		**301**	369
Total assets		**1,508**	1,711
EQUITY AND LIABILITIES			
Issued capital	36	**61**	61
Reserves	38(b)	**1,423**	1,626
Proposed final dividend	12	**21**	21
Total equity		**1,505**	1,708
Current liabilities			
Other payables and accruals	30	**3**	3
Total current liabilities		**3**	3
Total equity and liabilities		**1,508**	1,711
Net current assets		**298**	366
Total assets less current liabilities		**1,505**	1,708

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

1. CORPORATE INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, investment property classified as held for sale, derivative financial instruments, certain available-for-sale investments and financial assets at fair value through profit or loss, which have been measured at fair value. Non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest million except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

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

2.1 **BASIS OF PREPARATION** *(continued)*

Basis of consolidation *(continued)*

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

2.2 **CHANGES IN ACCOUNTING POLICY AND DISCLOSURES**

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

HKFRS 1 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*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) **HKAS 24 (Revised) *Related Party Disclosures***

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

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

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application, certain of which may be relevant to the Group's operation and may result in changes in the Group's accounting policies, and changes in the presentation and measurement of certain items of the Group's financial information.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Associates

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

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

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

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

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Depreciation is calculated on the straight-line basis to write-off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

Properties under development

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

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

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

Completed properties held for sale

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Non-current assets held for sale

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

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

Leases

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

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

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill) *(continued)*

Deferred development costs

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

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss

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

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in income statement in finance costs for loans and in other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments

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

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

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

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

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

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

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments

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

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

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

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, derivative financial instruments and interest-bearing and other borrowings.

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value of financial instruments

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

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

Inventories

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Share-based payment transactions

The Company and CCT Tech International Limited ("CCT Tech"), a non-wholly owned subsidiary of the Company each operate a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of the reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions *(continued)*

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group’s employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a percentage of the payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries and associates are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Borrowing costs

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms;

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

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

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

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

Dividends

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments — Group as lessor

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

Classification between investment properties and owner-occupied properties

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

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

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

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

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

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

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

Judgements *(continued)*

Transfer of land development right

During the year, the Group entered into an agreement with an independent third party for the transfer of the development right of a piece of land situated in Mainland China with a net carrying amount of HK$135 million, at a cash consideration of HK$158 million which was fully settled during the year. The Group has determined based on an evaluation of the terms and conditions of the agreement and with reference to an independent legal opinion, that it has substantially transferred to the buyer the significant risks and rewards of ownership of the land and that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the land notwithstanding that the legal title of that piece of land has not been transferred to the buyer. As such, the Group has derecognised the land and recognised a gain on disposal of prepaid land lease payment of HK$23 million in the consolidated income statement.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2011 was HK$87 million (2010: HK$55 million). Further details are given in note 17.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact on the carrying value of the asset and impairment losses/reversal of impairment losses in the period in which such estimate has been changed.

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

Estimation uncertainty *(continued)*

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2011 was HK$1 million (2010: HK$1 million). The amount of unrecognised tax losses at 31 December 2011 was HK$1,021 million (2010: HK$894 million). Further details are contained in note 35 to the financial statements.

Impairment of available-for-sale investments

The Group classifies certain financial assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assessment about the decline in value to determine whether there is an impairment that should be recognised in the income statement. During the year ended 31 December 2011, impairment losses of HK$37 million have been recognised for available-for-sale investments (2010: Nil). The carrying amount of available-for-sale investments was HK$79 million (2010: HK$106 million) at the end of the reporting period.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has six reportable operating segments as follows:

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

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

(c) the baby and child products segment which is the manufacture and sale of baby 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.

4. OPERATING SEGMENT INFORMATION *(continued)*

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

HK$ million	Telecom and electronic products 2011	Telecom and electronic products 2010	Components 2011	Components 2010	Baby and child products 2011	Baby and child products 2010	Securities business 2011	Securities business 2010	Property development 2011	Property development 2010	Property investment and holding 2011	Property investment and holding 2010	Reconciliations 2011	Reconciliations 2010	Group total 2011	Group total 2010
Segment revenue:																
Sales to external customers	1,534	1,572	44	38	206	214	(9)	9	259	85	–	1	–	–	2,034	1,919
Other revenue	6	18	2	3	4	1	–	–	–	1	–	–	9	1	21	24
Intersegment revenue	19	1	213	255	–	–	–	–	–	–	5	4	(237)	(260)	–	–
	1,559	1,591	259	296	210	215	(9)	9	259	86	5	5	(228)	(259)	2,055	1,943
Operating (loss)/profit	(145)	7	(28)	1	(16)	11	(41)	(1)	48	9	2	102	–	–	(180)	129
Interest income	3	2	–	–	–	–	–	–	–	–	–	–	–	–	3	2
Finance costs	(11)	(8)	–	–	(1)	–	(1)	–	–	–	(3)	–	–	(5)	(16)	(13)
Reconciled items:																
Corporate and other unallocated expenses	–	–	–	–	–	–	–	–	–	–	–	–	(34)	(36)	(34)	(36)
Share of loss of an associate	–	–	–	–	–	–	–	–	–	–	–	–	–	(18)	–	(18)
Gain on disposal of subsidiaries	6	–	–	–	7	–	–	–	–	–	–	–	–	–	13	–
Gain on disposal of prepaid land lease payments	–	–	23	–	–	–	–	–	–	–	–	–	–	–	23	–
Loss on disposal of items of property, plant and equipment	(6)	–	–	–	–	–	–	–	–	–	–	–	–	–	(6)	–
Impairment loss on available-for-sale investments	–	–	–	–	–	–	–	–	–	–	–	–	(37)	–	(37)	–
Write-off of items of property, plant and equipment	(8)	–	(6)	–	(8)	–	–	–	–	–	–	–	–	–	(22)	–
(Loss)/profit before tax	(161)	1	(11)	1	(18)	11	(42)	(1)	48	9	(1)	102	(71)	(59)	(256)	64
Other segment information:																
Expenditure for non-current assets	20	72	1	3	9	28	–	–	2	1	177	3	2	1	211	108
Depreciation	(46)	(52)	(16)	(20)	(5)	(2)	–	–	–	–	(9)	(7)	(1)	(1)	(77)	(82)
Amortisation	(3)	(2)	(3)	(3)	–	–	–	–	–	–	–	–	–	–	(6)	(5)
Other material non-cash items:																
Net reversal of impairment/(impairment) of trade receivables	7	(7)	(4)	–	–	–	–	–	–	–	–	–	–	–	3	(7)
Provision for slow-moving and obsolete inventories	(15)	–	–	–	–	–	–	–	–	–	–	–	–	–	(15)	–
Fair value gain on investment properties and investment property classified as property held for sale	–	–	–	–	–	–	–	–	–	–	20	114	–	–	20	114
Fair value loss on financial assets at fair value through profit or loss	–	–	–	–	–	–	(32)	(10)	–	–	–	–	–	–	(32)	(10)
Write-off of items of property, plant and equipment	(8)	–	(6)	–	(8)	–	–	–	–	–	–	–	–	–	(22)	–
Reversal of impairment of items of property, plant and equipment	–	26	–	28	–	–	–	–	–	–	–	–	–	17	–	71
Segment assets	1,495	1,527	198	315	199	126	135	236	881	664	835	645	(45)	(72)	3,698	3,441
Reconciled items:																
Non-current assets held for sale	–	70	–	69	–	–	–	–	–	–	–	–	20	20	20	159
Corporate and other unallocated assets	–	–	–	–	–	–	–	–	–	–	–	–	328	300	328	300
Total assets	1,495	1,597	198	384	199	126	135	236	881	664	835	645	303	248	4,046	3,900
Segment liabilities	1,035	973	60	82	135	44	56	91	199	89	313	176	(45)	(72)	1,753	1,383
Reconciled items:																
Corporate and other unallocated liabilities	–	–	–	–	–	–	–	–	–	–	–	–	120	80	120	80
Total liabilities	1,035	973	60	82	135	44	56	91	199	89	313	176	75	8	1,873	1,463

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

HK$ million	2011	2010
Europe	896	1,200
Asia Pacific and others	855	521
North America	283	198
	2,034	1,919

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	2011	2010
Hong Kong	693	527
Mainland China	731	905
Other countries	—	1
	1,424	1,433

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

Information about major customers

For the year ended 31 December 2011, revenue from each of two major customers of the telecom and electronic products segment was HK$398 million and HK$393 million, respectively, representing 20% and 19% of the Group's total revenue, respectively.

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

HK$ million	2011	2010
Revenue		
Manufacture and sale of telecom and electronic products	**1,575**	1,608
Manufacture and sale of baby and child products	**206**	214
Realised (loss)/gain from sale of securities investment, net	**(9)**	9
Sale of properties	**259**	85
Rental income from investment properties	**—**	1
Bank interest income	**3**	2
	2,034	1,919
Other income and gains		
Fair value gain on investment properties	**10**	97
Fair value gain on investment property classified as held for sale	**10**	17
Foreign exchange gain	**11**	1
Gain on disposal of subsidiaries	**13**	—
Gain on disposal of investment in an associate	**—**	10
Gain on disposal of prepaid land lease payments	**23**	—
Reversal of impairment of items of property, plant and equipment	**—**	71
Others	**21**	24
	88	220

6. (LOSS)/PROFIT BEFORE TAX

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

		Group	
HK$ million	Notes	**2011**	2010
Cost of inventories sold		**1,703**	1,679
Cost of properties sold		**185**	60
Depreciation	14	**77**	82
Amortisation of prepaid land lease payments	16	**6**	5
Minimum lease payments under operating leases in respect of land and buildings		**11**	10
Research and development costs		**68**	62
Auditors' remuneration		**4**	5
Employee benefits expense (excluding directors' remuneration — note 8)			
Wages and salaries		**421**	351
Pension scheme contributions***		**7**	3
		428	354
Net (reversal of impairment)/impairment of trade receivables*	25	**(3)**	7
Write-off of items of property, plant and equipment*	14	**22**	—
Provision for slow-moving and obsolete inventories		**15**	—
Foreign exchange differences, net**		**(11)**	(1)
Fair value gains on investment properties**	15	**(10)**	(97)
Fair value gain on investment property classified as held for sale**		**(10)**	(17)
Fair value loss on financial assets at fair value through profit or loss*		**32**	10
Impairment loss on available-for-sale investments*		**37**	—
Reversal of impairment of items of property, plant and equipment**	14	**—**	(71)
Gain on disposal of subsidiaries**	40	**(13)**	—
Loss on disposal of items of property, plant and equipment*		**6**	—
Gain on disposal of prepaid land lease payments**		**(23)**	—
Gain on disposal of investment in an associate**		**—**	(10)
Gross rental income from investment properties**	5	**—**	(1)

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

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

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
HK$ million	**2011**	2010
Interest on bank loans wholly repayable within five years	**7**	6
Interest on bank loans wholly repayable beyond five years	**9**	7
Total interest expense on financial liabilities not at fair value through profit or loss	**16**	13

8. DIRECTORS' REMUNERATION

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

	Group	
HK$ million	**2011**	2010
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**1**	1
	1	1
Executive directors' other emoluments:		
Salaries, allowances and benefits in kind	**20**	19
Pension scheme contributions	**1**	1
	21	20
	22	21

8. DIRECTORS' REMUNERATION *(continued)*

(a) Independent non-executive directors

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

	Fees HK$'000
2011	
Tam King Ching, Kenny	**240**
Lau Ho Man, Edward	**240**
Chen Li	**240**
	720
2010	
Tam King Ching, Kenny	240
Lau Ho Man, Edward	240
Chen Li	240
	720

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

(b) Executive directors

HK$ million	Salaries, allowances and benefits in kind	Tax allowance	Pension scheme contributions	Total remuneration
2011				
Mak Shiu Tong, Clement ("Mr. Mak")	**10**	**2**	**1**	**13**
Tam Ngai Hung, Terry	**4**	**—**	**—**	**4**
Cheng Yuk Ching, Flora	**4**	**—**	**—**	**4**
William Donald Putt	**—**	**—**	**—**	**—**
	18	**2**	**1**	**21**

With effect from 1 July 2011, quarters have been provided to Mr. Mak free of charge and at the same time his remuneration receivable from the Company has been reduced by HK$200,000 per month. The amount of Mr. Mak's remuneration for 2011 has included the estimated value of the housing benefit provided to him since 1 July 2011.

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors *(continued)*

HK$ million	Salaries, allowances and benefits in kind	Tax allowance	Pension scheme contributions	Total remuneration
2010				
Mak Shiu Tong, Clement	10	2	1	13
Tam Ngai Hung, Terry	4	—	—	4
Cheng Yuk Ching, Flora	3	—	—	3
William Donald Putt	—	—	—	—
	17	2	1	20

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2010: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2010: two) non-director, highest paid employees for the year are as follows:

	Group	
HK$ million	**2011**	2010
Salaries, allowances and benefits in kind	**4**	4

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

	Number of employees	
	2011	2010
HK$1,500,001 — HK$2,000,000	**—**	1
HK$2,000,001 — HK$2,500,000	**2**	1
	2	2

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	Group	
HK$ million	**2011**	2010
Group:		
Current — Hong Kong		
Charge for the year	**—**	2
Current — Elsewhere		
Charge of the PRC income tax for the year	**13**	5
PRC land appreciation tax	**5**	1
Deferred (note 35)	**3**	19
Total tax charge for the year	**21**	27

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group — 2011

HK$ million	Hong Kong	%	The PRC, excluding Hong Kong	%	Total	%
Loss before tax	**(187.9)**		**(68.7)**		**(256.6)**	
Tax at the statutory or appropriate tax rate	**(31.0)**	**16.5**	**(17.2)**	**25.0**	**(48.2)**	**18.8**
Income not subject to tax	**(3.9)**	**2.1**	**(8.9)**	**12.9**	**(12.8)**	**5.0**
Expenses not deductible for tax	**17.0**	**(9.0)**	**18.7**	**(27.3)**	**35.7**	**(13.9)**
Tax losses not recognised	**21.0**	**(11.2)**	**19.9**	**(29.0)**	**40.9**	**(15.9)**
Land appreciation tax	**—**	**—**	**5.6**	**(8.1)**	**5.6**	**(2.2)**
Tax charge at the Group's effective rate	**3.1**	**(1.6)**	**18.1**	**(26.5)**	**21.2**	**(8.2)**

10. INCOME TAX EXPENSE *(continued)*

Group — 2010

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

In late February 2008, the Company received a letter from the Hong Kong Inland Revenue Department (the "IRD") in respect of a review on the tax affairs of the Group for the past years. As at 31 December 2011, protective tax assessments in the aggregate amounts of HK$34 million, HK$52 million, HK$40 million and HK$28 million for the years of assessment 2001/2002, 2002/2003, 2003/2004 and 2004/2005, respectively, were issued by the IRD to certain subsidiaries of the Company. Subsequent to the end of the reporting period, in February 2012, protective tax assessments in the aggregate amount of HK$28 million for the year of assessment 2005/2006 were issued by the IRD to certain subsidiaries of the Company. Objection has been lodged by those subsidiaries against the protective tax assessments. The directors of the Company believe that there are valid grounds to contest the protective tax assessments. In view that the tax review is still at the information gathering stage, there is still uncertainty about the outcome of the case. Up to the date of approval of these financial statements, the directors of the Company consider that adequate tax provision has been made in the financial statements.

11. (LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated (loss)/profit attributable to owners of the parent for the year included a loss of HK$164 million (2010: loss of HK$38 million) which has been dealt with in the financial statements of the Company (note 38(b)).

12. DIVIDENDS

HK$ million	2011	2010
Paid interim — HK$0.030 (2010: HK$0.030) per ordinary share	**18**	18
Proposed final — HK$0.035 (2010: HK$0.035) per ordinary share	**21**	21
Total	**39**	39

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

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

The calculation of the basic and diluted (loss)/earnings per share amounts for the year is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent of HK$195 million (2010: profit of HK$40 million), and the weighted average number of 606,144,907 (2010: 606,144,907) ordinary shares in issue during the year.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 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.

14. PROPERTY, PLANT AND EQUIPMENT

Group

HK$ million	Leasehold land and buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
31 December 2011							
At 31 December 2010 and 1 January 2011:							
Cost	1,111	492	201	144	22	3	1,973
Accumulated depreciation and impairment	(574)	(390)	(189)	(111)	(13)	–	(1,277)
Net carrying amount	537	102	12	33	9	3	696
At 1 January 2011, net of accumulated depreciation and impairment	537	102	12	33	9	3	696
Additions	87	2	11	6	5	7	118
Acquisition of subsidiaries (note 39)	–	–	2	–	–	–	2
Transfer from investment properties (note 15)	174	–	–	–	–	–	174
Disposals	(2)	–	(7)	–	(1)	–	(10)
Write-off	(19)	–	–	(3)	–	–	(22)
Depreciation provided during the year	(42)	(19)	(7)	(6)	(3)	–	(77)
Exchange realignment	1	–	–	–	–	–	1
At 31 December 2011, net of accumulated depreciation and impairment	736	85	11	30	10	10	882
At 31 December 2011:							
Cost	1,364	462	202	141	21	10	2,200
Accumulated depreciation and impairment	(628)	(377)	(191)	(111)	(11)	–	(1,318)
Net carrying amount	736	85	11	30	10	10	882

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

Group *(continued)*

HK$ million	Leasehold land and buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
31 December 2010							
At 31 December 2009 and 1 January 2010:							
Cost	1,182	576	216	160	23	3	2,160
Accumulated depreciation and impairment	(581)	(436)	(200)	(129)	(18)	—	(1,364)
Net carrying amount	601	140	16	31	5	3	796
At 1 January 2010, net of accumulated depreciation and impairment	601	140	16	31	5	3	796
Additions	39	12	3	9	6	—	69
Reclassified as held for sale (note 24)	(94)	(51)	—	(13)	—	—	(158)
Reversal of impairment	33	26	—	12	—	—	71
Depreciation provided during the year	(42)	(25)	(7)	(6)	(2)	—	(82)
At 31 December 2010, net of accumulated depreciation and impairment	537	102	12	33	9	3	696
At 31 December 2010:							
Cost	1,111	492	201	144	22	3	1,973
Accumulated depreciation and impairment	(574)	(390)	(189)	(111)	(13)	—	(1,277)
Net carrying amount	537	102	12	33	9	3	696

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

Company

HK$ million	Furniture and office equipment
31 December 2011	
At 31 December 2010 and 1 January 2011:	
Cost	**4**
Accumulated depreciation	**(3)**
Net carrying amount	**1**
At 1 January 2011, net of accumulated depreciation	**1**
Additions	**1**
At 31 December 2011, net of accumulated depreciation	**2**
At 31 December 2011:	
Cost	**5**
Accumulated depreciation	**(3)**
Net carrying amount	**2**
31 December 2010	
At 31 December 2009 and 1 January 2010:	
Cost	3
Accumulated depreciation	(2)
Net carrying amount	1
At 1 January 2010, net of accumulated depreciation	1
Additions	1
Depreciation provided during the year	(1)
At 31 December 2010, net of accumulated depreciation	1
At 31 December 2010:	
Cost	4
Accumulated depreciation	(3)
Net carrying amount	1

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

The net carrying amount of the Group's property, plant and equipment held under finance leases included in the total amounts of motor vehicles as at 31 December 2011 amounted to approximately HK$4 million (2010: HK$2 million).

During the year, the Group entered into a finance lease arrangement in respect of a motor vehicle with a total capital value at the inception of the lease of HK$2 million (2010: Nil).

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

HK$ million	Hong Kong	Elsewhere	Total
31 December 2010			
Medium term leases	22	515	537
31 December 2011			
Medium term leases	19	460	479
Long term leases	257	—	257
	276	460	736

At 31 December 2011, certain of the Group's leasehold land and buildings with an aggregate net carrying amount of approximately HK$594 million (2010: HK$378 million) were pledged to secure general banking facilities granted to the Group (note 33(b)(ii)).

15. INVESTMENT PROPERTIES

	Group	
HK$ million	**2011**	2010
Carrying amount at 1 January	**325**	227
Additions	**93**	2
Disposals	**—**	(1)
Transfer to owner-occupied property (note 14)	**(174)**	—
Fair value gains on investment properties	**10**	97
Carrying amount at 31 December	**254**	325

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

The Group's investment properties were revalued on 31 December 2011 by Grant Sherman Appraisal Limited, independent professionally qualified valuers, on an open market, existing use basis.

At 31 December 2011, the Group's investment properties with an aggregate carrying amount of HK$254 million (2010: HK$325 million) were pledged to secure general banking facilities granted to the Group (note 33(b)(i)).

15. INVESTMENT PROPERTIES *(continued)*

Further particulars of the Group's investment properties at 31 December 2011 are as follows:

Location	Lot Number	Use	Tenure	Attributable interest of the Group
House No. 37, Carpark 50 & 51, 56 Repulse Bay Road, Hong Kong	359/16363th parts of Rural Building Lot No. 172	Residential	Long term lease	100%
32nd Floor, Carpark 5, 6 & 11 Fortis Tower 77–79 Gloucester Road, Hong Kong	103/3100th parts of Inland Lot No. 2782	Commercial	Long term lease	100%

16. PREPAID LAND LEASE PAYMENTS

	Group	
HK$ million	**2011**	2010
Carrying amount at 1 January	**244**	213
Additions	**—**	37
Reclassified as held for sale (note 24)	**—**	(1)
Disposal	**(135)**	—
Recognised during the year	**(6)**	(5)
Carrying amount at 31 December	**103**	244
Current portion included in prepayments, deposits and other receivables	**(3)**	(5)
Non-current portion	**100**	239

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

At 31 December 2011, the Group's leasehold land with an aggregate net carrying amount of approximately HK$103 million (2010: HK$46 million) were pledged to secure general banking facilities granted to the Group (note 33(b)(iv)).

17. GOODWILL

Group

HK$ million	
At 1 January 2010 and 31 December 2010, net of accumulated impairment	
Cost	108
Accumulated impairment	(53)
Net carrying amount	55
Cost at 1 January 2011, net of accumulated impairment	55
Acquisition of a subsidiary (note 39)	32
Cost and net carrying amount at 31 December 2011	87
At 31 December 2011:	
Cost	140
Accumulated impairment	(53)
Net carrying amount	87

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to cash-generating units for the telecom and electronic product business and the medical device product business for impairment testing. The recoverable amounts of these cash-generating units are determined based on value in use calculations using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rates applied to the cash flow projections of the telecom and electronic products and the medical device products are 11.6% (2010: 12.5%) and 15.0%, respectively.

The carrying amount of goodwill as at 31 December 2011 and 2010 is as follows:

HK$ million	2011	2010
Telecom and electronic product business	**55**	55
Medical device product business	**32**	—
	87	55

Key assumptions were used in the value in use calculation of the telecom and electronic product business and medical device product business cash-generating units for 31 December 2011. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

17. GOODWILL *(continued)*

Impairment testing of goodwill *(continued)*

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

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

18. INVESTMENTS IN SUBSIDIARIES

	Company	
HK$ million	**2011**	2010
Unlisted shares, at cost	**1**	1
Due from subsidiaries	**2,511**	2,563
	2,512	2,564
Impairment*	**(1,114)**	(967)
	1,398	1,597
Less: Portion of amounts due from subsidiaries classified as current asset	**(193)**	(256)
	1,205	1,341

* An impairment was recognised for certain balances due from subsidiaries with a carrying amount of HK$1,114 million (2010: HK$967 million) which are considered to be not recoverable as the subsidiaries were loss-making. In the current year, nil amount (2010: HK$785 million) was written off as uncollectible and an additional impairment loss of HK$147 million (2010: HK$15 million) was recognised.

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

(a) Amounts due from subsidiaries of HK$130 million (2010: HK$127 million), net of impairment of HK$66 million (2010: Nil), are unsecured and repayable on demand, and bear annual interest ranging from 2% to 3% (2010: 3%) above the Hong Kong dollar prime rate as determined by The Hongkong and Shanghai Banking Corporation Limited.

(b) An amount due from a subsidiary of HK$63 million (2010: HK$129 million), net of impairment of HK$499 million (2010: HK$457 million), was unsecured, interest-free and repayable on demand.

18. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

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

18. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Topcon Investments Limited#	Hong Kong	HK$1 Ordinary	—	100	Property investment
Wiltec Industries (HK) Limited	British Virgin Islands/ Hong Kong	US$2 Ordinary	—	100	Sale of infant and child products
Huiyang CCT Telecommunications Products Co., Ltd.#	PRC	HK$120,000,000 Registered^	—	50.49	Manufacture of telecom products
Huiyang CCT Plastic Products Co., Ltd.#	PRC	HK$48,600,000 Registered^	—	100	Manufacture of plastic casings and parts
CCT Land Development (Anshan) Company Limited#	PRC	HK$380,000,000 Registered^	—	100	Property development
CCT Land (Anshan) Property Development Company Limited#	PRC	RMB200,000,000 Registered^	—	100	Property development

* The non-voting shares carry no rights to dividends and no rights to vote at general meetings.

@ Listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

\# Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
HK$ million	**2011**	2010
Unlisted equity investment, at cost less impairment	**2**	2
Listed equity investment in Hong Kong, at fair value	**72**	100
Other assets, at fair value	**5**	4
	79	106

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

Included in the Group's available-for-sale investments as at 31 December 2011 is a listed equity investment of 20.88% of the issued share capital of Merdeka Resources Holdings Limited ("Merdeka Resources") which is listed on the Growth Enterprise Market of the Stock Exchange. In the opinion of the directors, the Group could not nominate any representatives to the board of directors of Merdeka Resources in the circumstances, and as such the Group is not in a position to exercise significant influence over Merdeka Resources, notwithstanding that the Group's shareholding in Merdeka Resources was above 20% as at 31 December 2011.

There was a significant decline in the market value of the listed equity investment during the year. The directors consider that such a decline indicates that the listed equity investment has been impaired and an impairment loss of HK$37 million (2010: Nil), which included a reclassification from other comprehensive income of HK$9 million (2010: Nil), has been recognised in the consolidated income statement for the year.

During the year, the fair value gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$1 million (2010: loss of HK$9 million).

20. INVENTORIES

	Group	
HK$ million	**2011**	2010
Raw materials	**35**	35
Work in progress	**35**	25
Finished goods	**86**	69
	156	129

21. PROPERTIES UNDER DEVELOPMENT

	Group	
HK$ million	**2011**	2010
Properties under development expected to be completed:		
Within normal operating cycle included under current assets	**192**	305

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

22. COMPLETED PROPERTIES HELD FOR SALE

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

At 31 December 2011, certain of the Group's completed properties held for sale with an aggregate net carrying amount of approximately HK$151 million (2010: Nil) were pledged to secure general banking facilities granted to the Group (note 33(b)(v)).

23. INVESTMENT PROPERTY CLASSIFIED AS HELD FOR SALE

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

Particulars of the Group's investment property classified as held for sale at 31 December 2011 are as follows:

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

The investment property classified as held for sale with a carrying amount of approximately HK$147 million (2010: HK$137 million) was pledged to secure general banking facilities granted to the Group (note 33(b)(iii)).

24. NON-CURRENT ASSETS HELD FOR SALE

During the prior year, certain items of the Group's property, plant and equipment and prepaid land lease payments were reclassified as non-current assets held for sale as the carrying amount of the assets will be recovered principally through sale. The Group recognised a reversal of impairment in the aggregate amount of approximately HK$71 million being included in "other income and gains" in the consolidated income statement for the prior year. During the year, certain of the non-current assets held for sale in the aggregate carrying amount of HK$139 million was disposed.

During the current year, the Group entered into an agreement for the disposal of a subsidiary holding the non-current assets held for sale of HK$20 million and the sale is considered to be highly probable in the forthcoming year. The recoverable amount of the non-current assets held for sale as at the end of the reporting period, being the fair value less costs to sell, was estimated with reference to the amount of the disposal consideration.

25. TRADE RECEIVABLES

	Group	
HK$ million	**2011**	2010
Trade receivables	**381**	444
Impairment	**(6)**	(11)
	375	433

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two months, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group has a certain concentration of credit risk as 16% (2010: 34%) and 66% (2010: 82%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	Group			
	2011		2010	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**142**	**38**	164	38
31 to 60 days	**108**	**28**	130	30
61 to 90 days	**100**	**26**	119	27
Over 90 days	**25**	**8**	20	5
	375	**100**	433	100

25. TRADE RECEIVABLES *(continued)*

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

	Group	
HK$ million	**2011**	2010
At 1 January	**11**	7
Net (reversal of impairment)/impairment losses recognised (note 6)	**(3)**	7
Amount written off as uncollectible	**(2)**	(3)
At 31 December	**6**	11

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$6 million (2010: HK$11 million) with a carrying amount before provision of HK$29 million (2010: HK$40 million). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

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

	Group	
HK$ million	**2011**	2010
Neither past due nor impaired	**285**	332
Past due but not impaired — within 6 months	**67**	72
	352	404

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

HK$ million	Group 2011	Group 2010	Company 2011	Company 2010
Prepayments	**199**	200	**—**	—
Deposits and other receivables	**80**	78	**1**	1
	279	278	**1**	1

The above balance as at 31 December 2011 included prepayments for the acquisition of land use rights in Mainland China amounting to approximately HK$192 million (2010: HK$186 million) in relation to the Group's property development business.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

HK$ million	Group 2011	Group 2010
Listed equity investments in Hong Kong, at market value	**125**	218
Fund investments, at fair value	**10**	16
	135	234

The above equity investments and fund investments at 31 December 2011 and 2010 were classified as held for trading.

The market value of the Group's equity investments at the date of approval of these financial statements was approximately HK$134 million.

At 31 December 2011, certain of the Group's financial assets at fair value through profit or loss with an aggregate carrying amount of approximately HK$56 million (2010: HK$90 million) were pledged to secure general banking facilities granted to the Group (note 33(b)(vi)).

28. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

HK$ million	Group 2011	Group 2010	Company 2011	Company 2010
Cash and bank balances	**414**	420	**51**	112
Time deposits	**467**	273	**56**	—
	881	693	**107**	112
Less: Time deposits pledged for bank facilities (note 33(a) and note 33(b)(vii))	**(300)**	(83)	**—**	—
Time deposits with original maturity of more than three months when acquired	**(8)**	—	**—**	—
Cash and cash equivalents	**573**	610	**107**	112

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$468 million (2010: HK$97 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

29. TRADE AND BILLS PAYABLES

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

	Group			
	2011		2010	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**233**	**41**	151	31
31 to 60 days	**101**	**18**	122	24
61 to 90 days	**73**	**13**	72	14
Over 90 days	**155**	**28**	157	31
	562	**100**	502	100

30. OTHER PAYABLES AND ACCRUALS

	Group		Company	
HK$ million	**2011**	2010	**2011**	2010
Other payables	**96**	78	**—**	—
Accruals	**148**	120	**3**	3
	244	198	**3**	3

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

31. RECEIPTS IN ADVANCE

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

32. OTHER RECEIVABLE/DERIVATIVE FINANCIAL INSTRUMENT

On 3 August 2011, the Group has granted to the seller a call option over the acquisition of 16% equity interest in InnoMed Scientific International Limited and its subsidiaries (the "InnoMed Group") held by the Group at a cash consideration of HK$14 million (US$1.8 million) to be paid by the seller on 3 August 2013. The consideration receivable is presented as a non-current asset in the consolidated statement of financial position.

The call option is presented as a non-current derivative liability in the consolidated statement of financial position and carried at fair value with reference to a valuation performed by an independent professional valuer using the Black-Scholes model.

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2011			2010		
	Effective contractual interest rate (%)	**Maturity**	**HK$ million**	Effective contractual interest rate (%)	Maturity	HK$ million
Current						
Finance lease payable (note 34)	**4.83 — 5.25**	**2012**	**1**	2.60 — 2.75	2013	1
Bank loans — unsecured	**1.41 — 4.00**	**2012**	**27**	1.23 — 3.00	2011—2012	113
Bank loans — secured	**1.00 — 8.65**	**2012**	**521**	1.17 — 6.40	2011	297
			549			411
Non-current						
Finance lease payable (note 34)	**4.83 — 5.25**	**2013-2014**	**2**	2.60 — 2.75	2013	1
Bank loans — secured	**1.15 — 8.65**	**2013-2030**	**410**	1.17 — 6.40	2012-2030	249
			412			250
			961			661

	Group	
HK$ million	**2011**	2010
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**548**	410
In the second year	**79**	43
In the third to fifth years, inclusive	**170**	122
Beyond five years	**161**	84
	958	659
Other borrowings repayable:		
Within one year or on demand	**1**	1
In the second year	**1**	1
In the third to fifth years, inclusive	**1**	—
	3	2
	961	661

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

(a) The Group's trading line bank facilities amounting to HK$305 million (2010: HK$200 million), of which HK$173 million (2010: HK$148 million) has been utilised as at the end of the reporting period, are secured by the pledge of certain of the Group's time deposits amounting to HK$78 million (2010: HK$71 million) (note 28).

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

(i) pledge of the Group's investment properties situated in Hong Kong, which had an aggregate carrying amount at the end of the reporting period of approximately HK$254 million (2010: HK$325 million) (note 15);

(ii) pledge of certain of the Group's leasehold land and buildings situated in Hong Kong and the PRC, which had an aggregate carrying amount at the end of the reporting period of approximately HK$594 million (2010: HK$378 million) (note 14);

(iii) pledge of the Group's investment property classified as held for sale situated in Hong Kong, which had a carrying amount at the end of the reporting period of approximately HK$147 million (2010: HK$137 million) (note 23);

(iv) pledge of the Group's leasehold land situated in the PRC, which had an aggregate carrying amount at the end of the reporting period of approximately HK$103 million (2010: HK$46 million) (note 16);

(v) pledge of certain of the Group's completed properties held for sale situated in the PRC, which had an aggregate carrying amount at the end of the reporting period of approximately HK$151 million (2010: Nil) (note 22);

(vi) pledge of certain of the Group's financial assets at fair value through profit or loss, which had an aggregate carrying amount at the end of the reporting period of approximately HK$56 million (2010: HK$90 million) (note 27); and

(vii) pledge of certain of the Group's time deposits amounting to HK$222 million (2010: HK$12 million) (note 28).

(c) The Group's bank and other borrowings with carrying amounts of HK$494 million (2010: HK$193 million), HK$345 million (2010: HK$379 million) and HK$122 million (2010: HK$89 million) are denominated in Hong Kong dollars, United States dollars ("US$") and RMB, respectively.

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

34. FINANCE LEASE PAYABLES

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

At 31 December 2011, the total future minimum lease payments under finance leases and their present values were as follows:

Group

HK$ million	**Minimum lease payments 2011**	Minimum lease payments 2010	**Present value of minimum lease payments 2011**	Present value of minimum lease payments 2010
Amounts payable:				
Within one year	**1**	1	**1**	1
In the second year	**1**	1	**1**	1
In the third to fifth years, inclusive	**1**	—	**1**	—
Total minimum finance lease payments	**3**	2	**3**	2
Future finance charges	**—**	—		
Total net finance lease payables	**3**	2		
Portion classified as current liabilities (note 33)	**(1)**	(1)		
Non-current portion (note 33)	**2**	1		

35. DEFERRED TAX

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

Deferred tax liabilities

Group

HK$ million	Depreciation allowance in excess of related depreciation	Revaluation of properties	Total
Gross deferred tax liabilities at 1 January 2010	2	10	12
Deferred tax charged to the income statement during the year (note 10)	—	19	19
Gross deferred tax liabilities at 31 December 2010 and 1 January 2011	2	29	31
Deferred tax charged to the income statement during the year (note 10)	—	3	3
Gross deferred tax liabilities at 31 December 2011	2	32	34

Deferred tax assets

Group

HK$ million	Losses available for offsetting against future taxable profits
Gross deferred tax assets at 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011	1

The Group and the Company have tax losses arising in Hong Kong of HK$1,021 million (2010: HK$894 million) and HK$208 million (2010: HK$189 million), respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

35. DEFERRED TAX *(continued)*

At 31 December 2011, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$53 million as at 31 December 2011 (2010: HK$11 million).

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

36. SHARE CAPITAL

Shares

	Company	
HK$ million	**2011**	2010
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200**	200
Issued and fully paid:		
606,144,907 ordinary shares of HK$0.10 each	**61**	61

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

Share options

Details of the Group's share option schemes and the share options issued under the scheme are included in note 37 to the financial statements.

37. SHARE OPTION SCHEMES OF THE GROUP

Share option schemes of the Company

The old share option scheme ("Old Scheme") was adopted by the Company on 28 February 2002. At the annual general meeting ("AGM") of the Company held on 27 May 2011, the shareholders of the Company ("Shareholders") approved the adoption of the new share option scheme ("New Scheme") and the termination of the operation of the Old Scheme. The New Scheme then 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 the Company ("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.

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

Share option schemes of the Company *(continued)*

There is no material difference between the terms of the Old Scheme and the New Scheme, save that the definition of "eligible participants" and necessary modifications and/or amendments have been made pursuant to the Listing Rules.

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

The purpose of the New Scheme is to replace the Old Scheme and to enable the Company to grant share options to the eligible participants, as incentives and/or rewards for their contribution to the Group and/or any entity invested by the Group (the "Invested Entity") or the holding company of the Company (if applicable). Eligible participants of the New Scheme include:

(a) any director or proposed director (whether executive or non-executive and whether independent or not), any executive, officer, employee or any person to whom any offer of employment has been made, executive or officer (whether full-time or part-time, on an employment or contractual or honorary basis or otherwise and whether paid or unpaid) of any member of the Group, any Invested Entity or the holding company of the Company (if applicable);

(b) any supplier or provider of goods and/or services, professional, consultant, agent, contractor, adviser, customer, partner, business associate or shareholder of any member of the Group, any Invested Entity or the holding company of the Company (if applicable), or any holder of any securities issued or proposed to be issued by any member of the Group, any Invested Entity or the holding company of the Company (if applicable), who, in the sole discretion of the Board, will contribute or has contributed to the Group, the Invested Entity or the holding company of the Company (if applicable); and

(c) any person whom the Board in its sole discretion considers, will contribute or has contributed to any members of the Group, the Invested Entity or the holding company of the Company (if applicable) (as the case may be).

Following the termination of the operation of the Old Scheme during the year, 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.

Pursuant to the New Scheme, the maximum number of Shares which may be issued upon exercise of all share options to be granted under the New Scheme and any other share option scheme(s) of the Company must not exceed 10% of the total number of Shares in issue as at the date of adoption of the New Scheme. Shares which would have been issuable pursuant to the share options which have lapsed or cancelled in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit. Notwithstanding the foregoing, Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the New Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the total number of the Shares in issue from time to time. No share option shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded. As at the date of approval of these financial statements, the total number of Shares available for issue under the New Scheme is 60,614,490, which represents 10% of the total issued share capital of the Company as at the date of approval of these financial statements.

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

Share option schemes of the Company *(continued)*

The total number of Shares issued and which may fall to be issued upon exercise of the share options granted under the Old Scheme, the New Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the total number of Shares in issue as at the date of grant. Any further grant of the share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders at a general meeting with such eligible participant and his/her associates abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to the approval in advance by the independent executive directors (the "INEDs") of the Company, excluding the INED(s) of the Company who is/are the grantee(s) of the share options. In addition, any share option granted to a substantial shareholder or an INED of the Company, or to any of their respective associates, in excess of 0.1% of the total number of Shares in issue as at the date of grant or with an aggregate value (based on the closing price of the Shares as at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to the issue of a circular by the Company and the approval of the Shareholders in advance at a general meeting.

The offer of a grant of the share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than (i) 10 years from the date of grant of the share options, or (ii) the expiry date of the Old Scheme or the New Scheme (as the case may be), whichever is earlier. There is no specific requirement under both the Old Scheme and the New Scheme that a share option must be held for any minimum period before it can be exercised, but the terms of both the Old Scheme and the New Scheme provide that the Board has the discretion to impose a minimum period at the time of grant of any particular share option.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of:

(i) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to grant the share options);

(ii) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

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

As at 31 December 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 year.

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

Share option schemes of CCT Tech

CCT Tech adopted the old share option scheme of CCT Tech (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 new share option scheme of CCT Tech (the "CCT Tech New Scheme") and the termination of the operation of the CCT Tech Old Scheme. The CCT Tech New Scheme then 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.

There is no material difference between the terms of the CCT Tech Old Scheme and the CCT Tech New Scheme, save that the definition of "eligible participants" and necessary modifications and/or amendments have been made pursuant to the Listing Rules.

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

The purpose of the CCT Tech New Scheme is to replace the CCT Tech Old Scheme and to enable CCT Tech to grant share options to the eligible participants, as incentives and/or rewards for their contribution to the CCT Tech Group and/or any CCT Tech Invested Entity or the holding company of CCT Tech (if applicable). Eligible participants of the CCT Tech New Scheme include:

(a) any director or proposed director (whether executive or non-executive and whether independent or not), any executive, officer, employee or any person to whom any offer of employment has been made, executive or officer (whether full-time or part-time, on an employment or contractual or honorary basis or otherwise and whether paid or unpaid) of any member of the CCT Tech Group, any entity invested by the CCT Tech Group (the "CCT Tech Invested Entity") or the holding company of CCT Tech (if applicable);

(b) any supplier or provider of goods and/or services, professional, consultant, agent, contractor, adviser, customer, partner, business associate or shareholder of any member of the CCT Tech Group, any CCT Tech Invested Entity or the holding company of CCT Tech (if applicable), or any holder of any securities issued or proposed to be issued by any member of the CCT Tech Group, any CCT Tech Invested Entity or the holding company of CCT Tech (if applicable), who, in the sole discretion of the board of directors of CCT Tech, will contribute or has contributed to the CCT Tech Group, the CCT Tech Invested Entity or the holding company of CCT Tech (if applicable); and

(c) any person whom the board of directors of CCT Tech in its sole discretion considers, will contribute or has contributed to any members of the CCT Tech Group, the CCT Tech Invested Entity or the holding company of CCT Tech (if applicable) (as the case may be).

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

Share option schemes of CCT Tech *(continued)*

Following the termination of the operation of the CCT Tech Old Scheme during the year, 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.

Pursuant to the CCT Tech New Scheme, the maximum number of shares which may be issued upon exercise of all share options to be granted under the CCT Tech New Scheme and any other share option scheme(s) of CCT Tech must not exceed 10% of the total number of the shares of CCT Tech in issue as at the adoption date of CCT Tech New Scheme. Shares of CCT Tech which would have been issuable pursuant to the share options which have lapsed or cancelled in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit. Notwithstanding the foregoing, shares of CCT Tech which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the CCT Tech New Scheme and any other share option scheme(s) of CCT Tech at any time shall not exceed 30% of the total number of the shares of CCT Tech in issue from time to time. No share option shall be granted under any scheme(s) of CCT Tech or any of its subsidiaries if this will result in the 30% limit being exceeded. As at the date of approval of these financial statements, the total number of shares of CCT Tech available for issue under the CCT Tech New Scheme is 6,541,399,399, which represents 10% of the total issued share capital of CCT Tech as at the date of approval of these financial statements.

The total number of shares of CCT Tech issued and which may fall to be issued upon exercise of the share options granted under the CCT Tech Old Scheme, the CCT Tech New Scheme and any other share option scheme(s) of CCT Tech (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the total number of shares of CCT Tech in issue as at the date of grant. Any further grant of the share options in excess of this 1% limit shall be subject to the issue of a circular by CCT Tech (and so long as CCT Tech remains a subsidiary of another company which is listed on the Stock Exchange, also by its listed holding company) and the approval of the shareholders of CCT Tech (and so long as CCT Tech remains a subsidiary of another company which is listed on the Stock Exchange, also to be approved by the shareholders of that listed holding company) at a general meeting with such eligible participant and his/her associates abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

Share options granted to a director, chief executive or substantial shareholder of CCT Tech, or to any of their respective associates, are subject to the approval in advance by the INEDs of CCT Tech (and so long as CCT Tech remains a subsidiary of another company which is listed on the Stock Exchange, also to be approved by the INEDs of that listed holding company), excluding the INED(s) of CCT Tech and its listed holding company who is/are the grantee(s) of the share options. In addition, any share option granted to a substantial shareholder or an INED of CCT Tech, or to any of their respective associates, in excess of 0.1% of the total number of shares of CCT Tech in issue as at the date of grant or with an aggregate value (based on the closing price of the shares of CCT Tech as at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to the issue of a circular by CCT Tech (and so long as CCT Tech remains a subsidiary of another company which is listed on the Stock Exchange, also by its listed holding company) and the approval of the shareholders of CCT Tech (and so long as CCT Tech remains a subsidiary of another company which is listed on the Stock Exchange, also to be approved by the shareholders of that listed holding company) in advance at a general meeting.

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

Share option schemes of CCT Tech *(continued)*

The offer of a grant of the share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the board of directors of CCT Tech, and commences on a specified date and ends on a date which is not later than (i) 10 years from the date of grant of the share options, or (ii) the expiry date of the CCT Tech Old Scheme or the CCT Tech New Scheme (as the case may be), whichever is earlier. There is no specific requirement under both the CCT Tech Old Scheme and the CCT Tech New Scheme that a share option must be held for any minimum period before it can be exercised, but the terms of both the CCT Tech Old Scheme and the CCT Tech New Scheme provide that the board of directors of CCT Tech has the discretion to impose a minimum period at the time of grant of any particular share option.

The exercise price of the share options is determinable by the board of directors of CCT Tech, but may not be less than the highest of:

(i) the closing price of the shares of CCT Tech as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day (and for this purpose shall be taken to be the date of the meeting of the board of directors of CCT Tech at which it proposes to grant the share options);

(ii) the average closing price of the shares of CCT Tech as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and

(iii) the nominal value of a share of CCT Tech.

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

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

Share option schemes of CCT Tech *(continued)*

As at 31 December 2011, there were 600,000,000 share options outstanding under the CCT Tech Old Scheme and no share options outstanding under the CCT Tech New Scheme. No share option has been granted, exercised, cancelled or has lapsed under both the CCT Tech Old Scheme and the CCT Tech New Scheme during the year. 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 year were as follows:

	Number of share options							
Name or category of the participants	Outstanding as at 1 January 2011	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 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 (Note 2)	223,000,000	–	–	–	223,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Cheng Yuk Ching, Flora (Note 2)	245,000,000	–	–	–	245,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
William Donald Putt (Note 2)	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 (Note 3)	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 4)	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Lau Ho Kit, Ivan (Note 4)	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			

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

Share option schemes of CCT Tech *(continued)*

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 CCT Tech's share capital.

2. Mr. Tam Ngai Hung, Terrry, Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt are also executive directors of CCT Tech.

3. Mr. Chen Li is also an INED of CCT Tech.

4. 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.

The following share options were outstanding under the CCT Tech Old Scheme during the year and no share option was exercised during the year:

	2011		2010	
	Weighted average exercise price HK$ per share	**Number of options**	Weighted average exercise price HK$ per share	Number of options
At 1 January and at 31 December	**0.01**	**600,000,000**	0.01	600,000,000

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

2011 and 2010

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

As at 31 December 2011 and the date of approval of these financial statements, 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 31 December 2011 and the date of approval of these financial statements. The exercise in full of the outstanding share options would, under the present capital structure of CCT Tech, result in the issue of 600,000,000 additional ordinary shares of CCT Tech and additional share capital of HK$6,000,000 with no share premium.

38. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 51 of the financial statements.

The Group's capital reserve was created from the reduction of the Company's share capital which became effective on 7 August 2002.

(b) Company

HK$ million	Notes	Capital redemption reserve	Share premium account	Capital reserve*	Distributable reserve	Accumulated losses	Total
At 1 January 2010		24	12	741	1,318	(392)	1,703
Total comprehensive loss for the year	11	–	–	–	–	(38)	(38)
2010 interim dividend	12	–	–	–	(18)	–	(18)
Proposed 2010 final dividend	12	–	–	–	(21)	–	(21)
At 31 December 2010 and 1 January 2011		24	12	741	1,279	(430)	1,626
Total comprehensive loss for the year	11	–	–	–	–	(164)	(164)
2011 interim dividend	12	–	–	–	(18)	–	(18)
Proposed 2011 final dividend	12	–	–	–	(21)	–	(21)
At 31 December 2011		24	12	741	1,240	(594)	1,423

* The Company's capital reserve was created from the reduction of share capital which became effective on 7 August 2002.

39. BUSINESS COMBINATION

On 3 August 2011, the Group acquired 51% interest in the InnoMed Group for a consideration of HK$47 million (US$6 million). The InnoMed Group will be engaged in the manufacturing and sale of cardiovascular medical services and other medical device. The purchase consideration for the acquisition was in the form of cash, with HK$31 million (US$4 million) paid on 3 August 2011 and the remaining HK$16 million (US$2 million) being paid to the seller on 3 August 2013.

The Group has elected to measure the non-controlling interests in the InnoMed Group at the non-controlling interests' proportionate share of the InnoMed Group's identifiable net assets.

The fair values of the identifiable assets and liabilities of the InnoMed Group as at the date of acquisition were as follows:

HK$ million	Notes	**2011 Fair value recognised on acquisition**
Property, plant and equipment	14	**2**
Cash and bank balances		**32**
Prepayments and other receivables		**2**
Accruals and other payables		**(7)**
Non-controlling interests		**(14)**
Total identifiable net assets at fair value		**15**
Goodwill on acquisition	17	**32**
		47
Satisfied by:		
Cash		**31**
Other payable		**16**
		47

The goodwill is attributable to revenue growth and future market development and the acquired technical expertise.

39. BUSINESS COMBINATION *(continued)*

An analysis of the cash flows in respect of the acquisition of the InnoMed Group is as follows:

HK$ million	2011
Cash consideration	(31)
Cash and bank balances acquired	32
Net inflow of cash and cash equivalents included in cash flows from investing activities	1

Since the acquisition, the InnoMed Group incurred a loss of HK$2 million included in the Group's consolidated loss for the year ended 31 December 2011.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been HK$2,034 million and HK$280 million, respectively.

40. DISPOSAL OF SUBSIDIARIES

HK$ million	Note	2011
Net liabilities disposed of:		
Inventories		4
Accruals and other payables		(10)
		(6)
Gain on disposal of subsidiaries	6	13
		7
Satisfied by:		
Cash		7

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2011
Cash consideration and net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	7

41. CONTINGENT LIABILITIES

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

	Company	
HK$ million	**2011**	2010
Corporate guarantees given to banks in connection with facilities granted to subsidiaries	**614**	308

As at 31 December 2011, the banking facilities granted to the subsidiaries subject to corporate guarantees given to the banks by the Company were utilised to the extent of approximately HK$438 million (2010: HK$243 million).

42. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group, are included in note 33 to the financial statements.

43. 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 the prior year.

At 31 December 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
HK$ million	**2011**	2010
Within one year	**–**	1
In the second to fifth years, inclusive	**–**	3
	–	4

43. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

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

At 31 December 2011, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
HK$ million	**2011**	2010	**2011**	2010
Within one year	**2**	4	**—**	3
In the second to fifth years, inclusive	**2**	1	**—**	—
	4	5	**—**	3

At 31 December 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:

	Group	
HK$ million	**2011**	2010
Within one year	**3**	3
In the second to fifth years, inclusive	**12**	11
Beyond five years	**129**	127
	144	141

44. COMMITMENTS

In addition to the operating lease commitments detailed in note 43(b) above, the Group had the following commitments at the end of the reporting period:

Capital commitments

	Group	
HK$ million	**2011**	2010
Contracted, but not provided for:		
Building	**3**	2
Investment property	**—**	3
Construction cost for properties under development	**4**	11
Plant and machinery	**2**	8
	9	24

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

45. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

HK$ million	2011	2010
Short term employee benefits	35	32

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

46. FINANCIAL INSTRUMENTS BY CATEGORY

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

2011

HK$ million	Group			
Financial assets	Financial assets at fair value through profit or loss — held for trading	Loans and receivables	Available-for-sale investments	Total
Available-for-sale investments	—	—	79	79
Other receivable	—	14	—	14
Trade receivables	—	375	—	375
Financial assets included in prepayments, deposits and other receivables (note 26)	—	80	—	80
Financial assets at fair value through profit or loss	135	—	—	135
Pledged time deposits	—	300	—	300
Time deposits with original maturity of more than three months	—	8	—	8
Cash and cash equivalents	—	573	—	573
	135	1,350	79	1,564

HK$ million	Group		
Financial liabilities	Financial liabilities at fair value through profit or loss – designated as such upon recognition	Financial liabilities at amortised cost	Total
Trade and bills payables	—	562	562
Other payables and accruals	—	244	244
Interest-bearing bank and other borrowings	—	961	961
Other payable	—	16	16
Derivative financial instrument	14	—	14
	14	1,783	1,797

46. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2010

HK$ million	Group			
Financial assets	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Available-for-sale investments	Total
Available-for-sale investments	—	—	106	106
Trade receivables	—	433	—	433
Financial assets included in prepayments, deposits and other receivables (note 26)	—	78	—	78
Financial assets at fair value through profit or loss	234	—	—	234
Pledged time deposits	—	83	—	83
Cash and cash equivalents	—	610	—	610
	234	1,204	106	1,544

HK$ million	Group
Financial liabilities	Financial liabilities at amortised cost
Trade and bills payables	502
Other payables and accruals	198
Interest-bearing bank and other borrowings	661
	1,361

46. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2011

HK$ million	**Company**
Financial assets	**Loans and receivables**
Financial assets included in investments in subsidiaries (note 18)	**1,204**
Due from subsidiaries (note 18)	**193**
Cash and cash equivalents	**107**
Financial assets included in prepayments, deposits and other receivables (note 26)	**1**
	1,505

2010

HK$ million	Company
Financial assets	Loans and receivables
Financial assets included in investments in subsidiaries (note 18)	1,340
Due from subsidiaries (note 18)	256
Cash and cash equivalents	112
Financial assets included in prepayments, deposits and other receivables (note 26)	1
	1,709

47. FAIR VALUE AND FAIR VALUE HIERARCHY

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

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

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

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

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

Group

Assets measured at fair value as at 31 December 2011:

HK$ million	Level 1	Level 2	Total
Available-for-sale investments:			
Other assets, at fair value	**5**	**–**	**5**
Equity investment, at fair value	**72**	**–**	**72**
Financial assets at fair value through profit or loss	**135**	**–**	**135**
	212	**–**	**212**

Assets measured at fair value as at 31 December 2010:

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

The Company did not have any financial assets measured at fair value as at 31 December 2011 and 2010.

Group

Liabilities measured at fair value as at 31 December 2011:

HK$ million	Level 1	Level 2	Level 3	Total
Derivative financial instrument	**–**	**–**	**14**	**14**

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

The movement in fair value measurement in Level 3 during the year is as follows:

	Group	
HK$ million	**2011**	2010
Derivative financial instrument		
At 1 January	**–**	–
Acquired	**14**	–
At 31 December	**14**	–

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

The Company did not have any financial liabilities measured at fair value as at 31 December 2011 and 2010.

During the year ended 31 December 2011, there was no transfer of fair value measurements between Level 1 and Level 2 (2010: Nil).

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group operates at a low gearing ratio and as the market interest rates are stable and are maintained at relatively low level, the Group's interest rate risk is not significant.

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

Interest rate risk *(continued)*

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

	Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in loss before tax HK$ million**
2011		
HK$	**100**	**5**
US$	**100**	**3**
RMB	**100**	**1**
HK$	**(100)**	**(5)**
US$	**(100)**	**(3)**
RMB	**(100)**	**(1)**

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

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

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by or expenditure of operating units in currencies other than the units' functional currency. During the year, the Group did not use any financial instruments for hedging purposes.

A reasonable possible increase/(decrease) of 3.97% in the exchange rate between the RMB and the Hong Kong dollar would result in decrease/(increase) on the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) by HK$19 million in 2011 (2010: increase/(decrease) on profit before tax by HK$5 million).

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale investments and certain derivative instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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

There is no significant concentration of credit risk in relation to the Group's financial assets, other than trade receivables. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 25 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, other interest-bearing loans and finance leases. In addition, banking facilities have been put in place for contingency purposes.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

As at 31 December 2011

	Group				
HK$ million	Within one year or on demand	In the second year	In the third to fifth years, inclusive	Beyond five years	Total
Trade and bills payables	562	—	—	—	562
Other payables and accruals	244	—	—	—	244
Other payable	—	16	—	—	16
Interest-bearing bank and other borrowings	576	94	197	193	1,060
	1,382	110	197	193	1,882

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

Liquidity risk *(continued)*

As at 31 December 2010

HK$ million	Group Within one year or on demand	In the second year	In the third to fifth years, inclusive	Beyond five years	Total
Trade and bills payables	502	—	—	—	502
Other payables and accruals	198	—	—	—	198
Interest-bearing bank and other borrowings	427	53	129	87	696
	1,127	53	129	87	1,396

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

HK$ million	Company **2011** **Within one year or on demand**	2010 Within one year or on demand
Guarantees given to banks in connection with facilities granted to subsidiaries (note 41)	**438**	243
Other payables and accruals	**3**	3
	441	246

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

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments and available-for-sale investments as at 31 December 2011. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

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

	31 December 2011	**High/low 2011**	31 December 2010	High/low 2010
Hong Kong — Hang Seng Index	**18,434**	**24,469/16,170**	23,035	24,989/18,972

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

	Carrying amounts of equity investments HK$ million	**Increase/ (decrease) in equity price %**	**Increase/ (decrease) in loss before tax HK$ million**	**Increase/ (decrease) in total equity HK$ million**
2011				
Investments listed in:				
Hong Kong — Held for trading (note 27)	**125**	**34.84**	**(44)**	**44**
	125	**(34.84)**	**44**	**(44)**
— Available-for-sale investments (note 19)	**72**	**34.84**	**—**	**25**
	72	**(34.84)**	**—**	**(25)**

	Carrying amounts of equity investments HK$ million	Increase/ (decrease) in equity price %	Increase/ (decrease) in profit before tax HK$ million	Increase/ (decrease) in total equity HK$ million
2010				
Investments listed in:				
Hong Kong — Held for trading (note 27)	218	16.85	37	37
	218	(16.85)	(37)	(37)
— Available-for-sale investments (note 19)	100	16.85	—	17
	100	(16.85)	—	(17)

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

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 2010.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total capital plus total borrowings. The Group includes interest-bearing bank and other borrowings in the total borrowings. Capital includes equity attributable to the owners of the parent. The gearing ratios as at the end of the reporting periods are as follows:

	Group	
HK$ million	**2011**	2010
Interest-bearing bank and other borrowings	**961**	661
Total borrowings	**961**	661
Total capital	**1,889**	2,085
Total capital and borrowings	**2,850**	2,746
Gearing ratio	**33.7%**	24.1%

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2012.

other information

PARTICULARS OF PROPERTIES UNDER DEVELOPMENT AS AT 31 DECEMBER 2011:

Name of projects	Locations	Uses	Site area (square metres) (Approximately)	Gross floor area (square metres) (Approximately)	Stage of completion	Attributable interest of the Group
Landmark City Phase III	No. 253 Jiu Dao Road, Tiexi District, Liaoning Province, the PRC	Residential and commercial	38,000	109,000	Planning	100%
Evian Villa Phase II	No. 37 Qian Ye Street, Tiedong District, Liaoning Province, the PRC	Residential and commercial	34,000	60,000	Planning	100%

PARTICULARS OF COMPLETED PROPERTIES FOR SALE AS AT 31 DECEMBER 2011:

Name of projects	Locations	Uses	Site area (square metres) (Approximately)	Gross floor area (square metres) (Approximately)	Stage of completion	Attributable interest of the Group
Landmark City Phases I and II	No. 253 Jiu Dao Road, Tiexi District, Liaoning Province, the PRC	Residential and commercial	14,000	42,000	Completed	100%
Evian Villa Phase I	No. 37 Qian Ye Street, Tiedong District, Liaoning Province, the PRC	Residential and commercial	33,000	57,000	Completed	100%

five year financial summary

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

RESULTS

	Year ended 31 December				
HK$ million	**2011**	2010	2009	2008	2007
REVENUE	**2,034**	1,919	1,653	2,935	3,729
PROFIT/(LOSS) BEFORE TAX	**(256)**	64	51	(1,284)	414
Income tax expense	**(21)**	(27)	(18)	(5)	(17)
PROFIT/(LOSS) FOR THE YEAR	**(277)**	37	33	(1,289)	397
Profit/(loss) attributable to:					
Owners of the parent	**(195)**	40	42	(1,123)	484
Non-controlling interests	**(82)**	(3)	(9)	(166)	(87)
	(277)	37	33	(1,289)	397

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
HK$ million	**2011**	2010	2009	2008	2007
TOTAL ASSETS	**4,046**	3,900	3,517	3,893	5,459
TOTAL LIABILITIES	**(1,873)**	(1,463)	(1,089)	(1,316)	(1,684)
	2,173	2,437	2,428	2,577	3,775
EQUITY:					
Equity attributable to owners of the parent	**1,889**	2,085	2,073	2,213	3,225
Non-controlling interests	**284**	352	355	364	550
	2,173	2,437	2,428	2,577	3,775

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 Invested Entity"	Any entity in which any member of the CCT Tech Group holds any equity interest
"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
"Group"	The Company and its subsidiaries
"HK" or "Hong Kong"	The Hong Kong Special Administrative Region of PRC
"HK$" or "$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"INED(s)"	Independent non-executive director(s)
"Invested Entity"	Any entity in which any member of the Group holds any equity interest
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Merdeka Resources"	Merdeka 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
"Nomination Committee"	The nomination committee of the Company
"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
"Percentage Ratios"	The assets ratio, the profits ratio, the revenue ratio, the consideration ratio and the equity capital ratio as defined under Rule 14.07 of the Listing Rules
"PRC"	The People's Republic of China
"Remuneration Committee"	The remuneration committee of the Company
"R&D"	Research and development
"RMB"	Renminbi, the lawful currency of PRC
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	The ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	Holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US"	The United States of America
"US$"	United States dollar(s), the lawful currency of US
"%"	Per cent.

FINANCIAL TERMS

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