CCT TECH

中建科技國際有限公司

Stock Code : 261

2012

chairman's letter

On behalf of the Board of CCT Tech International Limited, I present the interim results of the Group for the six months ended 30 June 2012.

In the first half of 2012, deteriorating global economic conditions overshadowed the Group's performance, which led to a decline of the Group's turnover by 17.2% to $610 million in the current period, as compared to $737 million in the same period last year. Despite the decline in revenue, the Group was able to turn the LBITDA (loss before interest, tax, depreciation and amortisation) of $9 million for the first half of 2011 into an EBITDA (earnings before interest, tax, depreciation and amortisation) of $3 million for the first half of 2012. Reported net loss narrowed to $29 million, a decrease of 27.5% as compared to the net loss of $40 million for the same period last year, thanks to the Group's successful restructuring and cost savings initiatives. The current period loss was largely attributable to depreciation of fixed assets. The key elements of performance in the period will be highlighted in the section headed "Review of Operations" below.

INTERIM DIVIDEND

As the Board intends to retain cash resources to finance operations and future development of the Group's business, the Board does not recommend payment of an interim dividend for the six months ended 30 June 2012 (30 June 2011: Nil).

REVIEW OF OPERATIONS

Reported turnover of the Group dropped by 17.2% to $610 million, mainly attributable to lower revenue from the ODM business and the discontinuation of the GE licensed business since the end of last year. Lower income of the ODM business is caused by the traditional fixed line phone market becoming mature and the weakness in European and Asian Pacific markets, where most of the Group's sales were generated. The decrease in revenue is, however, partly compensated by strong growth of the CMS and contribution from the acquisition of the child product business from the Company's holding company, CCT Telecom in March this year.

Against a backdrop of challenging economic environment, sales of the CMS rose to $82 million during the period, up 134.3% compared to $35 million in the previous corresponding period. This strong growth was largely driven by the CMS business gaining additional customers and broadening its product mix to include audio, video and telecom products, and mobile phone accessories. The CMS products, including the e-Books, the Audio and Stereo Mobile Headsets and the Bluetooth Cell Link Devices continued to receive strong orders during the period.

The newly acquired child product business has been successfully integrated into the Group's manufacturing operations and contributed revenue of $53 million in the first half of 2012 since acquisition. New models of baby monitors, feeding and nursery products have been launched and these new products have received favourable market response. Benefiting from the strong manufacturing capability and economy of scale of the Group, the child product business has improved its operational efficiency, although this business was affected by the sluggish retail markets in the US and Europe, caused by the complex macroeconomic issues in these regions.

In the first half of 2012, we saw weakness in most of the key markets that we sell our products, as these regions were overshadowed by the global financial and economic issues. Sales to Europe, our largest market, amounted to only $342 million, a decrease of 24.8%, led by delayed orders by customers amidst the stagnant European economy as a result of the euro debt crisis. Business in the Asian Pacific and other regions was not good either as sales declined by 23.0% to $174 million. Sales to the North American market, however, increased by 67.9%, reaching $94 million for the reporting period. Such increase was driven mainly by the contribution from the newly acquired child product business.

Several years ago, we already anticipated the traditional fixed line phone market was becoming mature gradually. We have therefore invested in the R&D of technologically advanced and innovative products and have made significant inroads in these areas. Notably, the introduction of the screen communication tablet and the Android based multimedia phone has received market accolade. During the period, to cope with the maturing residential phone market, we have reorganised our R&D team and a new Advanced Product Team has been established. The Advanced Product Team will focus on development of home-use multimedia android devices and broadband telecom products, which we believe will have huge business potential in the future. With our strong R&D capability and talented team, we believe we have a competitive edge in developing and introducing technologically advanced new products that can address consumer needs with high performance.

Rising input costs, especially, factory payroll and material costs posed major challenges during the period. However, benefiting from the timely efforts and measures to restructure and streamline operations and to control costs, the Group has been able to deliver a positive EBITDA of $3 million and to narrow the net loss to $29 million this period from $40 million in the last corresponding period. The Group's commitment to optimise efficiency and achievement has shown encouraging results to drive productivity and efficiency in order to recover the business.

OUTLOOK

Looking forward, we expect that the future is not short of challenges. The economic conditions in Europe and other Western economies will continue to be subdued. Though the European leaders have pledged to preserve the euro, there are fears that the recent Europe rescue is not enough to stem the debt crisis. The economy of the debt-stricken euro countries remains fragile. In the US, the disappointing sluggish recovery and high unemployment rate continue to dampen consumer sales. The US housing market is still depressed. It is difficult to predict when and whether the US Federal Reserve will introduce a new round of quantitative easing (QE3) to stimulate economy and whether President Obama or Mr. Romney will win the US presidential election at the end of this year. All these factors cast uncertainties on the US economic outlook. In the Mainland, the Chinese gross domestic product grew by 7.8% in the first half of 2012, its slowest rate in almost three years, due to lower export demand and slower economic activities. Amidst slowing growth, China's central bank has reduced the deposit reserve requirement ratio three times and has cut interest rate twice in order to boost economy. We believe the Chinese leaders will continue to relax liquidity in order to ensure the Chinese economy will land softly.

Against a backdrop of global economic uncertainties, we will strive to improve our performance in the second half of this year. We expect orders will increase in the second half as compared to the first half as customers start to replenish inventory. We will continue to develop and roll out advanced and innovative products which can deliver multiple functions at competitive prices. We will strive to maintain a competitive position in the phone business and to penetrate further into the emerging residential multimedia android device market.

We have established a strong foothold in the CMS market. Our effective productivity and excellent track record of product quality has achieved favourable market response. We are confident on the growth potential of our CMS business. We are committed to put in more resources in expanding such business by gaining new customers and expanding its product range and mix.

High production costs will remain a major challenge to our performance. We expect labour wages in China will increase further, due to shortage of labour. To combat rising costs, we have taken cost control as an important task of our daily routine and continuous effort will be taken to drive productivity and efficiency. We have seen benefits from these efforts and initiatives, which we believe will pave the way for recovery of our business. 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 in combating the challenging operating environment. 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, especially during the current tough and difficult business environment.

Mak Shiu Tong, Clement
Chairman

Hong Kong, 31 August 2012

financial review

HIGHLIGHTS ON FINANCIAL RESULTS

$ million	Six months ended 30 June 2012 (Unaudited)	2011 (Unaudited)	% decrease
Turnover	**610**	737	(17.2%)
EBITDA/(LBITDA)	**3**	(9)	N/A
Loss before tax	**(28)**	(39)	(28.2%)
Income tax expense	**(1)**	(1)	—
Loss for the period	**(29)**	(40)	(27.5%)

Discussion on Financial Results

For the six months ended 30 June 2012, the Group recorded a turnover of $610 million, representing a 17.2% decrease over the $737 million for the last corresponding period, owing partly to the discontinuation of the GE licensed business and partly to the lower sales of the ODM business. The decrease in turnover was partly offset by the higher income from the CMS and the contribution from the newly acquired child product business. Despite the decline in turnover, the Group was able to turn the last period's LBITDA of $9 million into this period's EBITDA of $3 million. The reported net loss of $29 million represents a decrease of 27.5% from $40 million in the first half last year, due to the positive effect of the restructuring and cost saving measures taken by the Group.

ANALYSIS BY BUSINESS SEGMENT

	Turnover Six months ended 30 June		Loss before tax Six months ended 30 June	
$ million	**2012 (Unaudited)**	2011 (Unaudited)	**2012 (Unaudited)**	2011 (Unaudited)
Telecom, electronic and child products	**610**	737	**(23)**	(34)

During the reporting period, the Group's turnover and operating results were derived from one single business segment which was the manufacture and sale of telecom, electronic and child products. There was no significant change in the Group's principal business during the period, save for the intra-group acquisition of the child product business from CCT Telecom earlier this year. This sole business segment recorded an operating loss of $23 million in the first half of 2012, amidst a significant reduction in turnover. This result already improved from the $34 million loss reported in the first half of 2011. The improvement in result was caused by the Group's successful efforts to drive productivity and efficiency and to manage costs.

ANALYSIS BY GEOGRAPHICAL SEGMENT

	Turnover Six months ended 30 June				
	2012		2011		
$ million	**Amount (Unaudited)**	**Relative %**	Amount (Unaudited)	Relative %	% increase/ (decrease)
Europe	**342**	**56.1%**	455	61.7%	(24.8%)
Asian Pacific and others	**174**	**28.5%**	226	30.7%	(23.0%)
North America	**94**	**15.4%**	56	7.6%	67.9%
Total	**610**	**100.0%**	737	100.0%	(17.2%)

European market, the largest market of the Group, contributed 56.1% of the Group's total turnover. Sales to Europe dropped by 24.8% to $342 million in the current period, affected mainly by deferred orders from European customers. Amidst the slow world economy, the Group's business in the Asian Pacific and other regions contributed only $174 million, dropped 23.0% from the $226 million in the last corresponding period. The North American market, however, rose significantly by 67.9% to $94 million, led by the contribution of the newly acquired child product business.

HIGHLIGHTS ON SIGNIFICANT MOVEMENTS OF FINANCIAL POSITION

$ million	30 June 2012 (Unaudited)	31 December 2011 (Audited)	% increase/ (decrease)
Inventories	**105**	127	(17.3%)
Trade receivables	**229**	294	(22.1%)
Pledged time deposits	**398**	217	83.4%
Cash and cash equivalents	**279**	320	(12.8%)
Trade and bills payables	**272**	417	(34.8%)
Current and non-current interest-bearing bank and other borrowings	**682**	473	44.2%
Promissory note	**68**	—	N/A
Equity attributable to owners of the parent	**519**	548	(5.3%)

Discussion on Financial Position

Inventory decreased by 17.3% for the period under review, in line with decrease in sales. The inventory turnover period of the Group for the period maintained at a healthy level of only 35.5 days (31 December 2011: 26.6 days).

Trade receivables of the Group amounted to $229 million as at 30 June 2012, a decrease of 22.1% from $294 million as at 31 December 2011, generally in line with drop in sales.

Pledged time deposits rose from $217 million at end of last year to $398 million at end of current period, due to increase in pledged RMB deposits during the period and transfer of pledged RMB deposits through acquisition of the child product business. These RMB deposits have been pledged to secure borrowings of equivalent amount of Hong Kong dollar loan facilities. Under the arrangement, the Group can benefit from any possible exchange appreciation of the RMB deposits against Hong Kong dollar whilst the Group can continue to use the funds for business purposes by drawn down the Hong Kong dollar loan facilities.

Reported cash and cash equivalents dropped by 12.8% to $279 million. This net decrease represented net cash used for operations and net repayment of working-capital bank loans in the first half this year.

The reported aggregate amount of the current and non-current interest-bearing bank and other borrowings increased to $682 million as at the end of the current period, up 44.2% compared to $473 million as the end of last year. The net increase largely represented additional Hong Kong dollar loans secured by an equivalent amount of pledged RMB deposits for hedging against RMB exposure, and therefore did not represent real increase in liabilities as these Hong Kong loans were fully secured by RMB deposits.

Trade and bills payables decreased by 34.8% to $272 million, largely reflecting reduction of purchases following reduction in sales.

Promissory note of $68 million represents the deferred payment of consideration for acquisition of the child product business from CCT Telecom plus the accrued interest as at 30 June 2012.

Equity attributable to owners of the parent declined 5.3% from $548 million as at 31 December 2011 to $519 million as at 30 June 2012 due primarily to the loss attributable to the owners of the parent in the first half of 2012.

CAPITAL STRUCTURE AND GEARING RATIO

	30 June 2012		31 December 2011	
$ million	**Amount (Unaudited)**	**Relative %**	Amount (Audited)	Relative %
Bank borrowings	**680**	**56.6%**	473	46.3%
Finance lease payable	**2**	**0.2%**	—	—
Total borrowings	**682**	**56.8%**	473	46.3%
Equity	**519**	**43.2%**	548	53.7%
Total capital employed	**1,201**	**100.0%**	1,021	100.0%

The Group's gearing ratio increased to 56.8% as at 30 June 2012 (31 December 2011: 46.3%) as a result of net increase of the bank and other borrowings during the period.

The Group's outstanding bank and other borrowings amounted to $682 million as at 30 June 2012 (31 December 2011: $473 million). As at 30 June 2012, 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 $542 million, $140 million and nil respectively (31 December 2011: $368 million, $86 million and $19 million respectively).

Out of the Group's bank and other borrowings, a total $387 million (31 December 2011: $358 million) bank loans were borrowed to finance the ordinary business of the Group and the balance of $295 million (31 December 2011: $115 million) were Hong Kong dollar loans fully secured by equivalent amount of RMB deposits for hedging against RMB exposure. There was no material effect of seasonality on the Group's borrowing requirements.

LIQUIDITY AND FINANCIAL RESOURCES

$ million	**30 June 2012 (Unaudited)**	31 December 2011 (Audited)
Current assets	**1,085**	1,028
Current liabilities	**949**	941
Current ratio	**114.3%**	109.2%

Current ratio as at 30 June 2012 maintained at a healthy level of 114.3% (31 December 2011: 109.2%). Among the total cash balance of $677 million, of which $398 million (31 December 2011: $217 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 maintains a sound financial position and has sufficient resources to finance its operations and its future expansion plan.

CAPITAL COMMITMENTS

As at 30 June 2012, capital commitment of the Group amounted to $2 million (31 December 2011: $4 million). The capital commitment will be funded partly by internal resources and partly by bank borrowings.

TREASURY MANAGEMENT

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

During the period under review, the Group's business receipts were mainly denominated in US dollar. Payments were mainly made in Hong Kong dollar, US dollar and RMB. Cash was generally placed in short-term deposits denominated in Hong Kong dollar, US dollar and RMB. As at 30 June 2012, the Group's borrowings were mainly denominated in Hong Kong dollar, US dollar and RMB and interest on the borrowings was principally determined on a floating rate basis.

The objective of the Group's treasury policies is to 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. On the 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. In order to hedge against RMB appreciation risk, we started to convert some of our surplus funds from Hong Kong dollars to RMB about 2 years ago. These 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. Despite the recent adjustments in RMB, we consider such arrangement is an effective way to hedge a substantial part of our exposure against RMB appreciation in the long run.

ACQUISITIONS AND DISPOSALS OF MATERIAL SUBSIDIARIES AND ASSOCIATES

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

SIGNIFICANT INVESTMENT

The Group did not hold any significant investment as at 30 June 2012 (31 December 2011: Nil).

PLEDGE OF ASSETS

As at 30 June 2012, certain of the Group's assets with net book value of $493 million (31 December 2011: $467 million) and time deposits of $398 million (31 December 2011: $217 million) were pledged to secure general banking facilities granted to the Group to finance operations and for hedging RMB exposure.

CONTINGENT LIABILITIES

As at 30 June 2012, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group as at 30 June 2012 was 4,355 (31 December 2011: 4,247). The Group's remuneration policy is built on the principle of equality, motivating, performance-oriented and market-competitive remuneration package to employees. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. At 30 June 2012, there were outstanding share options of approximately 600,000,000 shares (31 December 2011: 600,000,000 shares).

interim results

The Board of the Company is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2012 together with the comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2012

HK$ million	Notes	Six months ended 30 June **2012 (Unaudited)**	 2011 (Unaudited)
REVENUE	3	**610**	737
Cost of sales		**(592)**	(709)
Gross profit		**18**	28
Other income and gains		**18**	17
Selling and distribution costs		**(16)**	(24)
Administrative expenses		**(35)**	(55)
Other expenses		**(5)**	—
Finance costs		**(8)**	(5)
LOSS BEFORE TAX	4	**(28)**	(39)
Income tax expense	5	**(1)**	(1)
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		**(29)**	(40)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic		**(HK0.04 cent)**	(HK0.06 cent)
Diluted		**(HK0.04 cent)**	(HK0.06 cent)

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2012

	Six months ended 30 June	
HK$ million	**2012 (Unaudited)**	2011 (Unaudited)
LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT	**(29)**	(40)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

HK$ million	Notes	30 June 2012 (Unaudited)	31 December 2011 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**310**	300
Investment properties		**178**	178
Prepaid land lease payments		**79**	66
Prepayments for acquisition of property, plant and equipment		**—**	1
Goodwill		**25**	22
Total non-current assets		**592**	567
Current assets			
Inventories		**105**	127
Trade receivables	9	**229**	294
Prepayments, deposits and other receivables		**74**	62
Time deposits with original maturity of more than three months		**—**	8
Pledged time deposits		**398**	217
Cash and cash equivalents		**279**	320
Total current assets		**1,085**	1,028
Total assets		**1,677**	1,595
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital	11	**654**	654
Reserves		**(135)**	(106)
Total equity		**519**	548
Non-current liabilities			
Interest-bearing bank and other borrowings		**140**	105
Promissory note		**68**	—
Deferred tax liabilities		**1**	1
Total non-current liabilities		**209**	106
Current liabilities			
Trade and bills payables	10	**272**	417
Tax payable		**9**	9
Other payables and accruals		**126**	147
Interest-bearing bank and other borrowings		**542**	368
Total current liabilities		**949**	941
Total liabilities		**1,158**	1,047
Total equity and liabilities		**1,677**	1,595
Net current assets		**136**	87
Total assets less current liabilities		**728**	654

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the parent						
HK$ million	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital reserve (Unaudited)	Share option reserve (Unaudited)	Exchange fluctuation reserve (Unaudited)	Accumulated losses (Unaudited)	Total (Unaudited)
At 1 January 2012	**654**	**238**	**733**	**6**	**1**	**(1,084)**	**548**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**(29)**	**(29)**
At 30 June 2012	**654**	**238**	**733**	**6**	**1**	**(1,113)**	**519**
At 1 January 2011	654	238	733	6	1	(919)	713
Total comprehensive loss for the period	–	–	–	–	–	(40)	(40)
At 30 June 2011	654	238	733	6	1	(959)	673

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
HK$ million	**2012 (Unaudited)**	2011 (Unaudited)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**(101)**	(61)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(67)**	(131)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**127**	59
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(41)**	(133)
Cash and cash equivalents at beginning of period	**320**	388
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**279**	255
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**163**	172
Non-pledged time deposits with original maturity of less than three months when acquired	**116**	83
	279	255

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2011 (the "**2011 Annual Report**").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's 2011 Annual Report.

The following new and revised HKFRSs have been adopted by the Company with effect from 1 January 2012. The adoption of the new and revised HKFRSs does not have any significant financial effect on the interim financial statements.

HKFRS 1 Amendments	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

3. OPERATING SEGMENT INFORMATION

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

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

Segment assets exclude corporate and other unallocated assets as these assets are managed on a group basis.

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

	Telecom, electronic and child products		Reconciliations		Group total	
HK$ million	**2012 (Unaudited)**	2011 (Unaudited)	**2012 (Unaudited)**	2011 (Unaudited)	**2012 (Unaudited)**	2011 (Unaudited)
Segment revenue:						
Revenue from external customers	**610**	737	**–**	–	**610**	737
Operating loss	**(18)**	(30)	**–**	–	**(18)**	(30)
Interest income	**3**	1	**–**	–	**3**	1
Finance costs	**(8)**	(5)	**–**	–	**(8)**	(5)
Reconciled item:						
Corporate and other unallocated expenses	**–**	–	**(5)**	(5)	**(5)**	(5)
Loss before tax	**(23)**	(34)	**(5)**	(5)	**(28)**	(39)
Other segment information:						
Expenditure for non-current assets	**8**	15	**–**	–	**8**	15
Depreciation and amortisation	**(23)**	(25)	**–**	–	**(23)**	(25)
Other material non-cash item:						
Net impairment of trade receivables	**(1)**	–	**–**	–	**(1)**	–

3. OPERATING SEGMENT INFORMATION *(continued)*

HK$ million	Telecom, electronic and child products 30 June 2012 (Unaudited)	Telecom, electronic and child products 31 December 2011 (Audited)	Reconciliations 30 June 2012 (Unaudited)	Reconciliations 31 December 2011 (Audited)	Group total 30 June 2012 (Unaudited)	Group total 31 December 2011 (Audited)
Segment assets	**1,675**	1,590	**–**	–	**1,675**	1,590
Reconciled item:						
Corporate and other unallocated assets	**–**	–	**2**	5	**2**	5
Total assets	**1,675**	1,590	**2**	5	**1,677**	1,595
Segment liabilities	**1,080**	1,035	**–**	–	**1,080**	1,035
Reconciled item:						
Corporate and other unallocated liabilities	**–**	–	**78**	12	**78**	12
Total liabilities	**1,080**	1,035	**78**	12	**1,158**	1,047

Geographical information

a) *Revenue from external customers*

HK$ million	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Europe	**342**	455
Asian Pacific and others	**174**	226
North America	**94**	56
	610	737

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

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

b) Non-current assets

HK$ million	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Hong Kong	**40**	36
Mainland China	**552**	531
	592	567

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

Information about major customers

For the six months ended 30 June 2012, revenue from each of two major customers of the telecom, electronic and child products segment was HK$120 million and HK$91 million respectively, representing 20% and 15% of the Group's total revenue, respectively.

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

4. LOSS BEFORE TAX

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

	Six months ended 30 June	
HK$ million	2012 (Unaudited)	2011 (Unaudited)
Cost of inventories sold	**592**	709
Depreciation	**22**	24
Amortisation of prepaid land lease payments	**1**	1

5. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for the six months ended 30 June 2012 and 2011 as the Group had no profits chargeable to Hong Kong profits tax during that periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	Six months ended 30 June	
HK$ million	**2012 (Unaudited)**	2011 (Unaudited)
Current — Elsewhere	**1**	1
Total tax charge for the period	**1**	1

6. DIVIDENDS

The Board do not recommend payment of an interim dividend for the six months ended 30 June 2012 (30 June 2011: Nil).

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

The calculation of basic and diluted loss per share amounts for the period is based on the loss for the period attributable to ordinary equity holders of the parent of HK$29 million (30 June 2011: HK$40 million), and the weighted average number of 65,413,993,990 (30 June 2011: 65,413,993,990) ordinary shares in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the periods ended 30 June 2012 and 2011 in respect of a dilution as the impact of the outstanding share options had an anti-dilutive effect on the basic loss per share amounts presented.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired fixed assets of approximately HK$8 million (six months ended 30 June 2011: HK$15 million).

9. TRADE RECEIVABLES

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

HK$ million	30 June 2012 (Unaudited) Balance	30 June 2012 (Unaudited) Percentage	31 December 2011 (Audited) Balance	31 December 2011 (Audited) Percentage
Current to 30 days	**84**	**37**	75	26
31 to 60 days	**91**	**40**	105	36
61 to 90 days	**44**	**19**	95	32
Over 90 days	**10**	**4**	19	6
	229	**100**	294	100

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

10. TRADE AND BILLS PAYABLES

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

HK$ million	30 June 2012 (Unaudited) Balance	30 June 2012 (Unaudited) Percentage	31 December 2011 (Audited) Balance	31 December 2011 (Audited) Percentage
Current to 30 days	**76**	**28**	110	26
31 to 60 days	**82**	**30**	104	25
61 to 90 days	**54**	**20**	79	19
Over 90 days	**60**	**22**	124	30
	272	**100**	417	100

Included in the trade and bills payables are trade payables of HK$8 million (31 December 2011: HK$40 million) due to Neptune Holding Limited and Electronic Sales Limited, being wholly-owned subsidiaries of CCT Telecom, which are unsecured, interest-free and are repayable within 90 days from the invoice date.

11. SHARE CAPITAL

HK$ million	**30 June 2012 (Unaudited)**	31 December 2011 (Audited)
Authorised:		
120,000,000,000 (31 December 2011: 120,000,000,000) ordinary shares of HK$0.01 each	**1,200**	1,200
Issued and fully paid:		
65,413,993,990 (31 December 2011: 65,413,993,990) ordinary shares of HK$0.01 each	**654**	654

There were no transactions involving the Company's issued ordinary share capital during the six months ended 30 June 2012.

12. CONTINGENT LIABILITIES

As at 30 June 2012, the Group did not have any significant contingent liabilities (31 December 2011: Nil).

13. PLEDGE OF ASSETS

At 30 June 2012, the Group's interest-bearing bank borrowings were secured by:

(a) the pledge of certain 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$234 million (31 December 2011: HK$221 million);

(b) 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 (31 December 2011: HK$178 million);

(c) the pledge of certain 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$81 million (31 December 2011: HK$68 million); and

(d) the pledge of certain of the Group's time deposits amounting to approximately HK$398 million (31 December 2011: HK$217 million).

14. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 30 June 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

HK$ million	**30 June 2012 (Unaudited)**	31 December 2011 (Audited)
Within one year	**2**	2

(b) As lessee

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

At 30 June 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

HK$ million	**30 June 2012 (Unaudited)**	31 December 2011 (Audited)
Within one year	**2**	1
In the second to fifth years, inclusive	**–**	1
	2	2

15. COMMITMENTS

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

HK$ million	**30 June 2012 (Unaudited)**	31 December 2011 (Audited)
Contracted, but not provided for:		
Building	**2**	2
Plant and machinery	**–**	2
	2	4

16. RELATED PARTY TRANSACTIONS

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

		Six months ended 30 June	
HK$ million	Notes	**2012 (Unaudited)**	2011 (Unaudited)
Fellow subsidiaries:			
Purchase of components	(i)	**57**	107
Factory rental income	(ii)	**3**	3
Office rental expenses	(iii)	**1**	1
Sale of electronic child products	(iv)	**25**	4
Ultimate holding company:			
Management information system service fee	(v)	**3**	3

16. RELATED PARTY TRANSACTIONS *(continued)*

Notes:

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

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

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

(iv) On 1 February 2012, the Company entered an agreement with CCT Telecom for the acquisition of the entire interest and the shareholder's loan in Wiltec Industries Investment Limited ("**WIIL**") at a total consideration of approximately HK$67 million, which is satisfied by the promissory note issued by the Company. After completion of the above acquisition in March 2012, members of the WIIL Group have become wholly owned subsidiaries of the Company. Before the acquisition, the electronic child products were sold to fellow subsidiaries within the WIIL Group, pursuant to which the Company agrees to design, develop, manufacture and supply through the Company and its subsidiaries certain electronic child products, electronic components and toolings for the WIIL Group. The selling prices were determined in accordance with the terms and conditions set out in the electronic child products manufacturing agreement.

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

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

	Six months ended 30 June	
HK$ million	**2012 (Unaudited)**	2011 (Unaudited)
Short term employee benefits	**3**	4

17. APPROVAL OF THE INTERIM REPORT

The interim report was approved by the Board on 31 August 2012.

disclosure of interests

DIRECTORS' INTERESTS

As at 30 June 2012, the Directors and chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company:

(a) Interests and short positions in the Shares and the underlying Shares of the share options of the Company as at 30 June 2012

(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 30 June 2012.

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

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

(b) Interests and short positions in the shares and the underlying shares of an associated corporation — CCT Telecom as at 30 June 2012

Long positions in the shares of CCT Telecom:

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

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

Save as disclosed above, as at 30 June 2012, none of the Directors and chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the sections headed "Directors' Interests" above and "Share Option Schemes" below, at no time during the period for the six months ended 30 June 2012 was the Company, or any of its holding companies, subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2012, the following persons (not being the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the Shares as at 30 June 2012:

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

Notes:

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

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

Save as disclosed above, the Directors and chief executive of the Company are not aware that there is any party who, as at 30 June 2012, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

share option schemes

The Company adopted the Old Scheme on 17 September 2002, which took effect on 7 November 2002. At the AGM of each of the Company and CCT Telecom, held on 27 May 2011, the respective shareholders of the Company and CCT Telecom approved the adoption of the New Scheme and the termination of the operation of the Old Scheme. Thereafter, no further share options will be granted under the Old Scheme. However, 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 to the termination date of 27 May 2011 or otherwise as may be required in accordance with the provisions of the Old Scheme. The share options granted prior to the termination of the Old Scheme will continue to be valid and exercisable in accordance with the Old Scheme.

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

The Old Scheme

No share option was granted, exercised, cancelled or lapsed under the Old Scheme during the period for the six months ended 30 June 2012. There were 600,000,000 share options granted under the Old Scheme before 27 May 2011 and all such share options remained outstanding as at 30 June 2012. Movements, if any, of the share options granted to the Directors and the other eligible participant(s) under the Old Scheme during the period were as follows:

	Number of share options							
Name or category of the participants	Outstanding as at 1 January 2012	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 30 June 2012	Date of grant of the share options	Exercise period of the share options	Exercise price of the share options (Note)
								HK$ per Share
Executive Directors								
Cheng Yuk Ching, Flora	245,000,000	–	–	–	245,000,000	23/7/2009	23/7/2009–6/11/2012	0.01
Tam Ngai Hung, Terry	223,000,000	–	–	–	223,000,000	23/7/2009	23/7/2009–6/11/2012	0.01
William Donald Putt	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009–6/11/2012	0.01
	476,000,000	–	–	–	476,000,000			
Independent non-executive Directors								
Chow Siu Ngor	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009–6/11/2012	0.01
Lau Ho Kit, Ivan	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009–6/11/2012	0.01
Chen Li	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009–6/11/2012	0.01
	24,000,000	–	–	–	24,000,000			
Other eligible participant								
In aggregate	100,000,000	–	–	–	100,000,000	23/7/2009	23/7/2009–6/11/2012	0.01
	100,000,000	–	–	–	100,000,000			
	600,000,000	–	–	–	600,000,000			

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

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

Based on the 600,000,000 outstanding share options under the Old Scheme, the total number of Shares available for issue is 600,000,000, which represents approximately 0.92% of the total issued share capital of the Company as at 30 June 2012 and the date of this Interim Report. The exercise in full of the outstanding share options will, under the present capital structure of the Company, result in the issue of 600,000,000 additional ordinary Shares and additional share capital of HK$6,000,000.

The New Scheme

No share option has been granted, exercised, cancelled or lapsed under the New Scheme since its adoption and accordingly no share option was outstanding under the New Scheme as at 30 June 2012.

other information

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed Shares during the period for the six months ended 30 June 2012.

CORPORATE GOVERNANCE

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.

In the opinion of the Directors, the Company has complied with all the Code Provisions under (i) the Old Code throughout the period from 1 January 2012 to 31 March 2012 and (ii) the CG Code throughout the period from 1 April 2012 to 30 June 2012, except for the following deviations from the Code Provisions of the Old Code and the CG Code:

Code Provision A.2.1

The Code Provision A.2.1 provides that the roles of chairman and chief executive 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 of the Company and hence the Company has not complied with the Code Provision A.2.1 during the period from 1 January 2012 to 30 June 2012.

Mr. Mak Shiu Tong, Clement currently assumes the roles of both the Chairman and the CEO. Mr. Mak is an executive of high caliber with a wide range of skills and diversified business expertise. He 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. Furthermore, the Board believes that the combined roles of Mr. Mak enhance the communication between the Board and the management and ensure the effective execution of the Board's strategy by the management because of Mr. Mak's extensive industry experience.

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.

Up to 31 March 2012, all of the INEDs were not appointed for a specific term but their appointment was subject to retirement by rotation and re-election at least once every three years at the AGM of the Company in accordance with the bye-laws of the Company. As such, the Company deviated from Code Provision A.4.1 of the Old Code for the three months ended 31 March 2012.

On 29 March 2012, all INEDs signed letters of appointment with the Company, under which they have been appointed by the Company 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. Since then, the Company has complied with the Code Provision A.4.1 of the CG Code during the period from 1 April 2012 to 30 June 2012.

Code Provision A.4.2

The Company has not complied with the Code Provision A.4.2 which provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the bye-laws of the Company, any Director appointed to fill a casual vacancy shall hold office only until the next following AGM of the Company and shall then be eligible for re-election. The Board considers that the deviation for the Code Provision A.4.2 is not material as casual vacancy of Directors 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 (who is currently assumed by Mr. Mak Shiu Tong, Clement) shall not be subject to retirement by rotation or 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 leadership of the Board and the key management of the Group. On the other hand, the Board will ensure that the Directors save for the Chairman will rotate at least once every three years in order to comply with the Code Provision A.4.2.

Other information on the corporate governance practices of the Company has been disclosed in the corporate governance report contained in the 2011 Annual Report of the Company issued in April 2012.

Model Code for Securities Transactions by the Directors

The Company has adopted its code of conduct regarding the securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code adopted by the Company throughout the six months ended 30 June 2012.

CHANGE OF COMPANY SECRETARY

Ms. Tong Kam Yin, Winnie resigned as the company secretary of the Company on 10 May 2012. Mr. Tam Ngai Hung, Terry has been appointed to replace Ms. Tong as the company secretary of the Company with effect from 10 May 2012. Mr. Tam is an executive Director and he possesses the professional qualifications and relevant experience set out in Rule 3.28 of the Listing Rules to enable him to discharge the functions of the company secretary.

REVIEW OF INTERIM REPORT

The Group's interim report including the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2012 has been reviewed by the Audit Committee of the Company.

BOARD AND COMMITTEES OF THE BOARD

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

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

Audit Committee
Lau Ho Kit, Ivan *(Chairman)*
Chow Siu Ngor
Chen Li

Remuneration Committee
Chow Siu Ngor *(Chairman)*
Lau Ho Kit, Ivan
Chen Li
Mak Shiu Tong, Clement
Tam Ngai Hung, Terry

Nomination Committee (established on 29 March 2012)
Mak Shiu Tong, Clement *(Chairman)*
Tam Ngai Hung, Terry
Chow Siu Ngor
Lau Ho Kit, Ivan
Chen Li

Company Secretary
Tam Ngai Hung, Terry

Note: On 29 March 2012, all Directors signed letter of appointment with the Company, under which they have been appointed by the Company for a term of three years commencing from 1 April 2012.

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
"CG Code"	The Corporate Governance Code as set out in Appendix 14 to the Listing Rules, which has become effective from 1 April 2012 to replace the Old Code
"Chairman"	The chairman of the Company
"CMS"	Contract manufacturing service
"Company"	CCT Tech International Limited
"Director(s)"	The director(s) of the Company
"GE"	General Electric
"Group"	The Company and its subsidiaries
"HK" or "Hong Kong"	The Hong Kong Special Administrative Region of PRC
"HK$" or "$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"INED(s)"	Independent non-executive director(s)
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules

"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 Code"	The Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules before 1 April 2012, which has been replaced by the CG Code with effect from 1 April 2012
"Old Scheme"	The share option scheme conditionally adopted by the Company on 17 September 2002, which took effect on 7 November 2002 and the operation of which was subsequently terminated with effect from the adoption of the New Scheme
"PRC" or "China"	The People's Republic of China
"Remuneration Committee"	The remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of PRC
"R&D"	Research and development
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	The ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	The holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US"	The United States of America
"%"	Per cent.

FINANCIAL TERMS

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