CCT TECH

中建科技國際有限公司

Stock Code : 261

2011

contents

chairman's letter

On behalf of the Board of the Company, I present the 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 one-off costs and losses in an aggregate amount of $107 million (the "**Exceptional Losses**") associated with the License Business, the Discontinuation and the measures to restructure the Group's manufacturing operations. These Exceptional Losses have 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 $1,553 million, decreased by approximately 1.3% as compared with the corresponding previous year. Rising costs posed a major challenge to the Group in 2011. The combined impact of rising costs and the Exceptional Losses has resulted in the Group's net loss surging from $5 million in 2010 to approximately $165 million in 2011.

As we intend to retain cash resource to finance operations and future development of our business, the Board does not propose and recommend payment of a final dividend for the year ended 31 December 2011.

REVIEW OF OPERATIONS

The Group is principally engaged in the manufacture and sale of telecom and electronic products. The ultimate holding company of the Company is CCT Telecom whose shares are listed on the main board of the Stock Exchange.

As the Discontinuation occurred only at the end of 2011, it has little impact on the Group's revenue for 2011. Nor the Discontinuation is expected to have any significant impact on the Group's revenue for future years as the revenue of the License Business represents only 10.2% of the 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 Group incurring certain one-off costs and losses associated with closure of the 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 Group have been impaired. Although the exceptional losses arising from the License Business and the Discontinuation have materially adversely impacted the Group's result for 2011, the Discontinuation has enabled the Group to eliminate the loss-making License Business and this is expected to have a positive impact on the 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 Group, contributing 56.7% of the 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 Group's turnover, continued to outperform other market regions of the Group. Revenue derived from these market regions rose 61.1% due to strong sales of the screen communication tablet in Australia and expansion of our 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 our GE telephony products in the US before the Discontinuation.

We are strong in radio-frequency and broadband technologies and have invested substantially in product R&D activities. Our strong R&D and manufacturing capability has enabled us 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. We have 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 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 the Discontinuation, our result performance 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 a material negative impact on the Group's profitability in 2011. As a result, the 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 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 Group in the long run but have resulted in certain one-off losses which formed part of the Exceptional Losses charged to the Group's accounts for 2011.

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

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 going forward. 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, we 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. We will step up expansion of our CMS business by gaining new CMS customers and enhancing and diversifying our 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 Group in the future. The acquisition of the baby and child product business from CCT Telecom has just been completed following approval by the independent shareholders of the Company in the special general meeting held on 26 March 2012. This acquisition will enable the Group to broaden its revenue stream, to expand its product mix and to enhance its customer base, which will help the Group to alleviate part of the negative impacts of the Discontinuation and the Material Adverse Events.

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

CONCLUSION

We expect that the Group will start to see benefits from the restructuring and revitalised measures in 2012. With the measures and initiatives taken by the Group, together with its healthy financial position and sound business fundamentals, we believe we will be able to withstand the adverse impact arising from the weakening operating conditions 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 August 2002. Mr. Mak is a member of the Remuneration Committee, and 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. 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 Telecom, 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 Telecom. 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.

Ms. CHENG Yuk Ching, Flora, aged 58, has served as an executive Director since August 2002. Ms. Cheng is also the deputy Chairman of the Company. Ms. Cheng assists the Chairman/CEO in overseeing the day-to-day management of the telecom and electronic product business of the Group. Ms. Cheng has over 32 years of experience in the electronics industry. She held senior positions in various well-known electronics companies. She holds a Diploma in Business Administration. Ms. Cheng is also an executive director of CCT Telecom, 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 Telecom. 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.

Mr. TAM Ngai Hung, Terry, aged 58, has served as an executive Director since August 2002 and is also the Group Finance Director. Mr. Tam is a member of the Remuneration Committee and the Nomination Committee. Mr. Tam is mainly responsible for the corporate finance and accounting function of the Group. Mr. 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. 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. Mr. Tam is also an executive director of CCT Telecom, 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 Telecom. Mr. 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.

Dr. William Donald PUTT, aged 74, has served as an executive Director since September 2003. Dr. Putt is responsible for the overseas business development and also assists the Chairman/CEO in setting the overall strategic direction of the Group. Dr. Putt obtained his PhD in Management from the Massachusetts Institute of Technology in the US. Dr. Putt has over 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 Telecom, 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. CHOW Siu Ngor, aged 56, has served as an INED of the Company since August 2002. Mr. Chow is a member of the Audit Committee and the Nomination Committee, and is also a member and the chairman of the Remuneration Committee. Mr. Chow is a practising solicitor in Hong Kong. Mr. Chow graduated from The Chinese University of Hong Kong in 1981 with an Honours Degree in Social Science. Mr. Chow then obtained an Honours Degree in Laws from the University of Birmingham in 1987. Mr. Chow was admitted as a solicitor of the Supreme Court of Hong Kong in 1990 and has been in private practice since then. Currently, Mr. Chow is a Partner with Messrs. King & Wood Mallesons. Mr. Chow is also an INED of REXLot Holdings Limited and a non-executive director of China Gamma Group Limited, whose shares are both listed on the main board of the Stock Exchange.

Mr. LAU Ho Kit, Ivan, aged 53, has served as an INED of the Company since August 2002. Mr. Lau is a member of the Remuneration Committee and the Nomination Committee, and is also a member and the chairman of the Audit Committee. Mr. Lau has extensive experience in accounting and financial management. Mr. Lau holds a Master's Degree in Professional Accounting and is a member of the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. Mr. Lau is also an INED of Singamas Container Holdings Limited and Glory Mark Hi-Tech (Holdings) Limited, whose shares are listed on the main board and the Growth Enterprise Market of the Stock Exchange respectively.

Mr. CHEN Li, aged 47, has served as an INED of the Company since September 2004. 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 Telecom, 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. 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 is responsible for supervising 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.

Mr. CHEUNG Chi Wai, aged 45, has been in service with the Group for one and half year since September 2010. Mr. Cheung currently holds the position of Chief Technical Officer in a principal subsidiary of the Company. He is primarily responsible for the engineering and product R&D functions of the Group. Mr. Cheung has a Bachelor of Science Degree in Electronic Engineering, a Master of Philosophy Degree in High Frequency Circuit Design and a Master of Business Administration Degree in Information Technology. He is a Chartered Engineer and a member of The Institution of Engineering and Technology. He has been working in the telecommunications industry for 23 years.

SENIOR MANAGEMENT *(continued)*

Mr. Karl-Heinz Christian MUELLER, aged 56, rejoined the Group in September 2010. Mr. Mueller currently holds the position of Director, New Technology Development in a principal subsidiary of the Company. He is primarily responsible for development of new product concepts and technology such as broadband connectivity and VoIP. Mr. Mueller holds a German Engineering Diploma (Dipl-Ing.). He has over 31 years business experience with 15 years working in Hong Kong. As an expert for digital communication systems and broadband technology, he focuses on technology, marketing and product development strategies. Mr. Mueller also gained in-depth experience on Android OS based products. Prior to joining the Group, he held senior management positions in brand companies.

Mr. CHAN Chuen Lok, Eric, aged 57, has been in service with the Group for three years since February 2009. Mr. Chan currently holds the position of Manufacturing Director in the Group and is responsible for the day-to-day management of the manufacturing activities of the Group, from production, material control, warehousing, production engineering/industrial engineering, product testing engineering to trial run. He has more than 28 years of experience in the manufacturing industry. In addition, Mr. Chan has good knowledge in Lean Manufacturing and Six Sigma management.

Mr. LAI Chi Keung, Francis, aged 56, has been in service with the Group for two and half years since September 2009. Mr. Lai currently holds the position of Material Director in the Group and is in charge of the material sourcing and purchasing functions of the manufacturing operations of the Group. He obtained a Master's Degree in Business Administration from the Columbia Southern University, Alabama, US in 2006. Mr. Lai has over 32 years of experience in material sourcing, purchasing and material control in the electronic and manufacturing industry.

Mr. WONG Tze Kin, aged 58, has been in service with the Group for two and half years since September 2009. Mr. Wong currently holds the position of Quality Assurance Director in the Group and is responsible for the quality assurance of the telecom and electronic products of the Group. He graduated from the McMaster University in Canada in 1978 with a Bachelor's Degree in Engineering. Mr. Wong has 27 years of extensive experience in quality assurance in the manufacturing of electronic products, mainly in Hong Kong, PRC and Canada.

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.

Mr. HO Yiu Hong, Victor, aged 43, has been in service with the Group for 12 years since January 2000. Mr. Ho currently holds the position of Senior Finance Director in a principal subsidiary of the Company. He heads the finance and accounting department of the Group. He has a First Class Honours Degree in Accountancy from The Hong Kong Polytechnic University and a Master's Degree in Business Administration from the University of Strathclyde. He is a fellow of the Association of Chartered Certified Accountants and an associate of both The Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Certified Public Accountants. He is also a director of certain subsidiaries of the Company.

Ms. TONG Kam Yin, Winnie, aged 35, has served as the Company Secretary of the Company for nearly four years since April 2008. Ms. Tong graduated from The Hong Kong Polytechnic University with an Honours Degree in Language and Communication in 1998 and then obtained a Postgraduate Diploma in Corporate Administration from the City University of Hong Kong in 2001. She is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She is also the Company Secretary of CCT Telecom and a director of certain subsidiaries of the Company.

financial review

HIGHLIGHTS ON FINANCIAL RESULTS

$ million	2011	2010	% increase/ (decrease)
Turnover	**1,553**	1,573	(1.3%)
Gross profit	**47**	108	(56.5%)
Gross margin	**3.0%**	6.9%	(56.5%)
Loss before tax	**(164)**	(2)	8,100.0%
Income tax expense	**(1)**	(3)	(66.7%)
Loss for the year	**(165)**	(5)	3,200.0%

Discussion on Financial Results

The Group recorded a turnover of $1,553 million for the year ended 31 December 2011, representing a 1.3% decrease over the $1,573 million for the last corresponding year. Suffered from surging operating costs, the gross profit and gross margin ratio dropped from $108 million and 6.9% respectively in 2010 to only $47 million and 3.0% respectively in 2011. Rising costs and the Exceptional Losses pushed up the Group's net loss for 2011 to $165 million, as compared with a loss of only $5 million in 2010.

ANALYSIS BY BUSINESS SEGMENT

	Turnover		**(Loss)/profit before tax**	
$ million	**2011**	2010	**2011**	2010
Telecom and electronic products	**1,553**	1,573	**(161)**	1

Same as previous years, the Group's turnover and operating results for 2011 continued to be derived from one single business segment which is the manufacture and sale of telecom and electronic products. This sole business segment of the Group 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 Group's result was caused by the significant increase in production costs and the Exceptional Losses.

ANALYSIS BY GEOGRAPHICAL SEGMENT

	Turnover				
	2011		2010		% increase/
$ million	Amount	Relative %	Amount	Relative %	(decrease)
Europe	**880**	**56.7%**	1,187	75.5%	(25.9%)
Asian Pacific and others	**522**	**33.6%**	324	20.6%	61.1%
North America	**151**	**9.7%**	62	3.9%	143.5%
Total	**1,553**	**100.0%**	1,573	100.0%	(1.3%)

European market remained the largest market of the Group during the year and contributed approximately 56.7% of the Group's total turnover. Sales to Europe dropped by 25.9% to $880 million in the year amidst the debt crisis in the eurozone. The Group's business in the Asian Pacific and other regions, however, rose significantly by 61.1% to $522 million, contributing 33.6% to the Group's total turnover. The increase in business in these regions was mainly generated from strong growth of sales of the screen communication product in Australia and expansion of our business in the emerging markets. North American market registered rise in turnover of 143.5% to $151 million, accounting for 9.7% 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)
Inventories	**127**	92	38.0%
Trade receivables	**294**	385	(23.6%)
Pledged time deposits	**217**	83	161.4%
Cash and cash equivalents	**320**	388	(17.5%)
Current and non-current interest-bearing bank and other borrowings	**473**	389	21.6%
Equity attributable to owners of the parent	**548**	713	(23.1%)

Discussion on Financial Position

Inventory increased by 38.0% in the year under review. Despite the increase in inventory balance, the inventory turnover period maintained at a healthy level of only 26.6 days (31 December 2010: 19.9 days).

Trade receivables of the Group amounted to $294 million as at 31 December 2011, a decrease of 23.6% from $385 million as at 31 December 2010, indicating continuing improved management in trade debt collection.

Pledged time deposits rose from $83 million at end of 2010 to $217 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 $126 million (equivalent to RMB102 million) deposits are denominated in RMB which have been pledged to a banker to secure equivalent amount of Hong Kong dollar loans. Such arrangements are aimed at hedging RMB appreciation risk under which 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 17.5% to approximately $320 million as at 31 December 2011. The net decrease in cash and bank balance represents net cash used for operations and the net repayment of working-capital bank loans during the year.

The aggregate amount of the current and non-current interest-bearing bank and other borrowings increased from approximately $389 million as at 31 December 2010 to approximately $473 million as at 31 December 2011, up 21.6%. The net increase of the bank borrowings represents additional Hong Kong loans of approximately $126 million secured by an equivalent amount of pledged RMB deposits for hedging against RMB exposure, less net repayment of working-capital bank loans during the year.

Equity attributable to owners of the parent declined 23.1% from $713 million as at 31 December 2010 to $548 million as at 31 December 2011 due primarily to the loss attributable to the owners of the parent for the year.

CAPITAL STRUCTURE AND GEARING RATIO

	31 December 2011		31 December 2010	
$ million	**Amount**	**Relative %**	Amount	Relative %
Bank borrowings	**473**	**46.3%**	388	35.2%
Finance lease payable	**—**	**—**	1	0.1%
Total borrowings	**473**	**46.3%**	389	35.3%
Equity	**548**	**53.7%**	713	64.7%
Total capital employed	**1,021**	**100.0%**	1,102	100.0%

The Group's gearing ratio increased to approximately 46.3% as at 31 December 2011 (2010: 35.3%) as a result of net increase of the bank and other borrowings during the year. Taking into account the pledged time deposits, the unpledged time deposits and the free cash on hand, the Group, however, did not have any net borrowings, indicating the healthy financial position of the Group.

The Group's outstanding bank and other borrowings increased to approximately $473 million as at 31 December 2011 (2010: $389 million), due mainly to the additional Hong Kong dollar loans of approximately $126 million borrowed for hedging RMB appreciation. As at 31 December 2011, the maturity profile of the Group's bank and other borrowings falling due within one year, in the second to the fifth year and beyond five years amounted to $368 million, $86 million and $19 million respectively (2010: $264 million, $82 million and $43 million respectively).

All of the Group's bank and other borrowings were borrowed to finance the ordinary business of the Group and for hedging against RMB exposure. 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	**1,028**	1,077
Current liabilities	**941**	858
Current ratio	**109.2%**	125.5%

Current ratio as at 31 December 2011 maintained at a healthy level of 109.2% (31 December 2010: 125.5%). The decline in current ratio is caused by additional Hong Kong dollar borrowings to hedge against RMB exposure. Among the total cash balance of $545 million, approximately $217 million (31 December 2010: $83 million) was pledged for general banking facilities and for arrangement of hedging RMB appreciation.

In view of the Group's current cash position and the unutilised banking facilities available, the Group is maintaining 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 $4 million (2010: $9 million). The capital commitment will be funded partly by internal resources and partly by bank borrowings.

TREASURY MANAGEMENT

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

During the 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, US dollar and RMB and some made in Euro. Cash was generally placed in short-term deposits denominated in Hong Kong dollar, US dollar and RMB. As at 31 December 2011, the Group's borrowings were mainly denominated in Hong Kong dollar, US dollar and RMB and interest on the borrowing was principally determined on a floating rate basis.

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

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 RMB102 million in cash up to the end of the year and the RMB funds have been placed on short-term deposits to secure equivalent amount of Hong Kong dollar loans, which have been drawn down to finance working capital of the Group. As we will be entitled to the exchange gain that may be generated from further appreciation of the RMB deposits, we consider such initiative is an effective way to hedge a substantial part of our exposure against RMB depreciation.

ACQUISITION AND DISPOSAL OF MATERIAL SUBSIDIARIES AND ASSOCIATES

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 $467 million (31 December 2010: $468 million) and time deposits of approximately $217 million (31 December 2010: $83 million) were pledged to secure the general banking facilities granted to the Group to finance operations 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 4,247 (2010: 4,685). 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 outstanding share options of approximately 600,000,000 shares (2010: 600,000,000 shares).

corporate information

COMPANY NAME
CCT Tech International Limited

BOARD OF DIRECTORS

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

Independent Non-executive Directors
Chow Siu Ngor
Lau Ho Kit, Ivan
Chen Li

COMPANY SECRETARY
Tong Kam Yin, Winnie

PRINCIPAL BANKERS
Nanyang Commercial Bank, Limited
Wing Hang Bank Limited

SOLICITORS
Sidley Austin

AUDITORS
Ernst & Young, Certified Public Accountants

FINANCIAL YEAR END
31 December

REGISTERED OFFICE
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
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FAX NUMBER
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STOCK CODE
261

corporate governance report

CORPORATE GOVERNANCE PRACTICES

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

Throughout the financial year ended 31 December 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 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.

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.

CORPORATE GOVERNANCE PRACTICES *(continued)*

Code Provision A.4.2 *(continued)*

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;

— ensuring prudent and effective control measures are in place;

— material bank facilities arrangements;

— material acquisitions and disposals of assets and significant investments;

THE BOARD *(continued)*

— 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 10 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	10/10
Cheng Yuk Ching, Flora	10/10
Tam Ngai Hung, Terry	10/10
William Donald Putt	10/10
Chow Siu Ngor	10/10
Lau Ho Kit, Ivan	9/10
Chen Li	10/10

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

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

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

BOARD'S COMPOSITION

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

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

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of a sufficient number of the INEDs and at least an INED with appropriate professional qualifications or accounting or related financial management expertise throughout the financial year ended 31 December 2011. The Board comprises three INEDs, one of whom has accounting and financial expertise, and the three INEDs bring strong independent judgement, knowledge and experience to the Board.

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

THE CHAIRMAN AND THE CEO

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

RE-ELECTION AND RETIREMENT OF THE DIRECTORS

The bye-laws of the Company provide that (i) one-third (or the number nearest to one-third) of the Directors (except the Chairman and the managing Director) shall retire from office by rotation and be eligible for re-election at each AGM of the Company; and (ii) any Director appointed by the Board, either to fill a casual vacancy on or as an addition to the existing Board, shall hold office only until the next following AGM of the Company and shall then be eligible for re-election at that meeting.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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-tech.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. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Chen Li, and two executive directors, namely Mr. Mak Shiu Tong, Clement and Mr. Tam Ngai Hung, Terry. The Remuneration Committee is currently chaired by Mr. Chow Siu Ngor who is an INED.

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
Chow Siu Ngor	1/1
Lau Ho Kit, Ivan	1/1
Chen Li	1/1
Mak Shiu Tong, Clement	1/1
Tam Ngai Hung, Terry	1/1

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

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.

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 Company 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 2002 with specific written terms of reference formulated in accordance with the requirements of the Listing Rules. The primary duties of the Audit Committee are to ensure the objectivity and credibility of the Company's financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company.

The 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. Lau Ho Kit, Ivan, Mr. Chow Siu Ngor and Mr. Chen Li, one of whom is a qualified accountant and has extensive experience in accounting and financial matters. The Audit Committee is currently chaired by Mr. Lau Ho Kit, Ivan who is an INED. All members of the Audit Committee hold the relevant industry or legal, accounting and financial experience necessary to advise on the Board's strategies and other related matters. All members of the Audit Committee have complete and unrestricted access to the external auditors and all employees of the Company.

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
Lau Ho Kit, Ivan	3/3
Chow Siu Ngor	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. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan 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	900
Non-audit services:	
Tax compliance services	145
Total	1,045

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. 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 38 to 93 .

The directors do not recommend payment of any dividend for the year (2010: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 94. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

There was no movement in the Company's authorised and issued share capital during the year.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2011, the Company had no reserve available for distribution in accordance with the provisions of the Companies Act 1981 of Bermuda. The Company's share premium account, in the amount to $238 million, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totally $1.5 million (2010: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total			
	Sales		Purchases	
	2011	2010	**2011**	2010
Largest customer	**26%**	38%		
Five largest customers in aggregate	**79%**	91%		
Largest supplier			**13%**	12%
Five largest suppliers in aggregate			**38%**	41%

CCT Telecom, a controlling shareholder of the Company, had beneficial interests in two of the five largest suppliers of the Group.

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

DIRECTORS

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

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

Independent non-executive Directors:
Chow Siu Ngor
Lau Ho Kit, Ivan
Chen Li

In accordance with the bye-laws of the Company, Dr. William Donald Putt and Mr. Chow Siu Ngor 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 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 6 to 8 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

The Company adopted the Old Scheme on 17 September 2002 and which took effect on 7 November 2002. At the AGM of each of the Company and CCT Telecom, the ultimate holding company of the Company, held on 27 May 2011, the shareholders of the Company and CCT Telecom approved the adoption of the New Scheme and the termination of the operation of the Old Scheme. 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 *(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 6,541,399,399, 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 so long as the Company 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 (and so long as the Company 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 the Company, or to any of their respective associates, are subject to the approval in advance by the INEDs of the Company (and so long as the Company 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 the Company 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 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 so long as the Company 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 (and so long as the Company 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, 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.

SHARE OPTION SCHEMES *(continued)*

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 were 600,000,000 share options outstanding under the Old Scheme and no share options outstanding under 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. Details of the movements of the share options granted to the Directors and the other eligible participant(s) under the 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)
								$ per Share
Executive Directors								
Cheng Yuk Ching, Flora	245,000,000	–	–	–	245,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Tam Ngai Hung, Terry	223,000,000	–	–	–	223,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
William Donald Putt	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
	476,000,000	–	–	–	476,000,000			
Independent Non-executive Directors								
Chow Siu Ngor	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Lau Ho Kit, Ivan	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Chen Li	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
	24,000,000	–	–	–	24,000,000			
Other eligible participant								
In aggregate	100,000,000	–	–	–	100,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
	100,000,000	–	–	–	100,000,000			
	600,000,000	–	–	–	600,000,000			

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

SHARE OPTION SCHEMES *(continued)*

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

As at 31 December 2011 and the date of this Annual Report, there were 600,000,000 share options outstanding under the Old Scheme. Based on these outstanding share options, the total number of Shares available for issue is 600,000,000, which represents approximately 0.92% of the total issued share capital of the Company as at 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 the Company, result in the issue of 600,000,000 additional ordinary Shares 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 of the share options of the Company as at 31 December 2011

(i) Long positions in the Shares:

Name of the Directors	Number of the Shares interested and nature of interest: Personal	Corporate	Total	Approximate percentage of the total issued share capital of the Company (%)
Mak Shiu Tong, Clement (Note)	—	33,026,391,124	33,026,391,124	50.49
Cheng Yuk Ching, Flora	18,000,000	—	18,000,000	0.03
Tam Ngai Hung, Terry	20,000,000	—	20,000,000	0.03
Chen Li	10,000,000	—	10,000,000	0.02

Note: The interest disclosed represents 33,026,391,124 Shares held by CCT Telecom through its indirect wholly-owned subsidiaries. Mr. Mak Shiu Tong, Clement is deemed to be interested in such Shares under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of CCT Telecom through his interest in the shareholding of approximately 50.03% of the total issued share capital in CCT Telecom as at 31 December 2011.

DIRECTORS' INTERESTS *(continued)*

(a) Interests and short positions in the Shares and the underlying Shares of the share options of the Company as at 31 December 2011 *(continued)*

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

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

(b) Interests and short positions in the shares and the underlying shares of an associated corporation — CCT Telecom as at 31 December 2011

Long positions in the shares of CCT Telecom:

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 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 (%)
CCT Telecom (Note 1)	33,026,391,124	50.49
CCT Technology Investment Limited (Note 2)	33,026,391,124	50.49
Jade Assets Company Limited	29,326,391,124	44.83

Notes:

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

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

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the two years ended 31 December 2011, the Company and certain of its indirect wholly-owned subsidiaries had the following material transactions with CCT Telecom (the Company's ultimate holding company) and certain of its subsidiaries, other than the Group.

		Year ended 31 December	
$ million	Notes	**2011**	2010
Fellow subsidiaries:			
Purchase of components	(i)	**202.4**	251.4
Factory rental income	(ii)	**6.0**	6.0
Office rental expenses	(iii)	**2.1**	2.6
Sale of electronic children products	(iv)	**19.8**	1.5
Ultimate holding company:			
Management information system service fee	(v)	**6.0**	6.0

Notes:

(i) The Company and CCT Telecom entered into a manufacturing agreement dated 9 November 2006, which expired on 31 December 2009. On 30 October 2009, the Company and CCT Telecom entered into a new manufacturing agreement (the "Component Manufacturing Agreement") to renew the terms and conditions set out in the Component Manufacturing Agreement, pursuant to which CCT Telecom agrees to manufacture through CCT Telecom Remaining Group certain power supply components, transformers, plastic casings and components and toolings for the production of telecom and electronic products for the Group. The purchase prices were determined based on the direct material costs plus a mark-up of no more than 150%.

(ii) The factory rental income was charged to Shine Best Developments Limited ("Shine Best"), an indirect wholly-owned subsidiary of CCT Telecom, by CCT Enterprise Limited ("CCT Ent"), an indirect wholly-owned subsidiary of the Company, for the provision of factory space in Huiyang, the PRC, at a rate determined in accordance with the terms and conditions set out in a tenancy agreement (the "Huiyang Tenancy Agreement") entered into between Shine Best and CCT Ent on 20 November 2008.

(iii) The office rental expenses were charged to the Company, by Goldbay Investments Limited ("Goldbay"), an indirect wholly-owned subsidiary of CCT Telecom, for the provision of office space in Hong Kong, at rates determined in accordance with the terms and conditions set out in the tenancy agreements entered into between the Company and Goldbay on 20 November 2008, as amended by the supplemental agreement entered into between them on 23 June 2009 (the "Hong Kong Tenancy Agreements").

(iv) The Company and CCT Telecom entered into a manufacturing agreement ("the Electronic Children Products Manufacturing Agreement") dated 31 August 2009, pursuant to which the Company agrees to design, develop, manufacture and supply through the Company and its subsidiaries certain electronic children products, electronic components and toolings for the CCT Telecom Remaining Group. The selling prices were determined in accordance with the terms and conditions set out in the Electronic Children Products Manufacturing Agreement.

(v) The management information system service fee was charged to CCT Telecom by the Company for the provision of general management information system support, network and software consultation and hardware maintenance services. The rate was determined in accordance with the terms and conditions set out in the agreement entered into between CCT Telecom and the Company on 20 November 2008, as amended by the supplemental agreement entered into between them on 23 June 2009 (the "MIS Agreement").

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(continued)*

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

The INEDs of the Company have reviewed and confirmed that:

(a) the aggregate value of the Component Manufacturing Transactions for the year ended 31 December 2011 as indicated in note (i) above did not exceed the cap amount of $650.0 million;

(b) the annual consideration of each of the Administrative Transactions for the year ended 31 December 2011 as indicated in notes (ii), (iii) and (v) above did not exceed the cap amount of $9.0 million, $2.7 million and $10.0 million, respectively;

(c) the aggregate value of the Electronic Children Products Manufacturing Transactions for the year ended 31 December 2011 as indicated in note (iv) above did not exceed the cap amount of $150.0 million;

(d) the Component Manufacturing Transactions, Electronic Children Products Manufacturing Transactions and Administrative Transactions were entered into in the usual and ordinary course of businesses of the Group;

(e) the Component Manufacturing Transactions, Electronic Children Products Manufacturing Transactions and Administrative Transactions were conducted on normal commercial terms; and

(f) the Component Manufacturing Transactions, Electronic Children Products Manufacturing Transactions and Administrative Transactions were conducted in accordance with the terms of the agreements governing such transactions, which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

SUFFICIENCY OF PUBLIC FLOAT

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

EVENT AFTER THE REPORTING PERIOD

Details of the significant event after the reporting period of the Group are set out in note 40 to the financial statements.

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 Tech International Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of CCT Tech International Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 38 to 93, 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	**1,553**	1,573
Cost of sales		**(1,506)**	(1,465)
Gross profit		**47**	108
Other income and gains		**28**	57
Selling and distribution costs		**(57)**	(49)
Administrative expenses		**(102)**	(103)
Other expenses		**(69)**	(7)
Finance costs	7	**(11)**	(8)
LOSS BEFORE TAX	6	**(164)**	(2)
Income tax expense	10	**(1)**	(3)
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	11	**(165)**	(5)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		**(HK0.25 cent)**	(HK0.01 cent)
Diluted		**(HK0.25 cent)**	(HK0.01 cent)

consolidated statement of comprehensive income

Year ended 31 December 2011

HK$ million	**2011**	2010
LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT	**(165)**	(5)

consolidated statement of financial position

31 December 2011

HK$ million	Notes	2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	14	**300**	344
Investment properties	15	**178**	178
Prepaid land lease payments	16	**66**	69
Prepayments for acquisition of property, plant and equipment		**1**	8
Goodwill	17	**22**	22
Total non-current assets		**567**	621
Current assets			
Inventories	19	**127**	92
Non-current assets held for sale	20	**—**	70
Trade receivables	21	**294**	385
Prepayments, deposits and other receivables	22	**62**	59
Time deposits with original maturity of more than three months	23	**8**	—
Pledged time deposits	23	**217**	83
Cash and cash equivalents	23	**320**	388
Total current assets		**1,028**	1,077
Total assets		**1,595**	1,698
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital	29	**654**	654
Reserves	31(a)	**(106)**	59
Total equity		**548**	713
Non-current liabilities			
Interest-bearing bank and other borrowings	26	**105**	125
Deferred tax liabilities	28	**1**	2
Total non-current liabilities		**106**	127
Current liabilities			
Trade and bills payables	24	**417**	456
Tax payable		**9**	9
Other payables and accruals	25	**147**	129
Interest-bearing bank and other borrowings	26	**368**	264
Total current liabilities		**941**	858
Total liabilities		**1,047**	985
Total equity and liabilities		**1,595**	1,698
Net current assets		**87**	219
Total assets less current liabilities		**654**	840

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

consolidated statement of changes in equity

Year ended 31 December 2011

	Attributable to owners of the parent						
HK$ million	Issued capital	Share premium account	Capital reserve	Share option reserve	Exchange fluctuation reserve	Accumulated losses	Total
At 1 January 2010	654	238	733	6	1	(914)	718
Loss for the year	—	—	—	—	—	(5)	(5)
Total comprehensive loss for the year	—	—	—	—	—	(5)	(5)
At 31 December 2010 and 1 January 2011	654	238*	733*	6*	1*	(919)*	713
Loss for the year	—	—	—	—	—	(165)	(165)
Total comprehensive loss for the year	—	—	—	—	—	(165)	(165)
At 31 December 2011	654	238*	733*	6*	1*	(1,084)*	548

* These reserve accounts comprise the consolidated deficits of HK$106 million (2010: consolidated reserves of HK$59 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 before tax		**(164)**	(2)
Adjustments for:			
Finance costs	7	**11**	8
Interest income	5	**(3)**	(2)
Depreciation	6	**47**	52
Amortisation of prepaid land lease payments	6	**2**	1
Loss on disposal of items of property, plant and equipment	6	**5**	—
Write-off of items of property, plant and equipment	6	**8**	—
Reversal of impairment of items of property, plant and equipment	6	**—**	(26)
Net (reversal of impairment)/impairment of trade receivables	6	**(7)**	7
Provision for slow-moving and obsolete inventories	6	**15**	—
		(86)	38
Increase in inventories		**(50)**	(24)
Decrease/(increase) in trade receivables		**98**	(40)
Increase in prepayments, deposits and other receivables		**(2)**	(15)
(Decrease)/increase in trade and bills payables, other payables and accruals		**(21)**	42
Cash (used in)/generated from operations		**(61)**	1
Interest received		**3**	2
Interest paid		**(11)**	(8)
Hong Kong profits tax paid		**(1)**	—
The People's Republic of China (the "PRC") tax paid		**(1)**	(1)
Net cash flows used in operating activities		**(71)**	(6)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	14	**(13)**	(48)
Proceeds from disposal of items of property, plant and equipment and non-current assets held for sale		**74**	—
Payment of land lease premiums	16	**—**	(24)
Increase in prepayments for acquisition of property, plant and equipment		**—**	(8)
Increase in pledged time deposits		**(134)**	(21)
Increase in time deposits with original maturity of more than three months		**(8)**	—
Net cash flows used in investing activities		**(81)**	(101)

HK$ million	Notes	2011	2010
Net cash flows used in investing activities		**(81)**	(101)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**115**	224
New trust receipts loans, net		**11**	59
Repayment of bank loans		**(42)**	(137)
Net cash flows from financing activities		**84**	146
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(68)**	39
Cash and cash equivalents at beginning of year		**388**	349
CASH AND CASH EQUIVALENTS AT END OF YEAR		**320**	388
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**236**	197
Non-pledged time deposits with original maturity of less than three months when acquired		**84**	191
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**320**	388

statement of financial position

31 December 2011

HK$ million	Notes	2011	2010
ASSETS			
Non-current assets			
Investments in subsidiaries	18	**542**	680
Current assets			
Prepayments, deposits and other receivables	22	**1**	10
Cash and cash equivalents	23	**4**	4
Total current assets		**5**	14
Total assets		**547**	694
EQUITY AND LIABILITIES			
Issued capital	29	**654**	654
Reserves	31(b)	**(108)**	39
Total equity		**546**	693
Current liabilities			
Other payables and accruals	25	**1**	1
Total current liabilities		**1**	1
Total liabilities		**1**	1
Total equity and liabilities		**547**	694
Net current assets		**4**	13
Total assets less current liabilities		**546**	693

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

1. CORPORATE INFORMATION

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally involved in the manufacture and sale of telecom and electronic products, accessories and components.

In the opinion of the directors, the parent of the Company is Jade Assets Company Limited, which is incorporated in the British Virgin Islands with limited liability. The ultimate holding company of the Company is CCT Telecom Holdings Limited ("CCT Telecom"), which is incorporated in the Cayman Islands and continued in Bermuda with limited liability and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. 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.

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

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 or 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.

(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.

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

(b) *(continued)*

- 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 these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

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.

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 loss. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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.

Impairment of non-financial assets

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. 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	20%

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

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Non-current assets held for sale *(continued)*

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.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction cost, except in the case of investments not 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, and trade and other receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

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

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. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other expenses for receivables.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost (continued)

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.

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.

Financial liabilities

Initial recognition and measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Initial recognition and measurement (continued)

The Group's financial liabilities include trade and other payables and interest-bearing loans and 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

- in respect of taxable temporary differences associated with investments in subsidiaries, 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.

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, and 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

Share-based payment transactions

The Company operates share option schemes 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits

Pension schemes

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

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

Borrowing costs

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

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 items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

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

Cash and cash equivalents

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

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

Revenue recognition

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

(a) the party 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

(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).

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.

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

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.

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$22 million (2010: HK$22 million). More details are given in note 17 to the financial statements.

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

Estimation uncertainty *(continued)*

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.

Estimation of fair value of investment properties

The fair value of the Group's investment properties is assessed by management based on the property valuation performed by independent qualified valuers on the basis of depreciated replacement cost. The valuation is based on an estimate of the market value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. There are no deferred tax assets relating to recognised tax losses at 31 December 2011 (2010: Nil). The amount of unrecognised tax losses at 31 December 2011 was HK$336 million (2010: HK$175 million). Further details are contained in note 28 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

Management monitors the results of the Group's operating segment separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that head office and corporate expenses are excluded from such measurement.

Segment assets exclude non-current assets held for sale, corporate and other unallocated assets as these assets are managed on a group basis.

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

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

HK$ million	Telecom and electronic products 2011	Telecom and electronic products 2010	Reconciliations 2011	Reconciliations 2010	Group total 2011	Group total 2010
Segment revenue:						
Revenue from external customers	**1,553**	1,573	**—**	—	**1,553**	1,573
Operating (loss)/profit	**(159)**	7	**—**	—	**(159)**	7
Interest income	**3**	2	**—**	—	**3**	2
Finance costs	**(11)**	(8)	**—**	—	**(11)**	(8)
Reconciled items:						
Corporate and other unallocated expenses	**—**	—	**(3)**	(3)	**(3)**	(3)
Gain on disposal of subsidiaries	**6**	—	**—**	—	**6**	—
(Loss)/profit before tax	**(161)**	1	**(3)**	(3)	**(164)**	(2)
Other segment information:						
Expenditure for non-current assets	**20**	72	**—**	—	**20**	72
Depreciation and amortisation	**(49)**	(53)	**—**	—	**(49)**	(53)
Other material non-cash items:						
Provision for slow-moving and obsolete inventories	**(15)**	—	**—**	—	**(15)**	—
Net reversal of impairment/ (impairment) of trade receivables	**7**	(7)	**—**	—	**7**	(7)
Write-off of items of property, plant and equipment	**(8)**	—	**—**	—	**(8)**	—
Loss on disposal of items of property, plant and equipment	**(5)**	—	**—**	—	**(5)**	—
Reversal of impairment of items of property, plant and equipment	**—**	26	**—**	—	**—**	26
Segment assets	**1,590**	1,614	**—**	—	**1,590**	1,614
Reconciled items:						
Non-current assets held for sale	**—**	—	**—**	70	**—**	70
Corporate and other unallocated assets	**—**	—	**5**	14	**5**	14
Total assets	**1,590**	1,614	**5**	84	**1,595**	1,698
Segment liabilities	**1,035**	973	**—**	—	**1,035**	973
Reconciled item:						
Corporate and other unallocated liabilities	**—**	—	**12**	12	**12**	12
Total liabilities	**1,035**	973	**12**	12	**1,047**	985

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

HK$ million	2011	2010
Europe	880	1,187
Asian Pacific and others	522	324
North America	151	62
	1,553	1,573

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	36	43
Mainland China	531	577
Other countries	—	1
	567	621

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

Information about major customers

For the year ended 31 December 2011, revenue from each of three major customers of the telecom and electronic products segment was HK$398 million, HK$393 million and HK$161 million, respectively, representing 26%, 25% and 10% of the Group's total revenue, respectively.

For the year ended 31 December 2010, revenue from each of three major customers of the telecom and electronic products segment was HK$604 million, HK$443 million and HK$160 million, respectively, representing 38%, 28% and 10% of the Group's total revenue, respectively.

5. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and interest income during the year.

Revenue from the following activities has been included in turnover:

	Group	
HK$ million	**2011**	2010
Manufacture and sale of telecom and electronic products	**1,550**	1,571
Bank interest income	**3**	2
	1,553	1,573

6. LOSS BEFORE TAX

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

		Group	
HK$ million	Notes	**2011**	2010
Cost of inventories sold		**1,500**	1,465
Depreciation	14	**47**	52
Amortisation of prepaid land lease payments	16	**2**	1
Minimum lease payments under operating leases in respect of land and buildings		**4**	7
Research and development costs:			
Current year expenditure		**68**	62
Auditors' remuneration		**1**	1
Employee benefit expense (excluding directors' remuneration — note 8):			
Wages and salaries		**283**	219
Pension scheme contributions***		**1**	2
		284	221
Provision for slow-moving and obsolete inventories		**15**	—
Loss on disposal of items of property, plant and equipment*		**5**	—
Write-off of items of property, plant and equipment*	14	**8**	—
Reversal of impairment of items of property, plant and equipment**	14	**—**	(26)
Net (reversal of impairment)/impairment of trade receivables	21	**(7)**	7
Gain on disposal of subsidiaries**	32	**(6)**	—
Foreign exchange differences, net		**(4)**	(1)
Gross rental income**	37(a)(ii)	**(6)**	(6)

* 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:

HK$ million	Group 2011	2010
Interest on bank loans wholly repayable within five years	**5**	3
Interest on bank loans wholly repayable beyond five years	**6**	5
Total interest expense on financial liabilities not at fair value through profit or loss	**11**	8

8. DIRECTORS' REMUNERATION

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

HK$ million	Group 2011	2010
Fees:		
Executive directors	**—**	—
Independent non-executive directors	**1**	1
	1	1
Executive directors' other emoluments:		
Salaries, allowances and benefits in kind	**5**	5
Pension scheme contributions	**—**	—
	5	5
	6	6

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	
Chow Siu Ngor	**240**
Lau Ho Kit, Ivan	**240**
Chen Li	**240**
	720
2010	
Chow Siu Ngor	240
Lau Ho Kit, Ivan	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	Pension scheme contributions	Total remuneration
2011			
Mak Shiu Tong, Clement	**3**	**—**	**3**
Tam Ngai Hung, Terry	**1**	**—**	**1**
Cheng Yuk Ching, Flora	**1**	**—**	**1**
William Donald Putt	**—**	**—**	**—**
	5	**—**	**5**

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors *(continued)*

HK$ million	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
2010			
Mak Shiu Tong, Clement	3	—	3
Tam Ngai Hung, Terry	1	—	1
Cheng Yuk Ching, Flora	1	—	1
William Donald Putt	—	—	—
	5	—	5

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	**2**	2

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

	Number of employees	
	2011	2010
Nil to HK$1,000,000	**–**	1
HK$1,000,001–HK$1,500,000	**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.

HK$ million	**2011**	2010
Group:		
Current — PRC corporate income tax		
Charge for the year	**2**	2
Deferred (note 28)	**(1)**	1
Total tax charge for the year	**1**	3

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

Group — 2011

HK$ million	**Hong Kong**	**%**	**The PRC, excluding Hong Kong**	**%**	**Total**	**%**
Loss before tax	**(82.0)**		**(82.0)**		**(164.0)**	
Tax at the statutory tax rate	**(13.5)**	**16.5**	**(20.5)**	**25.0**	**(34.0)**	**20.7**
Income not subject to tax	**(1.6)**	**2.0**	**(0.7)**	**0.9**	**(2.3)**	**1.4**
Expenses not deductible for tax	**1.3**	**(1.6)**	**2.6**	**(3.2)**	**3.9**	**(2.4)**
Tax losses not recognised	**13.4**	**(16.4)**	**19.9**	**(24.3)**	**33.3**	**(20.3)**
Tax charge at the Group's effective rate	**(0.4)**	**0.5**	**1.3**	**(1.6)**	**0.9**	**(0.6)**

Group — 2010

HK$ million	Hong Kong	%	The PRC, excluding Hong Kong	%	Total	%
Loss before tax	(16.0)		14.0		(2.0)	
Tax at the statutory tax rate	(2.6)	16.5	3.5	25.0	0.9	(45.0)
Income not subject to tax	(0.3)	1.9	(6.8)	(48.6)	(7.1)	355.0
Expenses not deductible for tax	0.5	(3.1)	1.4	10.0	1.9	(95.0)
Tax losses not recognised	4.4	(27.5)	2.8	20.0	7.2	(360.0)
Tax charge at the Group's effective rate	2.0	(12.2)	0.9	6.4	2.9	(145.0)

10. INCOME TAX EXPENSE *(continued)*

In late February 2008, CCT Telecom received a letter from the Hong Kong Inland Revenue Department (the "IRD") in respect of a review on the tax affairs of CCT Telecom and its subsidiaries, including the Group, for the past years. As at 31 December 2011, protective tax assessments in the aggregate amounts of HK$30 million, HK$45 million, HK$33 million and HK$27 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$27 million for the year of assessment 2005/2006 were issued by the IRD to certain subsidiaries of the Company. Objections have been lodged by those subsidiaries against the protective tax assessments. The directors of the Company believe that there are valid grounds to contest the protective tax assessments. In view that the tax review is still at the information gathering stage, there is still uncertainty about the outcome of the case. Up to the date of approval of these financial statements, the directors of the Company consider that adequate tax provision has been made in the financial statements.

11. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated loss attributable to owners of the parent for the year ended 31 December 2011 includes a loss of HK$147 million (2010: HK$3 million) which has been dealt with in the financial statements of the Company (note 31(b)).

12. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2011 (2010: Nil).

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

The calculation of the basic and diluted loss per share amounts for the year is based on the loss for the year attributable to ordinary equity holders of the parent of HK$165 million (2010: HK$5 million) and the weighted average number of 65,413,993,990 (2010: 65,413,993,990) ordinary shares in issue during the year.

No adjustment has been made to the basic loss 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 had an anti-dilutive effect on the basic loss per share amounts presented.

14. PROPERTY, PLANT AND EQUIPMENT

Group

HK$ million	Buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
31 December 2011							
At 1 January 2011:							
Cost	419	295	171	94	13	3	995
Accumulated depreciation and impairment	(167)	(233)	(160)	(83)	(8)	–	(651)
Net carrying amount	252	62	11	11	5	3	344
At 1 January 2011, net of accumulated depreciation and impairment	252	62	11	11	5	3	344
Additions	3	1	9	1	–	6	20
Disposal	(3)	–	(6)	–	–	–	(9)
Write-off	(8)	–	–	–	–	–	(8)
Depreciation provided during the year	(23)	(12)	(7)	(4)	(1)	–	(47)
At 31 December 2011, net of accumulated depreciation and impairment	221	51	7	8	4	9	300
At 31 December 2011:							
Cost	418	292	170	94	12	9	995
Accumulated depreciation and impairment	(197)	(241)	(163)	(86)	(8)	–	(695)
Net carrying amount	221	51	7	8	4	9	300

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

Group

HK$ million	Buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
31 December 2010							
At 1 January 2010:							
Cost	459	324	186	96	14	3	1,082
Accumulated depreciation and impairment	(166)	(256)	(171)	(86)	(11)	—	(690)
Net carrying amount	293	68	15	10	3	3	392
At 1 January 2010, net of accumulated depreciation and impairment	293	68	15	10	3	3	392
Additions	27	10	3	5	3	—	48
Reclassified as held for sale (note 20)	(59)	(11)	—	—	—	—	(70)
Reversal of impairment	16	10	—	—	—	—	26
Depreciation provided during the year	(25)	(15)	(7)	(4)	(1)	—	(52)
At 31 December 2010, net of accumulated depreciation and impairment	252	62	11	11	5	3	344
At 31 December 2010:							
Cost	419	295	171	94	13	3	995
Accumulated depreciation and impairment	(167)	(233)	(160)	(83)	(8)	—	(651)
Net carrying amount	252	62	11	11	5	3	344

At 31 December 2011, the Group's buildings with a net carrying amount of approximately HK$221 million (2010: HK$244 million) were pledged to secure certain general banking facilities granted to the Group (note26(a)(i)).

15. INVESTMENT PROPERTIES

	Group	
HK$ million	**2011**	2010
Carrying amount at 1 January and 31 December	**178**	178

The Group's investment properties are situated in the PRC and are held under medium term leases.

The Group's investment properties were revalued on 31 December 2011 by Grant Sherman Appraisal Limited, independent professionally qualified valuers, using a depreciated replacement cost approach. The investment properties are leased to an indirectly wholly-owned subsidiary of CCT Telecom under operating leases, further summary details of which are included in note 35(a) and note 37(a)(ii) to the financial statements.

At 31 December 2011, the Group's investment properties were pledged to secure certain general banking facilities granted to the Group (note 26(a)(ii)).

Further particulars of the Group's investment properties are as follows:

Location	Lot number	Use	Tenure	Attributable interest of the Group
A factory complex with a total gross floor area of approximately 67,000 square metres located at Sanhan Development District, Danshui Town, Huiyang City, Guangdong Province, PRC	0302002	Industrial	Medium term lease	100%

16. PREPAID LAND LEASE PAYMENTS

	Group	
HK$ million	**2011**	2010
Carrying amount at 1 January	**70**	47
Additions during the year	**—**	24
	70	71
Recognised during the year	**(2)**	(1)
Carrying amount at 31 December	**68**	70
Current portion included in prepayments, deposits and other receivables	**(2)**	(1)
Non-current portion	**66**	69

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

At 31 December 2011 and 2010, the Group's leasehold land was pledged as security for the general banking facilities granted to the Group (note 26(a)(iii)).

17. GOODWILL

	Group	
HK$ million	**2011**	2010
At 1 January and 31 December:		
Cost	**23**	23
Accumulated impairment	**(1)**	(1)
Net carrying amount	**22**	22

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the telecom products cash-generating unit. For the purpose of impairment testing, the recoverable amount of goodwill has been determined based on a value-in-use calculation. The value-in-use calculation uses cash flow projections based on financial budgets covering a period of five years approved by management. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget. Key assumptions include the expected growth in revenues and gross margins, timing of future capital expenditures, long term growth rates and selection of discount rates. Management prepares the financial budgets reflecting actual and prior year performance and market development expectations. Judgement is required to determine the key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections. The discount rate applied to the cash flow projections is 11.6% (2010: 12.5%).

18. INVESTMENTS IN SUBSIDIARIES

	Company	
HK$ million	**2011**	2010
Unlisted shares, at cost	**256**	256
Loans to subsidiaries	**430**	424
	686	680
Impairment*	**(144)**	—
	542	680

* An impairment was recognised for certain balances due from subsidiaries with an aggregate carrying amount of HK$144 million (2010: Nil) which are considered to be not recoverable as the subsidiaries were loss making. In the current year, impairment loss of HK$144 million (2010: Nil) was recognised.

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

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 Direct	Percentage of equity attributable to the Company Indirect	Principal activities
CCT Marketing Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	—	100	Trading of telecom products
CCT Tech (HK) Limited	Hong Kong	HK$2,600,000 Ordinary	—	100	Sourcing of telecom products, raw materials and components
CCT Tech Advanced Products Limited	Hong Kong	HK$2 Ordinary	—	100	Research and development on telecom and electronic products
Huiyang CCT Telecommunications Products Co., Ltd.*	People's Republic of China	HK$120,000,000 Registered^	—	100	Manufacture of telecom products
Dongguan Eswire Electronics Co., Ltd.*	People's Republic of China	HK$68,000,000 Registered^	—	100	Manufacture of telecom products

^ 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. INVENTORIES

HK$ million	Group 2011	2010
Raw materials	**24**	20
Work in progress	**28**	18
Finished goods	**75**	54
	127	92

20. NON-CURRENT ASSETS HELD FOR SALE

During the prior year, certain items of the Group's property, plant and equipment were reclassified as non-current assets held for sale as the carrying amount of the assets will be recovered principally through sale. The Group has recognised a reversal of impairment in the aggregate amount of approximately HK$26 million being included in "other income and gains" in the consolidated income statement for the prior year. The recoverable amount of the non-current assets held for sale, being the fair value less costs to sell, was estimated with reference to the amount of the disposal consideration. The disposal was completed during the current year.

21. TRADE RECEIVABLES

HK$ million	Group 2011	2010
Trade receivables	**296**	396
Impairment	**(2)**	(11)
	294	385

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two months, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group has certain concentration of credit risk as 21% (2010: 37%) and 85% (2010: 93%) 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 and other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

21. TRADE RECEIVABLES *(continued)*

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	**75**	**26**	131	34
31 to 60 days	**105**	**36**	126	33
61 to 90 days	**95**	**32**	114	30
Over 90 days	**19**	**6**	14	3
	294	**100**	385	100

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)	**(7)**	7
Amount written off as uncollectible	**(2)**	(3)
At 31 December	**2**	11

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$2 million (2010: HK$11 million) with a carrying amount before provision of HK$24 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	**210**	291
Past due but not impaired — within six months	**62**	65
	272	356

21. TRADE RECEIVABLES *(continued)*

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

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

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
HK$ million	**2011**	2010	**2011**	2010
Prepayments	**3**	4	**1**	2
Deposits and other receivables	**59**	55	**—**	8
	62	59	**1**	10

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.

23. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
HK$ million	**2011**	2010	**2011**	2010
Cash and bank balances	**233**	197	**1**	4
Time deposits	**312**	274	**3**	—
	545	471	**4**	4
Less: Pledged time deposits (note 26)	**(217)**	(83)	**—**	—
Time deposits with original maturity of more than three months	**(8)**	—	**—**	—
Cash and cash equivalents	**320**	388	**4**	4

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$229 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 rate. 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.

24. 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	**110**	**26**	112	25
31 to 60 days	**104**	**25**	122	27
61 to 90 days	**79**	**19**	70	15
Over 90 days	**124**	**30**	152	33
	417	**100**	456	100

Included in the trade and bills payables are trade payables of HK$40 million (2010: HK$70 million) due to Neptune Holding Limited ("Neptune") and Electronic Sales Limited ("ESL"), being wholly-owned subsidiaries of CCT Telecom, which are unsecured, interest-free and repayable within 90 days from the invoice date.

25. OTHER PAYABLES AND ACCRUALS

	Group		Company	
HK$ million	2011	2010	2011	2010
Other payables	**23**	34	**–**	–
Accruals	**124**	95	**1**	1
	147	129	**1**	1

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

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2011			2010		
	Effective interest rate (%)	**Maturity**	**HK$ million**	Effective interest rate (%)	Maturity	HK$ million
Current						
Finance lease payable (note 27)	**—**	**—**	**—**	2.70	2013	1
Bank loans — unsecured	**1.41–4.00**	**2012**	**27**	1.23–3.00	2011-2012	113
Bank loans — secured	**1.36–7.05**	**2012**	**341**	1.32–6.40	2011	150
			368			264
Non-current						
Bank loans — secured	**2.10–7.05**	**2013-2030**	**105**	2.10–6.40	2012-2030	125
			105			125
			473			389

	Group	
HK$ million	**2011**	2010
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**368**	263
In the second year	**22**	21
In the third to fifth years, inclusive	**64**	61
Beyond five years	**19**	43
	473	388
Other borrowings repayable:		
Within one year or on demand	**—**	1
	—	1
	473	389

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

Notes:

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

(i) the pledge of the Group's buildings situated in Hong Kong and the PRC, which had an aggregate carrying amount at the end of the reporting period of approximately HK$221 million (2010: HK$244 million) (note 14);

(ii) the pledge of the Group's investment properties situated in the PRC, which had an aggregate carrying amount at the end of the reporting period of approximately HK$178 million (2010: HK$178 million) (note 15);

(iii) the 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$68 million (2010: HK$46 million) (note 16); and

(iv) the pledge of certain of the Group's time deposits amounting to HK$139 million (2010: HK$12 million) (note 23).

In addition, the Company's ultimate holding company has guaranteed certain of the Group's bank borrowings up to HK$145 million (2010: HK$129 million) as at the end of the reporting period. Certain fellow subsidiaries of the Company have pledged certain of its buildings and leasehold land situated in the PRC, which had aggregate carrying amounts at the end of the reporting period of approximately HK$15 million (2010: Nil) and HK$14 million (2010: Nil), respectively, for certain bank facilities granted to the Group.

(b) 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 23).

(c) The Group's bank and other borrowings with carrying amounts of HK$123 million (2010: HK$33 million), HK$290 million (2010: HK$289 million) and HK$60 million (2010: HK$67 million) are denominated in Hong Kong dollars, United States dollars ("US$"), and RMB, respectively.

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

27. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles for business use. These leases are classified as finance leases and have remaining lease terms of two years.

At 31 December 2011, the total future minimum lease payments under finance leases and their present value 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
In the second year	–	–	–	–
Total minimum finance lease payments	–	1	–	1
Future finance charges	–	–		
Total net finance lease payables	–	1		
Portion classified as current liabilities (note 26)	–	(1)		
Non-current portion	–	–		

28. DEFERRED TAX

The movement in deferred tax liabilities during the year is as follows:

Deferred tax liabilities

Group

HK$ million	Depreciation allowance in excess of related depreciation 2011	2010
Gross deferred tax liabilities at 1 January	2	1
Deferred tax (credited)/debited to the income statement during the year (note 10)	(1)	1
Gross deferred tax liabilities at 31 December	1	2

28. DEFERRED TAX *(continued)*

The Group has tax losses arising in Hong Kong of HK$187 million (2010: HK$106 million) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$149 million (2010: HK$69 million) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

At 31 December 2011 and 2010, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China as these subsidiaries incurred losses during the four years ended 31 December 2011.

29. SHARE CAPITAL

Shares

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

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

Share options

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

30. SHARE OPTION SCHEME

The Company adopted the old share option scheme (the "Old Scheme") on 17 September 2002 and which took effect on 7 November 2002. At the of each of the Company and CCT Telecom, the ultimate holding company of the Company, held on 27 May 2011, the shareholders of the Company and CCT Telecom approved the adoption of the new share option scheme (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 of the Company (the "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 of directors (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.

30. SHARE OPTION SCHEME *(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 6,541,399,399, 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 so long as the Company 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 (and so long as the Company 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 the Company, or to any of their respective associates, are subject to the approval in advance by the INEDs of the Company (and so long as the Company 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 the Company 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 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 so long as the Company 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 (and so long as the Company 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 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.

30. SHARE OPTION SCHEME *(continued)*

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 general meetings of the Company.

The following share options were outstanding under the 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**	**Exercise period**
600,000,000	HK$0.01 per share	23/7/2009 – 6/11/2012

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

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 41 of the financial statements.

(b) Company

HK$ million	Special reserve	Share premium account	Share option reserve	Accumulated losses	Total
At 1 January 2010	(56)	238	6	(146)	42
Total comprehensive loss for the year	—	—	—	(3)	(3)
At 31 December 2010 and 1 January 2011	(56)	238	6	(149)	39
Total comprehensive loss for the year	—	—	—	(147)	(147)
At 31 December 2011	(56)	238	6	(296)	(108)

32. DISPOSAL OF SUBSIDIARIES

HK$ million	Note	**2011**
Net liabilities disposed of:		
Other payables and accruals		**(6)**
Gain on disposal of subsidiaries	6	**6**
		—

There was no significant net cash flow impact in respect of the disposal of subsidiaries.

33. 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	**734**	721

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$497 million (2010: HK$445 million).

34. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group, are included in note 26 to the financial statements.

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15 to the financial statements) under operating lease arrangements with leases negotiated for terms of three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustment according to the then prevailing market conditions.

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	**2**	2

(b) As lessee

The Group and the Company lease certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one 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	**1**	2	**–**	1
In the second to fifth years, inclusive	**1**	2	**–**	–
	2	4	**–**	1

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
HK$ million	**2011**	2010
Contracted, but not provided for:		
Building	**2**	1
Plant and machinery	**2**	8
	4	9

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

37. RELATED PARTY TRANSACTIONS

(a) In addition to those detailed elsewhere in these financial statements, the Group had the following transactions with CCT Telecom and its subsidiaries other than the Group (the "CCT Telecom Remaining Group") during the current year:

HK$ million	Notes	**2011**	2010
Fellow subsidiaries:			
Purchase of components	(i)	**202.4**	251.4
Factory rental income	(ii)	**6.0**	6.0
Office rental expenses	(iii)	**2.1**	2.6
Sale of electronic children products	(iv)	**19.8**	1.5
Ultimate holding company:			
Management information system service fee	(v)	**6.0**	6.0

Notes:

(i) The Company and CCT Telecom entered into a manufacturing agreement dated 9 November 2006, which expired on 31 December 2009. On 30 October 2009, the Company and CCT Telecom entered into a new manufacturing agreement (the "Component Manufacturing Agreement") to renew the terms and conditions set out in the Component Manufacturing Agreement, pursuant to which CCT Telecom agrees to manufacture through the CCT Telecom Remaining Group certain power supply components, transformers, plastic casings and components and tooling for the production of telecom and electronic products for the Group. The purchase prices were determined based on the direct material costs plus a mark-up of no more than 150%.

(ii) The factory rental was charged to Shine Best Developments Limited ("Shine Best"), an indirectly wholly-owned subsidiary of CCT Telecom, by CCT Enterprise Limited ("CCT Ent"), an indirectly wholly-owned subsidiary of the Company, for the provision of a factory space in Huiyang, the PRC, at a rate determined in accordance with the terms and conditions set out in a tenancy agreement entered into between Shine Best and CCT Ent on 20 November 2008.

(iii) The office rental expenses were charged to the Company, by Goldbay Investments Limited ("Goldbay"), an indirect wholly-owned subsidiary of CCT Telecom, for the provision of office space in Hong Kong, at rates determined in accordance with the terms and conditions set out in the tenancy agreements entered into between the Company and Goldbay on 20 November 2008, as amended by the supplemental agreement entered into between them on 23 June 2009.

37. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes: *(continued)*

(iv) The Company and CCT Telecom entered into a manufacturing agreement ("the Electronic Children Products Manufacturing Agreement") dated 31 August 2009, pursuant to which the Company agrees to design, develop, manufacture and supply through the Company and its subsidiaries certain electronic children products, electronic components and toolings for the CCT Telecom Remaining Group. The selling prices were determined in accordance with the terms and conditions set out in the Electronic Children Products Manufacturing Agreement.

(iv) The management information system service fee was charged to CCT Telecom by the Company for the provision of general management information system support, network and software consultation and hardware maintenance services. The rate was determined in accordance with the terms and conditions set out in the agreement entered into between CCT Telecom and the Company on 20 November 2008, as amended by the supplemental agreement entered into between them on 23 June 2009.

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

(b) Outstanding balances with related parties:

Details of Group's balances with its fellow subsidiaries at the end of the reporting period are disclosed in note 24 to the financial statements.

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

	Group	
HK$ million	**2011**	2010
Short term employee benefits	**12**	10

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

(d) The Company's ultimate holding company has guaranteed certain bank borrowings made to the Group up to HK$145 million (2010: HK$129 million) as at the end of the reporting period, as further detailed in note 26(a) to the financial statements.

(e) Certain fellow subsidiaries of the Company have pledged certain of its buildings and leasehold land situated in the PRC, which had aggregate carrying amounts at the end of the reporting period of approximately HK$15 million (2010: Nil) and HK$14 million (2010: Nil), respectively for certain bank facilities granted to the Group, as further detailed in note 26(a) to the financial statements.

38. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group and the Company as at 31 December 2011 and 2010, are loans and receivables, and financial liabilities at amortised cost, respectively.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank borrowings, 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 and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

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

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

	Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in loss before tax HK$ million**
2011		
RMB	**100**	**1**
RMB	**(100)**	**(1)**
US$	**100**	**3**
US$	**(100)**	**(3)**
2010		
RMB	100	1
RMB	(100)	(1)
US$	100	3
US$	(100)	(3)

39. 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% (2010: 3.75%) in the exchange rate between the Renminbi and the Hong Kong dollar would result in increase/(decrease) on the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) by HK$9 million (2010: HK$3 million) in 2011.

Credit risk

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

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and trade and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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

There is no significant concentration of credit risk in relation to the Group's financial assets, other than trade receivables. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

Liquidity risk

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

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

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

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

Liquidity risk *(continued)*

As at 31 December 2011

	Group				
HK$ million	**Within one year or on demand**	**In the second year**	**In the third to fifth years**	**Beyond five years**	**Total**
Trade and bills payables	**417**	**—**	**—**	**—**	**417**
Other payables and accruals	**147**	**—**	**—**	**—**	**147**
Interest-bearing bank and other borrowings	**381**	**27**	**68**	**19**	**495**
	945	**27**	**68**	**19**	**1,059**

As at 31 December 2010

	Group				
HK$ million	Within one year or on demand	In the second year	In the third to fifth years	Beyond five years	Total
Trade and bills payables	456	—	—	—	456
Other payables and accruals	129	—	—	—	129
Interest-bearing bank and other borrowings	274	26	66	45	411
	859	26	66	45	996

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

As at 31 December

	Company	
HK$ million	**2011 Within one year or on demand**	2010 Within one year or on demand
Guarantees given to banks in connection with banking facilities granted to subsidiaries (note 33)	**497**	445
Other payables and accruals	**1**	1
	498	446

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

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 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 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	**473**	389
Total borrowings	**473**	389
Total capital	**548**	713
Total capital and borrowings	**1,021**	1,102
Gearing ratio	**46.3%**	35.3%

40. EVENT AFTER THE REPORTING PERIOD

On 1 February 2012, the Company entered into an agreement (the "S&P Agreement") with CCT Telecom for the acquisition of the entire shareholding in and the shareholder's loan in Wiltec Industries Investment Limited ("WIIL") at a total consideration of approximately HK$67 million, which is to be satisfied by the promissory note issued by the Company as deferred payment of the consideration. The principal activities of WIIL and its subsidiaries are the manufacture and sale of baby and child products. The S&P Agreement and all the transactions contemplated under the S&P Agreement were approved by the independent shareholders of the Company in the special general meeting held on 26 March 2012 and the acquisition was completed thereafter. Because the acquisition of WIIL was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

41. APPROVAL OF THE FINANCIAL STATEMENTS

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

five year financial summary

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

RESULTS

	Year ended 31 December				
HK$ million	**2011**	2010	2009	2008	2007
REVENUE	**1,553**	1,573	1,446	2,758	3,343
Cost of sales	**(1,506)**	(1,465)	(1,330)	(2,781)	(3,306)
Gross profit/(loss)	**47**	108	116	(23)	37
Other income and gains	**28**	57	23	36	25
Selling and distribution costs	**(57)**	(49)	(24)	(36)	(44)
Administrative expenses	**(102)**	(103)	(111)	(149)	(153)
Other expenses	**(69)**	(7)	(18)	(8)	(40)
Finance costs, net	**(11)**	(8)	(3)	(9)	(14)
	(164)	(2)	(17)	(189)	(189)
Costs in connection with the discontinuation and restructuring, net	**—**	—	—	(126)	—
LOSS BEFORE TAX	**(164)**	(2)	(17)	(315)	(189)
Income tax expense	**(1)**	(3)	(2)	(2)	(12)
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**(165)**	(5)	(19)	(317)	(201)

ASSETS AND LIABILITIES

	As at 31 December				
HK$ million	**2011**	2010	2009	2008	2007
TOTAL ASSETS	**1,595**	1,698	1,513	1,777	2,330
TOTAL LIABILITIES	**(1,047)**	(985)	(795)	(1,042)	(1,279)
	548	713	718	735	1,051

glossary of terms

GENERAL TERMS

"AGM"	Annual general meeting
"Audit Committee"	The audit committee of the Company
"Board"	The board of Directors
"CCT Telecom"	CCT Telecom Holdings Limited, a company listed on the main board of the Stock Exchange and the ultimate holding company of the Company
"CCT Telecom Remaining Group"	CCT Telecom and its subsidiaries other than the Group
"CEO"	The chief executive officer of the Company
"Chairman"	The chairman of the Company
"CMS"	Contract manufacturing service
"Code"	The Code on Corporate Governance Practices under the Listing Rules
"Company"	CCT Tech International Limited
"Director(s)"	The director(s) of the Company
"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 CCT Telecom 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 conditionally adopted by the Company on 17 September 2002 which took effect on 7 November 2002 and the operation of which was subsequently terminated with effect from the adoption of the New Scheme
"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$0.01 each in the share capital of the Company
"Shareholder(s)"	Holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US"	The United States of America
"US$"	United States dollar(s), the lawful currency of US
"%"	Per cent.

FINANCIAL TERMS

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