CCT TECH

中建科技國際有限公司

Stock Code : 261

2012

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chairman's letter

On behalf of the Board of the Company, I present the results of the Group for the year ended 31 December 2012.

CCT Tech made significant progress in 2012 despite the Company faced continuing and in some ways unprecedented challenges. During the year, the Group discontinued the loss-making GE license business and continued its structural reform to reshape its manufacturing business. These efforts have shown results as the Group managed to achieve a positive EBITDA (earnings before interest, tax, depreciation and amortization) of approximately $38 million for the year, as opposed to a negative EBITDA of approximately $104 million for the last corresponding year. Loss attributable to owners of the parent also narrowed substantially from $165 million in 2011 to $58 million in 2012.

The Board does not propose and recommend payment of a final dividend in the year as the Group is still in a loss position and cash resources should be conserved for operations.

REVIEW OF OPERATIONS

In 2012, we continued to see weakness in our major markets, especially Europe the economy of which is seriously affected by the euro sovereign debt crisis. During the year, the Group's turnover dropped by 13.6% to $1,342 million, led by lower revenue from ODM and the discontinuation of the GE license business. Sales of the traditional fixed-line phones declined most as the market for the traditional cordless phones is mature. The decrease in revenue was partially offset by strong growth of CMS and contribution from the child product business which the Company acquired from its holding company, CCT Telecom in March 2012.

The lower demand of traditional residential phones was partially offset by growing market interest in premium and advanced products. The Designer Phone manufactured by CCT Tech was one of most eye-catching products in Europe in 2012. CCT Tech also launched other smart design phones, Android based smart cordless phone and Android based tablet with communication and other functions, which received good market accolade.

CMS performed well in 2012, as its sales rose to $220 million, up 67.9% compared to $131 million in the previous year. The key CMS products including FRS (family radio system), the e-Books and tablets continued to deliver strong growth in sales and new products including Bluetooth handset, the Bluetooth headset products and the mobile phone inductive charger received good market response. The CMS business grew by gaining new customers and diversifying its product range. Our effective productivity and excellent product quality have earned us strong reputation in the industry and enabled us to build a long-term relationship with our major CMS customers.

The child product business has been successfully integrated into the Group's manufacturing operations and contributed revenue of $159 million in 2012. This business was, however, affected by the weak economic conditions in its major markets, including US and Europe. Despite this negative factor, new customers were added, mostly in Europe and new models including baby monitor, standalone bottle warmer to complete kit set including bottle warmer, bottles, cleaning tools and water sterilizer, were introduced in 2012. It is also encouraging to see considerable improvement in the efficiency and productivity of the child product business as this business has benefited from the Group's strong production capability and economy of scale after integration.

In terms of market regions, sales to Europe, our largest market, dropped most to only $710 million, a decrease of 19.3%, led by deferred orders by customers amidst a stagnant European economy. Business in the Asian Pacific and other regions also suffered as sales declined by 23.4% to $400 million. Sales to the North American market, however, soared by 53.6%, reaching $232 million for the reporting year. Such increase was driven primarily by contribution from the child product business.

To combat the maturing residential phone market, we continued to commit to R&D activities, enhancing our product innovation and offerings, focusing on technologically advanced and innovative products. Significant inroads have been made in these areas. Notably, the introduction of the screen communication tablet and the Android based multimedia phone has received market accolade. We have also reorganised our R&D team and a new Advanced Product Team has been established in 2012. The Advanced Product Team will focus on development of home-use multimedia android devices and mobile phone accessories. We believe these new products have huge business potential.

Rising input costs, especially, factory payroll and material costs remained major challenges in 2012. To combat cost challenges, we continued to reform and restructuring our operations. We discontinued the loss-stricken US license business and continued to run off loss products. We reorganized our senior management team and streamlined various production processes to optimize efficiency. We also continued to manage costs and achieved sustainable cost savings. These efforts paid off as the Group managed to deliver a positive EBITDA of $38 million in the year, a strong turnaround compared with the negative EBITDA of $104 million in previous year.

OUTLOOK

The coming year looks like no easier. The global economy continues to face uncertainties. The US economy should continue its slow recovery, while euro sovereign debt crisis remains the biggest risk to world economy. China's economic performance will be inevitably affected by external factors, but it is expected that China's economic growth should continue to lead the developing economies while the PRC government is aiming to deliver a more steady and sustainable economic development.

We aim at a steady and sustainable annual growth in revenue in the coming years as an aggressive growth target will involve significant risk and huge investment. We will continue to capitalize our competitive edges in our businesses, balancing returns and risks, targeting for enhancing long term value rather than short term speculative gain.

We will continue our track record of strong product innovation and offerings. We will leverage our core strength — our strong R&D capability and talented team — in developing and introducing break-through products that can address consumer needs with high performance and at competitive prices. We will focus on expansion in the niche market of value-added premium products and the emerging market of residential multimedia android device and mobile phone accessories.

We plan for a stable growth of the CMS business in coming years as its base has become larger after several years of rapid growth in the past years. We will enhance our market recognition as a reliable CMS manufacturer with superior performance and excellent product quality. We will strive to gain new customers and to expand our product mix and range.

We expect rising labour and production costs will remain the major challenges to our performance. To combat cost challenges, we will continue to streamline production process and control costs. To this end, we will further reinforce our operation audit function and production costs will be critically reviewed and tightly monitored at each production process. We believe significant cost savings can be achieved through tight control of costs.

APPRECIATION

On behalf of the Board, I want to thank the directors, the management and all our employees for their strong commitment and loyal support throughout a difficult year for the Group. I also want to thank our shareholders, investors, bankers, customers and suppliers for their continued encouragement and strong support to the Group.

Mak Shiu Tong, Clement
Chairman

Hong Kong, 27 March 2013

directors and senior management

EXECUTIVE DIRECTORS

Mr. MAK Shiu Tong, Clement, aged 59, has been the Chairman, the CEO and the Executive Director since August 2002. Mr. Mak is a member of the Remuneration Committee and the chairman and a member of the Nomination Committee. 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 36 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. Mr. Mak is also the chairman, the chief executive officer and an executive director of the Company's holding company CCT Telecom, whose shares are listed on the main board of the Stock Exchange, and a director of certain subsidiaries of the Company and CCT Telecom. Mr. Mak holds a Diploma in Electrical Engineering.

Ms. CHENG Yuk Ching, Flora, aged 59, has been the Executive Director since August 2002. Ms. Cheng is also the Deputy Chairman of the Company. Ms. Cheng assists the CEO in overseeing the day-to-day management of the principal businesses of the Group. Ms. Cheng has over 33 years of experience in the electronics industry. She held senior positions in various well-known electronics companies before she joined the Company. Ms. Cheng is also an executive director of CCT Telecom whose shares are listed on the main board of the Stock Exchange, and a director of certain subsidiaries of the Company and CCT Telecom. Ms. Cheng holds a Diploma in Business Administration.

Mr. TAM Ngai Hung, Terry, aged 59, has been the Executive Director and the Group Finance Director since August 2002. He has also acted as the Company Secretary of the Company since May 2012. He is a member of the Remuneration Committee and the Nomination Committee. Mr. Tam is mainly responsible for the corporate finance, accounting and company secretarial functions of the Group. He has more than 35 years of experience in finance and accounting management and management experience in diversified businesses. He also possesses substantial knowledge in corporate finance matters, and mergers and acquisitions. He previously held a number of senior positions in several listed companies before he joined the Company. Mr. Tam is also an executive director of CCT Telecom whose shares are listed on the main board of the Stock Exchange, and a director of certain subsidiaries of the Company and CCT Telecom. 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.

Dr. William Donald PUTT, aged 75, has been the Executive Director since September 2003. Dr. Putt is responsible for overseas business development and advising the Chairman in strategic direction of the overseas business of the Group. Dr. Putt has over 40 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 is also an executive director of CCT Telecom whose shares are listed on the main board of the Stock Exchange. He 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 holds PhD in Management from the Massachusetts Institute of Technology in the US.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHOW Siu Ngor, aged 57, has been an INED of the Company since August 2002. Mr. Chow is the chairman and a member of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee. He is also an INED of CCT Telecom whose shares are listed on the main board of the Stock Exchange. He is 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. Chow is a practising solicitor in Hong Kong. He is currently a Partner with Messrs. King & Wood Mallesons. Mr. Chow graduated from The Chinese University of Hong Kong in 1981 with an Honours Degree in Social Science. He 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.

Mr. LAU Ho Kit, Ivan, aged 54, has been an INED of the Company since August 2002. Mr. Lau is the chairman and a member of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. Mr. Lau has extensive experience in accounting and financial management. He is currently a partner with Edward Lau & Co. 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. 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. CHEN Li, aged 48, has been 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. He is also an INED of CCT Telecom whose shares are listed on the main board of the Stock Exchange. 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.

SENIOR MANAGEMENT

Ms. NG Yin Fun, Elaine, aged 51, joined the Group in April 2009. Ms. Ng holds the position of Managing Director in Business Development of the Group. She is primarily responsible for leading the business development of the Group's principal businesses, supervising principal functions of the business segment, including sales and marketing, customer service, logistics activities and product planning and development. Ms. Ng has been in the consumer electronic industry for more than 23 years with extensive business development experience. Ms. Ng graduated from the University of Technology, Sydney, Australia with a Master's Degree of Engineering Management in 2000. She has also taken Business Management course in the Harvard University in the US in 2007.

Mr. CHAN Chuen Lok, Eric, aged 58, joined the Group in February 2009. Mr. Chan holds the position of Managing Director of Manufacturing Operations in the Group. He 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. Mr. Chan has more than 29 years of experience in the manufacturing industry and he has in-depth knowledge in Lean Manufacturing and Six Sigma management.

Mr. LAI Chi Keung, Francis, aged 57, has worked in the Group as Material Director since September 2009. Mr. Lai is in charge of the material sourcing and purchasing functions of the manufacturing operations of the Group. Mr. Lai has over 33 years of experience in material sourcing, purchasing and material control in the electronic and manufacturing industry. He holds a Master's Degree in Business Administration from the Columbia Southern University, Alabama, US.

SENIOR MANAGEMENT *(continued)*

Mr. HO Yiu Hong, Victor, aged 44, joined the Group in January 2000. Mr. Ho 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 is also a director of certain subsidiaries of the Company. Mr. Ho has over 22 years of experience in accounting, tax, treasury and financial management. He holds 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.

Mr. LAI Lui Bor, aged 62, joined the Group in September 1998. Mr. Lai currently holds the position of Operation Audit Director in the Group and is in charge of manufacturing & purchasing operations audit of the Group. He has more than 30 years of experience in the electronics and manufacturing industry. Mr. Lai holds a Degree in Mechanical Engineering.

financial review

HIGHLIGHTS ON FINANCIAL RESULTS

$ million	2012	2011	% increase/ (decrease)
Turnover	**1,342**	1,553	(13.6%)
EBITDA/(LBITDA)	**38**	(104)	N/A
Loss before tax	**(24)**	(164)	(85.4%)
Income tax expense	**(34)**	(1)	3,300.0%
Loss for the year	**(58)**	(165)	(64.8%)

DISCUSSION ON FINANCIAL RESULTS

The Group's turnover was $1,342 million in 2012, representing a 13.6% decrease over the $1,553 million in 2011, primarily due to the discontinuation of the GE license business and lower sales from the ODM business. This was partially offset by higher revenue from CMS and the first-year contribution from the child product business acquired from CCT Telecom. Against a backdrop of difficult operating environment, the Group was able to deliver an EBITDA of $38 million, a notable positive swing from the negative EBITDA of $104 million in 2011. During the year, income tax charges were $33 million higher than in 2011, caused by a one-time compromise settlement in relation to a Hong Kong tax review for the past years. Despite all these, the Group's reported net loss narrowed by 64.8% from HK$165 million in 2011 to $58 million in 2012, thanks to the Group's successful efforts to restructure and reform its operations.

ANALYSIS BY BUSINESS SEGMENT

	Turnover		Loss before tax	
$ million	2012	2011	2012	2011
Telecom, electronic and child products	**1,342**	1,553	**(22)**	(161)

During the year, the Group's single business segment — the manufacture and sale of telecom, electronic and child products — contributed the entire Group revenue. There was no significant change in the Group's principal business, save for the intra-group acquisition of the child product business from CCT Telecom. The Group's operating loss was $22 million as compared to an operating loss of $161 million in 2011. This notable improvement is largely attributable to the absence of the exception losses incurred in 2011 and the cost savings achieved in 2012.

ANALYSIS BY GEOGRAPHICAL SEGMENT

	Turnover				
	2012		2011		% increase/
$ million	Amount	Relative %	Amount	Relative %	(decrease)
Europe	**710**	**52.9%**	880	56.7%	(19.3%)
Asian Pacific and others	**400**	**29.8%**	522	33.6%	(23.4%)
North America	**232**	**17.3%**	151	9.7%	53.6%
Total	**1,342**	**100.0%**	1,553	100.0%	(13.6%)

European market, Group's largest market, contributed 52.9% of the Group's total turnover. Sales to Europe dropped by 19.3% to $710 million in the year, caused by deferred orders from customers as the European economy was slowly adjusted by the debt-stricken euro countries. Turnover from the Asian Pacific and other regions was only $400 million, down 23.4%, amidst a slow world economy. Sales to the North American market however, rose by 53.6% to $232 million, mainly led by contribution from the child product business.

HIGHLIGHTS ON SIGNIFICANT MOVEMENTS ON FINANCIAL POSITION

$ million	31 December 2012	31 December 2011	% increase/ (decrease)
Inventories	**88**	127	(30.7%)
Trade receivables	**306**	294	4.1%
Pledged time deposits	**186**	217	(14.3%)
Cash and cash equivalents	**263**	320	(17.8%)
Trade and bills payables	**309**	417	(25.9%)
Current and non-current interest-bearing bank and other borrowings	**479**	473	1.3%
Promissory note	**67**	–	N/A
Equity attributable to owners of the parent	**491**	548	(10.4%)

Discussion on Financial Position

Inventory decreased 30.7% in the year under review, driven by decrease in sales and improvement in inventory control. The inventory turnover period of the Group maintained at a healthy level of 30.5 days (2011: 26.6 days).

Trade receivables of the Group amounted to $306 million, a slight increase of 4.1% from $294 million as at 31 December 2011.

Pledged time deposits dropped from $217 million at 2011 balance sheet date to $186 million at end of 2012, as some of RMB hedging arrangements were unwound in order to realize some of the exchange gains. Of the pledged deposits, a total amount of $101 million (equivalent to RMB81 million) were RMB deposits which were 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.

Reported cash and cash equivalents dropped by 17.8% to $263 million as at 31 December 2012. The net decrease in cash and bank balance represented net cash used for operations.

Trade and bills payables decreased by 25.9% to $309 million, largely reflecting reduction of purchases following reduction in sales.

The aggregate amount of the current and non-current interest-bearing bank and other borrowings was $479 million, only $6 million or 1.3% higher than in 2011. The net increase represented additional working-capital bank loans, less part repayment of Hong Kong dollar loans.

Promissory note of $67 million represented the deferred payment of consideration for acquisition of the child product business as at 31 December 2012.

Equity attributable to owners of the parent at end of the year stood at $491 million, down 10.4%, due primarily to the loss attributable to the owners of the parent for 2012.

CAPITAL STRUCTURE AND GEARING RATIO

	31 December 2012		31 December 2011	
$ million	**Amount**	**Relative %**	Amount	Relative %
Bank borrowings	**477**	**49.2%**	473	46.3%
Finance lease payable	**2**	**0.2%**	–	–
Total borrowings	**479**	**49.4%**	473	46.3%
Equity	**491**	**50.6%**	548	53.7%
Total capital employed	**970**	**100.0%**	1,021	100.0%

The Group's gearing ratio increased to 49.4% as at 31 December 2012 (2011: 46.3%) as a result of net increase of the bank and other borrowings.

The Group's outstanding bank and other borrowings increased to $479 million as at 31 December 2012 (2011: $473 million). 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 $397 million, $82 million and nil respectively (2011: $368 million, $86 million and $19 million respectively).

Out of the Group's bank and other borrowings, a total $379 million (2011: $358 million) bank loans were borrowed to finance the ordinary business of the Group and the balance of $100 million (2011: $115 million) were Hong Kong dollar loans fully secured by RMB deposits for hedging against RMB appreciation exposure. There was no material effect of seasonality on the Group's borrowing requirements.

LIQUIDITY AND FINANCIAL RESOURCES

$ million	31 December 2012	31 December 2011
Current assets	**886**	1,028
Current liabilities	**824**	941
Current ratio	**107.5%**	109.2%

Current ratio maintained at a healthy level of 107.5% (2011: 109.2%). Among the total cash balance of $457 million, deposits with an aggregate amount of $186 million (2011: $217 million) were pledged for general banking facilities and for hedging RMB appreciation.

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

CAPITAL COMMITMENTS

As at 31 December 2012, capital commitment of the Group amounted to $2 million (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 financial year 2012, the Group's 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. In 2012, 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. 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, since our factory wages and overhead are paid in RMB, our production costs will rise due to the further appreciation of RMB. During the year, we continued to enter into the arrangements as described in the discussion on financial position above as a means to hedge our RMB appreciation exposure. Despite the fluctuation in RMB in 2012, we consider such arrangements can hedge part of our exposure against RMB appreciation in the long run.

ACQUISITION AND DISPOSAL OF MATERIAL SUBSIDIARIES AND ASSOCIATES

Save for the acquisition of child product business from CCT Telecom, 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 2012 (2011: Nil).

PLEDGE OF ASSETS

As at 31 December 2012, certain of the Group's assets with a net book value of $499 million (2011: $467 million) and time deposits of $186 million (2011: $217 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 2012, 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 2012 was 4,690 (2011: 4,247). 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 2012, there was no outstanding share option (2011: 600,000,000 shares).

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the senior management of the Group by band and the respective number of employees for the year ended 31 December 2012 are set out below:

	Number of employees
$0 to $1,000,000	2
$1,000,001 to $2,000,000	3
	5

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
Tam Ngai Hung, Terry

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
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Hamilton HM 12
Bermuda

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BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
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STOCK CODE
261

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 31 December 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 financial year ended 31 December 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 of the Company were not appointed for a specific term but their appointment was subject to retirement by rotation and re-election 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.

All INEDs of the Company entered into letters of appointment with the Company during 2012 for a term of three years commencing from 1 April 2012, 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 31 December 2012.

CORPORATE GOVERNANCE *(continued)*

Code Provision A.4.2

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 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 (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 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.

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 2012.

THE BOARD

Responsibilities, accountabilities and contributions

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 and policies of the Group;

— the objectives of the Group;

— monitoring the performance of the management of the Group;

THE BOARD *(continued)*

Responsibilities, accountabilities and contributions *(continued)*

- ensuring prudent and effective control measures are in place;
- material bank facilities arrangements;
- material acquisitions and disposals of assets and significant investments;
- material transactions with connected persons;
- material corporate finance transactions including placing or sale of shares or convertible bonds, corporate restructuring, take-over, including approval of the announcements and the circulars;
- reviewing and approving interim and annual financial statements, declaration of dividends;
- appointment, re-appointment of auditors and determination of their remuneration;
- reviewing and determination of the terms and remuneration of the Directors; and
- performing the corporate governance duties of the Company.

The management of the Group was delegated the authority and responsibility by the Board for day-to-day management of 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 2012, the Board held 12 meetings.

The Board members have also attended the Shareholders' meeting to answer questions from Shareholders. The Company held three Shareholders' meetings during the financial year ended 31 December 2012. The attendance of each of the Directors at the Board's meetings (either in person or by phone) and at the Shareholders' meetings is set out as follows:

	Number of Meetings Attended/Held	
Name of the Directors	**Board**	**Shareholders**
Mak Shiu Tong, Clement	12/12	3/3
Cheng Yuk Ching, Flora	12/12	3/3
Tam Ngai Hung, Terry	12/12	3/3
William Donald Putt	12/12	1/3
Chow Siu Ngor	12/12	3/3
Lau Ho Kit, Ivan	12/12	3/3
Chen Li	12/12	1/3

THE BOARD *(continued)*

Responsibilities, accountabilities and contributions *(continued)*

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 have access to relevant and timely information and, upon reasonable request, may seek independent professional advice in appropriate circumstances, at the Company's expenses. 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.

All Directors (including INEDs) entered into letters of appointment with the Company during 2012 for a term of three years commencing from 1 April 2012, subject to retirement by rotation and re-election at the AGM of the Company in accordance with the bye-laws of the Company, provide that 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 has maintained a balance of skills and experience appropriate of the requirements, promotion and development of the businesses of the Group. 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.

Directors give sufficient time and attention to the Group's affairs. The Company also requires the Directors to disclose to the Company annually and in a timely manner for any change, the number and the nature of offices held in public companies or organizations and other significant commitments with indications of the time involved.

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), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of a sufficient number of the INEDs, at least an INED with appropriate professional qualifications or accounting or related financial management expertise and the number of INEDs representing at least one-third of the Board throughout the financial year ended 31 December 2012.

None of the members of the Board has any financial, business, family or other material/relevant relationships with each other.

Directors' continuing professional development

A newly appointed Director is provided with necessary induction and information to ensure he/she has a proper understanding of the Group's operations and businesses as well as his/her responsibilities under the Listing Rules and the other applicable regulatory requirements. The Company also provides Directors with updates and briefings on the latest developments and changes regarding the Listing Rules and other applicable regulatory requirements from time to time so as to ensure compliance and enhance their awareness of good corporate governance practices. Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are requested to provide the Company with a record of the training they received.

According to the records provided by the Directors, a summary of training received by the Directors for the year ended 31 December 2012 is as follows:

	Type of Continuous Professional Development	
Name of the Directors	Receiving updates and briefings from the Company/self-study	Attending seminar(s)/ conference and/or forums organised by external parties
Mak Shiu Tong, Clement	✓	
Cheng Yuk Ching, Flora	✓	
Tam Ngai Hung, Terry	✓	✓
William Donald Putt	✓	
Chow Siu Ngor	✓	✓
Lau Ho Kit, Ivan	✓	✓
Chen Li	✓	

The training participated by the Directors in 2012 is relevant to their duties and responsibilities as directors of the Company.

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 Old Code and the CG Code are set out in the section headed "Corporate Governance" above. Mr. Mak is responsible for the leadership of the Board, corporate planning and 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.

BOARD COMMITTEES

The Board currently has three committees, namely the Remuneration Committee, the Audit Committee and the Nomination Committee, with clearly defined written terms of reference. The main roles and responsibilities of these three 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".

Remuneration Committee

The Remuneration Committee was established in 2005 with specific written terms of reference formulated in accordance with the requirements of the Listing Rules. 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) reviewing the management's remuneration proposals with reference to the Board's corporate goals and objectives; (iii) making recommendations to the Board on the remuneration package of individual Executive Directors and senior management of the Group (adopting the approach described under Code Provision B.1.2(c) of the CG Code); (iv) reviewing and making recommendations to the Board the fees payable to the INEDs of the Company; and (v) 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 2012, the Remuneration Committee held one meeting to review the remuneration policy for the Directors and senior management and review the terms of remuneration package in the letters of appointment to be entered into with the Directors and make appropriate recommendations to the Board. The attendance record of the members at meeting of the Remuneration Committee is set out as follows:

Members of the Remuneration Committee	Number of meeting attended/held
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)*

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 financial statements of the Group's interim and annual reports before submitting them to the Board for approval ; (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 judgment contained in them; (vi) reviewing the financial and internal control function (including the adequacy of resources, and the effectiveness of the financial and internal audit function); and (vii) to review the Group's accounting policies and practices and any changes of them 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.

The Audit Committee has been provided with sufficient resources to perform its duties.

During the financial year ended 31 December 2012, the Audit Committee held three meetings. The attendance record of the members at the meetings of the Audit Committee is set out as follows:

Members of the Audit Committee	Number of meeting attended/held
Lau Ho Kit, Ivan	3/3
Chow Siu Ngor	3/3
Chen Li	2/3

In 2012, the members of the Audit Committee reviewed the interim and final results of the Group, discussed the annual audit plan with the external auditors and reviewed the Group's financial and internal control systems and internal audit activities.

BOARD COMMITTEES *(continued)*

Nomination Committee

The Company has established a Nomination Committee since 29 March 2012 with specific written terms of reference in line with the Code Provisions under the CG Code. The main responsibilities of the Nomination Committee include, inter alia, (i) reviewing the structure, size and composition (including the skills and knowledge and experience) of the Board at least annually; (ii) making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (iii) identifying individuals suitably qualified to become board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (iv) assessing the independence of INEDs of the Company; and (v) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the CEO.

During 2012, the Nomination Committee consists of five members comprising three INEDs of the Company, namely Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Chen Li, and two Executive Directors, namely Mr. Mak Shiu Tong, Clement (also as chairman of the Nomination Committee) and Mr. Tam Ngai Hung, Terry.

During the financial year ended 31 December 2012, the Nomination Committee held one meeting and reviewed the structure, size and composition of the Board and assessed independence of the INEDs of the Company. The attendance record of the members at the meeting of the Nomination Committee is set out as follows:

Members of the Nomination Committee	**Number of meeting attended/held**
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

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing corporate governance duties which include (i) developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) reviewing the Company's compliance with the code and disclosure in the Corporate Governance Report.

CORPORATE GOVERNANCE FUNCTIONS *(continued)*

During the financial year ended 31 December 2012, the Board held one meeting to develop and review the Company's policy and practice on corporate governance and to perform other corporate governance duties stated in the paragraph above. The attendance record of the members of the Board at the corporate governance meeting is set out as follows:

Directors	**Number of meeting attended/held**
Mak Shiu Tong, Clement	1/1
Cheng Yuk Ching, Flora	1/1
Tam Ngai Hung, Terry	1/1
William Donald Putt	1/1
Chow Siu Ngor	1/1
Lau Ho Kit, Ivan	1/1
Chen Li	1/1

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company, Ernst & Young, for the year ended 31 December 2012 is set out as follows:

Services rendered	**Fees paid/payable**
	HK$'000
Audit services	900
Non-audit services:	
Tax compliance services	88
Total	988

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.

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.

The Company has established the internal audit department for many years and the department performs risk-based audit on the effectiveness of the internal control system of the Group. The internal audit team of the Company reports to the Chairman. The annual audit plan of the internal audit department is reviewed and approved by the Audit Committee and summary of major audit findings and control weaknesses, if any, and follow-up actions are reviewed by the Audit Committee.

COMPANY SECRETARY

Mr. Tam Ngai Hung, Terry who is the Executive Director, was appointed as the company secretary of the Company on 10 May 2012 to replace the former company secretary, Ms. Winnie Tong who has resigned. The biographical details of Mr. Tam are set out under the section headed "Directors and Senior Management".

Mr. Tam has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2012.

SHAREHOLDERS' RIGHTS

Right to convene special general meeting

Shareholders may convene a special general meeting on requisition, as provided by the Companies Act 1981 of Bermuda.

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board and all such enquiries can be addressed to the Company Secretarial Department of the Company by mail to 31/F., Fortis Tower, 77–79 Gloucester Road, Hong Kong.

Right to put forward proposals at general meetings

Pursuant to Article 103 of the Company's bye-laws, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a nomination notice signed by such Shareholder(s) individually or collectively holding not less than one-tenth of the then total paid up capital of the Company as at the date of the nomination notice carrying the right of attending and voting at the general meeting of the Company for which such nomination notice is given of his intention to propose such person(s) for election and also a written notice signed by each person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the number of candidates to be nominated by the qualified Shareholder individually or the group of qualified Shareholders collectively for election at any general meeting shall be limited to three (3), subject to the maximum number of Directors of the Company, if any, and provided that the minimum length of the period during which such written notices are given, shall be at least seven (7) days and that (if the written notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such written notices shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

INVESTOR RELATIONS

Amendments to the bye-laws of the Company, which deal with the right of Shareholders to propose a person for election as a Director, were approved by the Shareholders at the 2012 AGM held on 24 May 2012. An updated version of the Memorandum of Association and bye-laws of the Company is available on the websites of the Company and the Stock Exchange.

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 2012.

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, electronic and child products. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The Group's loss for the year ended 31 December 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 40 to 95.

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 96. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

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 32 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2012, 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 HK$238 million, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totally HK$144,000 (2011: HK$1,492,000).

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	
	2012	2011	**2012**	2011
Largest customer	**22%**	26%		
Five largest customers in aggregate	**61%**	79%		
Largest supplier			**11%**	13%
Five largest suppliers in aggregate			**28%**	38%

CCT Telecom, a controlling shareholder of the Company, had beneficial interests in one (2011: 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, Mr. Lau Ho Kit, Ivan and Mr. Chen Li 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. During 2012, all Directors (including the INEDs) entered into a letter of appointment 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.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on page 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 in 2011, 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 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.

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);

SHARE OPTION SCHEMES *(continued)*

(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 2012, there was no share option outstanding under the Old Scheme and the New Scheme. No share option has been granted, exercised or cancelled under the Old Scheme during the year, but 600,000,000 share options granted under the Old Scheme were lapsed on 7 November 2012. No share option has been granted, exercised, cancelled or has lapsed under 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 2012**	**Granted during the year**	**Exercised during the year**	**Cancelled/ Lapsed during the year**	**Outstanding as at 31 December 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 was 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 abovementioned share options as quoted in the Stock Exchange's daily quotation sheet was HK$0.011.

As at 31 December 2012 and the date of this Annual Report, there was no share option outstanding under the Old Scheme.

DIRECTORS' INTERESTS

As at 31 December 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 as at 31 December 2012

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 2012.

DIRECTORS' INTERESTS *(continued)*

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the two years ended 31 December 2012, 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 subsidiaries of CCT Telecom, other than the Group.

		Year ended 31 December	
HK$ million	Notes	**2012**	2011
Fellow subsidiaries:			
Continuing connected transactions:			
Purchase of components	(i)	**144.8**	202.4
Factory rental income	(ii)	**6.0**	6.0
Office rental expenses	(iii)	**1.3**	2.1
Sale of electronic children products	(iv)	**18.5**	19.8
Ultimate holding company:			
Continuing connected transaction:			
Management information system service fee	(v)	**6.0**	6.0
Connected transaction:			
Acquisition of subsidiary	(vi)	**67.0**	–

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, under which CCT Telecom agreed to manufacture through CCT Telecom and/or its subsidiaries, excluding the Group (the "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, China, 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 30 September 2011.

(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 30 September 2011 (the "Hong Kong Tenancy Agreements").

(iv) The Company and CCT Telecom entered into a manufacturing agreement ("the Electronic Children Products Manufacturing Agreement") dated 30 September 2011, under which the Company agreed to design, develop, manufacture and supply through the Company and/or 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. These transactions no longer constitute continuing connected transactions for the Company after the child product business was transferred to the Company pursuant to the agreement dated 1 February 2012, details of which are set out in note (vi) below.

(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 30 September 2011 (the "MIS Agreement").

(vi) On 1 February 2012, the Company entered an agreement with CCT Telecom for the acquisition of the entire shareholding interest and the shareholder's loan in Wiltec Industries Investment Limited ("WIIL") at a total consideration of approximately HK$67 million, which was satisfied by the promissory note ("Note") issued by the Company to CCT Telecom. The Note has a term of five years from the date of issue and carries interest at 3% per annum payable annually. WIIL and its subsidiaries (the "WIIL Group") is engaged in the manufacture and sale of child products. The purpose of the transaction is for the Company to acquire the entire interest in WIIL from CCT Telecom in order for the Group to expand and diversify into the child product business. After completion of the above acquisition at the end of March 2012, members of the WIIL Group have become wholly owned subsidiaries of the Company and the transactions set out in note (iv) above no longer constitute continuing connected transactions for the Company.

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 2012 as indicated in note (i) above did not exceed the cap amount of HK$850.0 million;

(b) the annual consideration of each of the Administrative Transactions for the year ended 31 December 2012 as indicated in notes (ii), (iii) and (v) above did not exceed the cap amount of HK$6 million, HK$1.4 million and HK$10.0 million, respectively;

(c) the aggregate value of the Electronic Children Products Manufacturing Transactions for the year ended 31 December 2012 as indicated in note (iv) above did not exceed the cap amount of HK$280.0 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 Hong Kong Stock Exchange.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND CORPORATE GOVERNANCE CODE

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 31 December 2012, except for the deviations from Code Provisions A.2.1, A.4.1 and A.4.2 of the Old Code and the CG Code. 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.

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

Mr. Chow Siu Ngor was appointed as an INED of CCT Telecom (a company listed on the main board of the Stock Exchange and the ultimate holding company of the Company) on 8 March 2013.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

The financial statements for the year ended 31 December 2012 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
27 March 2013

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 40 to 95, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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.

To the shareholders of CCT Tech International Limited
(Incorporated in Bermuda with limited liability)

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 2012, 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
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
27 March 2013

consolidated income statement

Year ended 31 December 2012

HK$ million	Notes	2012	2011
REVENUE	5	**1,342**	1,553
Cost of sales		**(1,297)**	(1,506)
Gross profit		**45**	47
Other income and gains		**43**	28
Selling and distribution expenses		**(32)**	(57)
Administrative expenses		**(59)**	(102)
Other expenses		**(4)**	(69)
Finance costs	7	**(17)**	(11)
LOSS BEFORE TAX	6	**(24)**	(164)
Income tax expense	10	**(34)**	(1)
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	11	**(58)**	(165)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		**(HK0.09 cent)**	(HK0.25 cent)
Diluted		**(HK0.09 cent)**	(HK0.25 cent)

consolidated statement of comprehensive income

Year ended 31 December 2012

HK$ million	2012	2011
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**(58)**	(165)
Other comprehensive income		
Exchange differences on translation of foreign operations	**1**	–
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT	**(57)**	(165)

consolidated statement of financial position

31 December 2012

HK$ million	Notes	2012	2011
ASSETS			
Non-current assets			
Property, plant and equipment	14	**306**	300
Investment properties	15	**178**	178
Prepaid land lease payments	16	**78**	66
Prepayments for acquisition of property, plant and equipment		**–**	1
Goodwill	17	**22**	22
Total non-current assets		**584**	567
Current assets			
Inventories	19	**88**	127
Trade receivables	20	**306**	294
Prepayments, deposits and other receivables	21	**35**	62
Time deposits with original maturity of more than three months	22	**8**	8
Pledged time deposits	22	**186**	217
Cash and cash equivalents	22	**263**	320
Total current assets		**886**	1,028
Total assets		**1,470**	1,595
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital	28	**654**	654
Reserves	32(a)	**(163)**	(106)
Total equity		**491**	548
Non-current liabilities			
Interest-bearing bank and other borrowings	25	**82**	105
Deferred tax liabilities	27	**6**	1
Promissory note	30	**67**	–
Total non-current liabilities		**155**	106
Current liabilities			
Trade and bills payables	23	**309**	417
Tax payable		**3**	9
Other payables and accruals	24	**115**	147
Interest-bearing bank and other borrowings	25	**397**	368
Total current liabilities		**824**	941
Total liabilities		**979**	1,047
Total equity and liabilities		**1,470**	1,595
Net current assets		**62**	87
Total assets less current liabilities		**646**	654

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

consolidated statement of changes in equity

Year ended 31 December 2012

	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 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 and 1 January 2012	654	238*	733*	6*	1*	(1,084)*	548
Loss for the year	–	–	–	–	–	(58)	(58)
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	–	–	–	–	1	–	1
Total comprehensive loss for the year	–	–	–	–	1	(58)	(57)
Transfer of share option reserve upon expiry of share options	–	–	–	(6)	–	6	–
At 31 December 2012	654	238*	733*	–*	2*	(1,136)*	491

* These reserve accounts comprise the consolidated deficits of HK$163 million (2011: HK$106 million) in the consolidated statement of financial position.

consolidated statement of cash flows

Year ended 31 December 2012

HK$ million	Notes	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(24)**	(164)
Adjustments for:			
Finance costs	7	**17**	11
Interest income	5	**(5)**	(3)
Depreciation	6	**43**	47
Amortisation of prepaid land lease payments	6	**2**	2
(Gain)/loss on disposal of items of property, plant and equipment	6	**(8)**	5
Write-off of items of property, plant and equipment	6	**–**	8
Reversal of impairment of trade receivables, net	6	**–**	(7)
Provision for slow-moving and obsolete inventories	6	**9**	15
Gain on bargain purchase	6	**(10)**	–
		24	(86)
Decrease/(increase) in inventories		**36**	(50)
Decrease in trade receivables		**17**	98
Decrease/(increase) in prepayments, deposits and other receivables		**5**	(2)
Decrease in trade and bills payables, other payables and accruals		**(186)**	(21)
Cash used in operations		**(104)**	(61)
Interest received		**5**	3
Interest paid		**(15)**	(11)
Hong Kong profits tax paid		**(6)**	(1)
Mainland China tax paid		**–**	(1)
Net cash flows used in operating activities		**(120)**	(71)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary	31	**20**	–
Purchases of items of property, plant and equipment		**(7)**	(13)
Proceeds from disposal of items of property, plant and equipment and non-current assets held for sale		**11**	74
Decrease/(increase) in pledged time deposits		**114**	(134)
Increase in time deposits with original maturity of more than three months		**–**	(8)
Net cash flows from/(used in) investing activities		**138**	(81)

HK$ million	Note	2012	2011
Net cash flows from/(used in) investing activities		**138**	(81)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**140**	115
New trust receipts loans, net		**18**	11
Repayment of bank loans		**(234)**	(42)
Net cash flows (used in)/from financing activities		**(76)**	84
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(58)**	(68)
Cash and cash equivalents at beginning of year		**320**	388
Effect of foreign exchange rate changes, net		**1**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		**263**	320
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**168**	233
Non-pledged time deposits with original maturity of less than three months when acquired		**95**	87
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**263**	320

statement of financial position

31 December 2012

HK$ million	Notes	2012	2011
ASSETS			
Non-current assets			
Investments in subsidiaries	18	**557**	542
Current assets			
Prepayments, deposits and other receivables	21	**1**	1
Cash and cash equivalents	22	**3**	4
Total current assets		**4**	5
Total assets		**561**	547
EQUITY AND LIABILITIES			
Issued capital	28	**654**	654
Reserves	32(b)	**(163)**	(108)
Total equity		**491**	546
Non-current liabilities			
Promissory note	30	**67**	–
Total non-current liabilities		**67**	–
Current liabilities			
Other payables and accruals	24	**3**	1
Total current liabilities		**3**	1
Total liabilities		**70**	1
Total equity and liabilities		**561**	547
Net current assets		**1**	4
Total assets less current liabilities		**558**	546

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, electronic and child products.

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 ("HKICPA"), 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. 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 2012. 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 revised HKFRSs for the first time for the current year's 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*
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*

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

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 — Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] 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 to measure 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-related 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 previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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 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 has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation 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, 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 an 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. 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:

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

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

Investment properties

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases but are depreciated over their estimated useful lives.

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.

Financial assets

The Group’s financial assets include trade and other receivables, deposits, time deposits with original maturity of more than three months, pledged time deposits and cash and cash equivalents.

The Group classifies its financial assets into loan and receivables at inception based on the purpose for which the assets were acquired. Purchases and sales of the financial assets are recognised using trade date accounting.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less impairment allowances.

The Company recognises losses for impaired loans promptly where there is objective evidence that impairment of a loan or a portfolio of loans has occurred. Impairment allowances are assessed either individually for individually significant loans or collectively for loan portfolios with similar credit risk characteristics including those individually assessed balances for which no impairment provision is made on an individual basis.

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 write-off is later recovered, the recovery is credited to other income and gains.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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 and, in the case of loans and borrowings, net of directly attributable transaction costs.

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

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

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.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

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

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

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

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

- when the deferred tax liability arises from 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, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

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

Share-based payments

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 payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model, further details of which are given in note 29 to the financial statements.

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 payments, 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 prevailing 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. Differences arising on settlement or translation of monetary items are recognised in 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 translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the 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 prevailing 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 with original maturity of three months or less, 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 over 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 their accompanying disclosures, and the disclosure of contingent liabilities. 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. 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. 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 an open market, existing use basis.

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 2012 (2011: Nil). The amount of unrecognised tax losses at 31 December 2012 was HK$380 million (2011: HK$336 million). Further details are contained in note 27 to the financial statements.

4. OPERATING SEGMENT INFORMATION

The Group has only one reportable operating segment which is the manufacture and sale of telecom, electronic and child products.

No operating segments have been aggregated to form the above reportable operating segment.

Geographical information

(a) *Revenue from external customers*

	Group	
HK$ million	**2012**	2011
Europe	**710**	880
Asian Pacific and others	**400**	522
North America	**232**	151
	1,342	1,553

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

(b) *Non-current assets*

	Group	
HK$ million	**2012**	2011
Hong Kong	**35**	36
Mainland China	**549**	531
	584	567

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

Information about major customers

For the year ended 31 December 2012, revenue from each of two major customers was HK$298 million and HK$185 million, respectively, representing 22% and 14% of the Group's total revenue, respectively.

For the year ended 31 December 2011, revenue from each of three major customers was HK$398 million, HK$393 million and HK$161 million, respectively, representing 26%, 25% 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	2012	2011
Manufacture and sale of telecom, electronic and child products	1,337	1,550
Bank interest income	5	3
	1,342	1,553

6. LOSS BEFORE TAX

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

		Group	
HK$ million	Notes	2012	2011
Cost of inventories sold		1,288	1,500
Depreciation	14	43	47
Amortisation of prepaid land lease payments	16	2	2
Minimum lease payments under operating leases in respect of land and buildings		3	4
Gain on bargain purchase**	31	(10)	–
Research and development costs:			
Current year expenditure		38	68
Auditors' remuneration		1	1
Employee benefit expense (excluding directors' and chief executive's remuneration — note 8):			
Wages and salaries		258	283
Pension scheme contributions***		1	1
		259	284

6. LOSS BEFORE TAX *(continued)*

HK$ million	Notes	Group 2012	Group 2011
Provision for slow-moving and obsolete inventories		**9**	15
(Gain)/loss on disposal of items of property, plant and equipment**		**(8)**	5
Write-off of items of property, plant and equipment*	14	**–**	8
Reversal of impairment of trade receivables, net	20	**–**	(7)
Gain on disposal of subsidiaries**	33	**–**	(6)
Foreign exchange differences, net		**3**	(4)
Gross rental income**	38(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 2012	Group 2011
Interest on bank loans wholly repayable within five years	**15**	5
Interest on bank loans wholly repayable beyond five years	**–**	6
Interest on promissory note	**2**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**17**	11

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's 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:

	Group	
HK$ million	**2012**	2011
Fees:		
Executive directors and chief executive	**–**	–
Independent non-executive directors	**1**	1
	1	1
Executive directors' and chief executive's other emoluments:		
Salaries, allowances and benefits in kind	**5**	5
Pension scheme contributions	**–**	–
	5	5
	6	6

(a) Independent non-executive directors

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

	Fees
	HK$'000
2012	
Chow Siu Ngor	**240**
Lau Ho Kit, Ivan	**240**
Chen Li	**240**
	720
2011	
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 (2011: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors and chief executive

HK$ million	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
2012			
Mak Shiu Tong, Clement ("Mr. Mak") — chief executive	**3**	**–**	**3**
Tam Ngai Hung, Terry	**1**	**–**	**1**
Cheng Yuk Ching, Flora	**1**	**–**	**1**
William Donald Putt	**–**	**–**	**–**
	5	**–**	**5**
2011			
Mak Shiu Tong, Clement — chief executive	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 or the chief executive waived or agreed to waive any remuneration during the year (2011: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2011: three) directors (one (2011: one) of them is also the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2011: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Group	
HK$ million	**2012**	2011
Salaries, allowances and benefits in kind	**3**	2

9. FIVE HIGHEST PAID EMPLOYEES *(continued)*

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

	Number of employees	
	2012	2011
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**1**	–
	2	2

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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	**2012**	2011
Group:		
Current — Hong Kong profits tax		
Underprovision in prior years	**43**	–
Current — Corporate income tax in the Mainland China		
Charge for the year	**–**	2
Overprovision in prior years	**(9)**	–
Deferred (note 27)	**–**	(1)
Total tax charge for the year	**34**	1

10. INCOME TAX EXPENSE *(continued)*

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 — 2012

HK$ million	Hong Kong	%	Mainland China	%	Total	%
Loss before tax	(6.8)		(17.4)		(24.2)	
Tax at the statutory tax rate	(1.1)	16.5	(4.4)	25.0	(5.5)	22.7
Income not subject to tax	(0.6)	8.8	(2.8)	16.1	(3.4)	14.0
Expenses not deductible for tax	1.1	(16.2)	1.2	(6.9)	2.3	(9.5)
Tax losses not recognised	0.7	(10.4)	6.6	(37.9)	7.3	(30.2)
Adjustments in respect of current tax of previous periods	42.9	(631.0)	(9.6)	55.4	33.3	(137.5)
Tax charge/(credit) at the Group's effective rate	43.0	(632.3)	(9.0)	51.7	34.0	(140.5)

Group — 2011

HK$ million	Hong Kong	%	Mainland China	%	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/(credit) at the Group's effective rate	(0.4)	0.5	1.3	(1.6)	0.9	(0.6)

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 2012, protective tax assessments in the aggregate amount of HK$162 million for the years of assessment 2001/2002 to 2005/2006 were issued by the IRD to certain subsidiaries of the Company.

10. INCOME TAX EXPENSE *(continued)*

It is of the directors' opinion that the Hong Kong Profits Tax returns previously submitted by the subsidiaries of CCT Telecom and the Company were properly and adequately prepared and the amount of profits tax paid to the IRD was commensurate with their functionalities and activities performed in Hong Kong. However, for the sake of avoiding the prolonged dispute with the IRD and the potential costs of legal proceeding which are not conducive to the future development of CCT Telecom and the Company, the directors decided to take and have taken a compromise settlement approach other than resorting to legal action to resolve the dispute with the IRD. The directors believe that this is in the best interest of CCT Telecom and the Company.

In September 2012, subsequent to the negotiations with the IRD, a proposal for settlement was reached with the IRD at a sum of HK$43 million as a full and final settlement of the whole case for the years of assessment 2001/2002 to 2010/2011. This amount has been charged to the consolidated income statement for the year ended 31 December 2012. In January 2013, subsequent to the end of the reporting period, final assessments for the whole case for the years of assessment 2001/2002 to 2010/2011 at a sum of HK$43 million were issued by the IRD, which was settled in February 2013 by the tax reserve certificates in aggregate of HK$43 million purchased by the Group in the past few years up to 31 December 2012. The tax reserve certificates were used to offset with the tax settlement payable in the consolidated statement of financial position of the Company as at 31 December 2012.

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 2012 includes a loss of HK$5 million (2011: HK$3 million) which has been dealt with in the financial statements of the Company (note 32(b)).

12. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2012 (2011: 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$58 million (2011: HK$165 million) and the weighted average number of 65,413,993,990 (2011: 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 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.

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 2012							
At 1 January 2012:							
Cost	418	292	170	94	12	9	995
Accumulated depreciation	(197)	(241)	(163)	(86)	(8)	–	(695)
Net carrying amount	221	51	7	8	4	9	300
At 1 January 2012, net of accumulated depreciation	221	51	7	8	4	9	300
Additions	6	–	1	1	–	–	8
Acquisition of a subsidiary (note 31)	33	5	2	1	3	–	44
Disposal	(2)	–	–	(1)	–	–	(3)
Transfer	6	–	–	–	–	(6)	–
Depreciation provided during the year	(23)	(13)	(3)	(2)	(2)	–	(43)
At 31 December 2012, net of accumulated depreciation	241	43	7	7	5	3	306
At 31 December 2012:							
Cost	457	241	160	93	14	3	968
Accumulated depreciation	(216)	(198)	(153)	(86)	(9)	–	(662)
Net carrying amount	241	43	7	7	5	3	306

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 2011							
At 1 January 2011:							
Cost	419	295	171	94	13	3	995
Accumulated depreciation	(167)	(233)	(160)	(83)	(8)	–	(651)
Net carrying amount	252	62	11	11	5	3	344
At 1 January 2011, net of accumulated depreciation	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	221	51	7	8	4	9	300
At 31 December 2011:							
Cost	418	292	170	94	12	9	995
Accumulated depreciation	(197)	(241)	(163)	(86)	(8)	–	(695)
Net carrying amount	221	51	7	8	4	9	300

The net carrying amounts of the Group's fixed assets held under finance leases included in the total amounts of motor vehicles at 31 December 2012 amounted to HK$3 million (2011: Nil).

At 31 December 2012, the Group's buildings with a net carrying amount of approximately HK$241 million (2011: HK$221 million) were pledged to secure certain general banking facilities granted to the Group (note 25(a)(i)).

15. INVESTMENT PROPERTIES

	Group	
HK$ million	**2012**	2011
Carrying amount at 1 January and 31 December	**178**	178

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

The Group's investment properties were revalued on 31 December 2012 by Grant Sherman Appraisal Limited, independent professionally qualified valuers, on an open market, existing use basis. 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 36(a) and note 38(a)(ii) to the financial statements.

At 31 December 2012, the Group's investment properties were pledged to secure certain general banking facilities granted to the Group (note 25(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, Mainland China	0302002	Industrial	Medium term lease	100%

16. PREPAID LAND LEASE PAYMENTS

HK$ million	Group 2012	2011
Carrying amount at 1 January	**68**	70
Acquisition of a subsidiary (note 31)	**14**	–
	82	70
Recognised during the year	**(2)**	(2)
Carrying amount at 31 December	**80**	68
Current portion included in prepayments, deposits and other receivables	**(2)**	(2)
Non-current portion	**78**	66

The leasehold land is held under a medium term lease and is situated in Mainland China.

At 31 December 2012 and 2011, the Group's leasehold land was pledged as security for the general banking facilities granted to the Group (note 25(a)(iii)).

17. GOODWILL

HK$ million	Group 2012	2011
At 1 January and 31 December:		
Cost	**23**	23
Accumulated impairment	**(1)**	(1)
Net carrying amount	**22**	22

17. GOODWILL *(continued)*

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 was 11.5% (2011: 11.6%) and cash flows beyond five-year period were extrapolated using a growth rate of 3.0% (2011: 3.0%) which did not exceed the long term average growth rate of the manufacturing industry.

18. INVESTMENTS IN SUBSIDIARIES

	Company	
HK$ million	**2012**	2011
Unlisted shares, at cost	**256**	256
Loans to subsidiaries	**495**	430
	751	686
Impairment*	**(194)**	(144)
	557	542

* An impairment was recognised for balances due from subsidiaries with an aggregate carrying amount of HK$194 million (2011: HK$144 million). In the current year, an additional impairment loss of HK$50 million (2011: HK$144 million) 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.

18. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
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
Wiltec Industries (HK) Limited*	British Virgin Islands/ Hong Kong	US$2 Ordinary	–	100	Sale of child products
Huiyang CCT Telecommunications Products Co., Ltd.*	PRC/ Mainland China	HK$120,000,000 Registered^	–	100	Manufacture of telecom products

^ Registered as wholly-foreign-owned enterprises under the People's Republic of China (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

	Group	
HK$ million	**2012**	2011
Raw materials	**17**	24
Work in progress	**16**	28
Finished goods	**55**	75
	88	127

20. TRADE RECEIVABLES

HK$ million	Group 2012	2011
Trade receivables	**307**	296
Impairment	**(1)**	(2)
	306	294

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 36% (2011: 21%) and 78% (2011: 85%) 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.

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			
	2012		2011	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**95**	**31**	75	26
31 to 60 days	**84**	**27**	105	36
61 to 90 days	**76**	**25**	95	32
Over 90 days	**51**	**17**	19	6
	306	**100**	294	100

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

HK$ million	Group 2012	2011
At 1 January	**2**	11
Net reversal of impairment losses recognised (note 6)	**–**	(7)
Amount written off as uncollectible	**(1)**	(2)
At 31 December	**1**	2

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$1 million (2011: HK$2 million) with a carrying amount before provision of HK$7 million (2011: HK$24 million). Management considered only a portion of the impaired trade receivables is expected to be recovered.

20. TRADE RECEIVABLES *(continued)*

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

	Group	
HK$ million	**2012**	2011
Neither past due nor impaired	**266**	210
Past due but not impaired — within 6 months	**34**	62
	300	272

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.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
HK$ million	**2012**	2011	**2012**	2011
Prepayments	**4**	3	**1**	1
Deposits and other receivables	**31**	59	**–**	–
	35	62	**1**	1

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.

Included in the other receivables is a receivable of HK$11 million (2011: Nil) due from Neptune Holding Limited ("Neptune"), being a wholly-owned subsidiary of CCT Telecom, which is unsecured, interest-free and has no fixed terms of repayment.

22. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
HK$ million	**2012**	2011	**2012**	2011
Cash and bank balances	**168**	233	**3**	1
Time deposits	**289**	312	**–**	3
	457	545	**3**	4
Less: Pledged time deposits (note 25)	**(186)**	(217)	**–**	–
Time deposits with original maturity of more than three months	**(8)**	(8)	**–**	–
Cash and cash equivalents	**263**	320	**3**	4

22. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS *(continued)*

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$189 million (2011: HK$229 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.

23. 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			
	2012		2011	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**94**	**31**	110	26
31 to 60 days	**72**	**23**	104	25
61 to 90 days	**63**	**20**	79	19
Over 90 days	**80**	**26**	124	30
	309	**100**	417	100

Included in the trade and bills payables are trade payables of HK$9 million (2011: HK$40 million) due to Neptune and Electronic Sales Limited, being wholly-owned subsidiaries of CCT Telecom, which are unsecured, interest-free and repayable within 90 days from the invoice date.

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
HK$ million	**2012**	2011	**2012**	2011
Other payables	**30**	23	**–**	–
Accruals	**85**	124	**3**	1
	115	147	**3**	1

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

Included in the accruals are interest payables of promissory note (note 30) of HK$2 million (2011: Nil) due to CCT Telecom, which are unsecured, interest-free and repayable within the first 5 business days from the end of the reporting period.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2012			2011		
	Effective interest rate (%)	Maturity	HK$ million	Effective interest rate (%)	Maturity	HK$ million
Current						
Finance lease payables (note 26)	4.83–5.25	2013	1	–	–	–
Bank loans — unsecured	–	–	–	1.41–4.00	2012	27
Bank loans — secured	1.71–7.05	2013	396	1.36–7.05	2012	341
			397			368
Non-current						
Finance lease payables (note 26)	4.83	2014–2015	1	–	–	–
Bank loans — secured	2.31–7.05	2014–2017	81	2.10–7.05	2013–2030	105
			82			105
			479			473

	Group	
HK$ million	2012	2011
Analysed into:		
Bank loans repayable:		
Within one year or on demand	396	368
In the second year	21	22
In the third to fifth years, inclusive	60	64
Beyond five years	–	19
	477	473
Other borrowings repayable:		
Within one year	1	–
In the second year	1	–
	2	–
	479	473

25. 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 Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$241 million (2011: HK$221 million) (note 14);

(ii) the pledge of the Group's investment properties situated in Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$178 million (2011: HK$178 million) (note 15);

(iii) the pledge of the Group's leasehold land situated in Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$80 million (2011: HK$68 million) (note 16); and

(iv) the pledge of certain of the Group's time deposits amounting to HK$115 million (2011: HK$139 million) (note 22).

In addition, the Company's ultimate holding company has guaranteed certain of the Group's bank borrowings up to HK$157 million (2011: HK$145 million) as at the end of the reporting period. In 2011, certain fellow subsidiaries of the Company pledged certain of its buildings and leasehold land situated in Mainland China, which had aggregate carrying amounts at the end of the reporting period of approximately HK$15 million and HK$14 million, respectively, for certain bank facilities granted to the Group.

(b) The Group's trading line bank facilities amounting to HK$325 million (2011: HK$305 million), of which HK$158 million (2011: HK$173 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$71 million (2011: HK$78 million) (note 22).

(c) The Group's bank and other borrowings with carrying amounts of HK$132 million (2011: HK$123 million), HK$296 million (2011: HK$290 million) and HK$51 million (2011: HK$60 million) are denominated in Hong Kong dollars, United States dollars ("US$"), and RMB, respectively.

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

26. FINANCE LEASE PAYABLES

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

At 31 December 2012, the total future minimum lease payments under finance leases and their present value were as follows:

Group

HK$ million	**Minimum lease payments 2012**	Minimum lease payments 2011	**Present value of minimum lease payments 2012**	Present value of minimum lease payments 2011
Amounts payable:				
Within one year	**1**	–	**1**	–
In the second year	**1**	–	**1**	–
Total minimum finance lease payments	**2**	–	**2**	–
Future finance charges	**–**	–		
Total net finance lease payables	**2**	–		
Portion classified as current liabilities (note 25)	**(1)**	–		
Non-current portion (note 25)	**1**	–		

27. DEFERRED TAX

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

Deferred tax liabilities

Group

HK$ million	Fair value adjustments arising from acquisition of subsidiaries	Depreciation allowance in excess of related depreciation	Total
Gross deferred tax liabilities at 1 January 2011	–	2	2
Deferred tax credited to the income statement during the year (note 10)	–	(1)	(1)
Gross deferred tax liabilities at 31 December 2011 and 1 January 2012	**–**	**1**	**1**
Arising from acquisition of subsidiaries (note 31)	**5**	**–**	**5**
Gross deferred tax liabilities at 31 December 2012	**5**	**1**	**6**

The Group has tax losses arising in Hong Kong of HK$192 million (2011: HK$187 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$188 million (2011: HK$149 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 2012 and 2011, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China as these subsidiaries incurred losses during the five years ended 31 December 2012.

28. SHARE CAPITAL

Shares

	Company	
HK$ million	**2012**	2011
Authorised:		
120,000,000,000 (2011: 120,000,000,000) ordinary shares of HK$0.01 each	**1,200**	1,200
Issued and fully paid:		
65,413,993,990 (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 current and prior years.

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 29 to the financial statements.

29. SHARE OPTION SCHEME

The Company adopted the old share option scheme (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, 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.

29. SHARE OPTION SCHEME *(continued)*

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 in 2011, no further share options will be granted under the Old Scheme but in all other respects the provisions of the Old Scheme will remain in force to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with provisions of the Old Scheme and share options granted prior to the termination will continue to be valid and exercisable in accordance with the Old Scheme.

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

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.

29. SHARE OPTION SCHEME *(continued)*

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.

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.

29. SHARE OPTION SCHEME *(continued)*

The following share options were outstanding under the Old Scheme during the prior year and no share option was exercised during the current and prior years:

	2012		2011	
	Weighted average exercise price HK$ per share	**Number of options**	Weighted average exercise price HK$ per share	Number of options
At 1 January	**0.01**	**600,000,000**	0.01	600,000,000
Expired during the year	**0.01**	**(600,000,000)**	–	–
At 31 December	**–**	**–**	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

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 no share options outstanding under the Old Scheme.

30. PROMISSORY NOTE

On 28 March 2012, the Company issued HK$67 million promissory note (the "Note") in favour of CCT Telecom. The Note carries interest at a rate of 3% per annum payable annually. The outstanding principal amount plus the accrued interest will be repayable on the maturity date on the fifth anniversary of the date of the Note.

31. BUSINESS COMBINATION

On 1 February 2012, the Company entered into an agreement with CCT Telecom for the acquisition the entire interest and the shareholder's loan in Wiltec Industrial Investment Limited ("WIIL") from CCT Telecom. After the completion of the acquisition on 28 March 2012, WIIL and its subsidiaries (the "WIIL Group") become wholly-owned subsidiaries of the Company. The WIIL Group is engaged in the manufacture and sale of child products. The acquisition was made as part of the Group's strategy to improve the operational efficiency with their strong manufacturing capability and economies of scale. The purchase consideration for the acquisition was in the form of the Note in the amount of approximately HK$67 million. Details of the Note are disclosed in note 30 to the financial statements.

31. BUSINESS COMBINATION *(continued)*

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

HK$ million	Notes	Fair value recognised on acquisition
Property, plant and equipment	14	**44**
Prepaid land lease payments	16	**14**
Inventories		**6**
Trade receivables		**29**
Prepayments, deposits and other receivables		**11**
Pledged time deposits		**83**
Cash and cash equivalents		**20**
Tax recoverable		**1**
Trade and bills payables		**(32)**
Other payables and accruals		**(12)**
Deferred taxation	27	**(5)**
Interest-bearing bank and other borrowings		**(82)**
Total identifiable net assets at fair value		**77**
Gain on bargain purchase recognised in other income and gains in the consolidated income statement	6	**(10)**
Satisfied by the Note	30	**67**

The gross contractual amounts and fair values of the trade receivables and prepayments, deposits and other receivables as at the date of acquisition amounted to HK$29 million and HK$11 million, respectively.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$ million
Cash consideration	–
Cash and bank acquired	20
Net inflow of cash and cash equivalents included in cash flows from investing activities	20

Since the acquisition, the WIIL Group contributed a revenue of HK$159 million to the Group's turnover and a profit of HK$3 million to the consolidated loss for the year ended 31 December 2012.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been HK$1,387 million and HK$60 million, respectively.

32. 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 43 of the financial statements.

(b) Company

HK$ million	Special reserve	Share premium account	Share option reserve	Accumulated losses	Total
At 1 January 2011	(56)	238	6	(149)	39
Total comprehensive loss for the year	–	–	–	(147)	(147)
At 31 December 2011 and 1 January 2012	(56)	238	6	(296)	(108)
Total comprehensive loss for the year	–	–	–	(55)	(55)
Transfer of share option reserve upon expiry of share option	–	–	(6)	6	–
At 31 December 2012	(56)	238	–	(345)	(163)

33. DISPOSAL OF SUBSIDIARIES

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

There was no significant net cash flow impact in respect of the disposal of subsidiaries during the year ended 31 December 2011.

34. CONTINGENT LIABILITIES

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

	Company	
HK$ million	**2012**	2011
Corporate guarantees given to banks in connection with facilities granted to subsidiaries	**653**	734

As at 31 December 2012, 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$492 million (2011: HK$497 million).

35. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by certain assets of the Group are included in note 25 to the financial statements.

36. 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 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
HK$ million	**2012**	2011
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 two years.

At 31 December 2012, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
HK$ million	**2012**	2011	**2012**	2011
Within one year	**1**	1	**–**	–
In the second to fifth years, inclusive	**–**	1	**–**	–
	1	2	**–**	–

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
HK$ million	**2012**	2011
Contracted, but not provided for:		
Building	**2**	2
Plant and machinery	**–**	2
	2	4

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

38. RELATED PARTY TRANSACTIONS

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

HK$ million	Notes	**2012**	2011
Fellow subsidiaries:			
Continuing connected transactions:			
Purchase of components	(i)	**144.8**	202.4
Factory rental income	(ii)	**6.0**	6.0
Office rental expenses	(iii)	**1.3**	2.1
Sale of electronic children products	(iv)	**18.5**	19.8
Ultimate holding company:			
Continuing connected transaction:			
Management information system service fee	(v)	**6.0**	6.0
Connected transactions:			
Acquisition of subsidiary	(vi)	**67.0**	–

38. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

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 of power supply components, transformers, plastic casings and components were determined based on the direct material costs plus a mark-up of no more than 150%. The tooling charges for the production of telecom and electronic products for the Group were determined based on the total costs plus a mark-up of no more than 50%.

(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, China, 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 30 September 2011.

(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 30 September 2011 (the "Hong Kong Tenancy Agreements").

(iv) The Company and CCT Telecom entered into a manufacturing agreement ("the Electronic Children Products Manufacturing Agreement") dated 30 September 2011, pursuant to which the Company agreed 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. These transactions no longer constitute continuing connected transactions for the Company after the child product business was transferred to the Company pursuant to the agreement dated 1 February 2012, details of which are set out in note (vi) below.

(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 30 September 2011 (the "MIS Agreement").

(vi) 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 WIIL at a total consideration of approximately HK$67 million, which was satisfied by the Note issued by the Company. The Note has a term of five years from the date of issue and carries interest at 3% per annum payable annually. The WIIL Group is engaged in the manufacture and sale of child products. The purpose of the transaction is for the Company to acquire the entire interest in WIIL from CCT Telecom in order for the Group to expand and diversify into the child product business. After completion of the above acquisition at the end of March 2012, members of the WIIL Group have become wholly owned subsidiaries of the Company and the transactions set out in note (iv) above no longer constitute continuing connected transactions for the Company.

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 21, note 23, note 24 and note 30 to the financial statements.

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

HK$ million	**2012**	2011
Short term employee benefits	**11**	12

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

38. RELATED PARTY TRANSACTIONS *(continued)*

(d) The Company's ultimate holding company has guaranteed certain bank borrowings made to the Group up to HK$157 million (2011: HK$145 million) as at the end of the reporting period, as further detailed in note 25(a) to the financial statements.

(e) In 2011, certain fellow subsidiaries of the Company pledged certain of its buildings and leasehold land situated in Mainland China, which had aggregate carrying amounts at the end of the reporting period of approximately HK$15 million and HK$14 million, respectively, for certain bank facilities granted to the Group.

39. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group and the Company as at 31 December 2012 and 2011, are loans and receivables, and financial liabilities at amortised cost, respectively.

40. 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.

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 has not used any interest rate swaps to hedge its exposure to interest rate risk, and will consider hedging significant interest rate risk should the need arise.

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

Interest rate risk *(continued)*

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

	Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in loss before tax HK$ million**
2012		
HK$	**100**	**1**
HK$	**(100)**	**(1)**
RMB	**100**	**1**
RMB	**(100)**	**(1)**
US$	**100**	**3**
US$	**(100)**	**(3)**
2011		
HK$	100	1
HK$	(100)	(1)
RMB	100	1
RMB	(100)	(1)
US$	100	3
US$	(100)	(3)

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 currencies. During the year, the Group did not use any financial instruments for hedging purposes.

A reasonable possible increase/(decrease) of 2.89% (2011: 3.97%) in the exchange rate between the Renminbi and the Hong Kong dollar would result in an increase/(decrease) on the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) by HK$4 million (2011: HK$9 million) in 2012.

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

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 20 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.

As at 31 December 2012

	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	309	–	–	–	309
Other payables and accruals	113	–	–	–	113
Interest-bearing bank and other borrowings	409	26	63	–	498
Promissory note	2	2	73	–	77
	833	28	136	–	997

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

Liquidity risk *(continued)*

As at 31 December 2011

HK$ million	Within one year or on demand	In the second year	Group 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

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

As at 31 December 2012

HK$ million	**Within one year or on demand**	**In the second year**	**Company In the third to fifth years**	**Beyond five years**	**Total**
Guarantees given to banks in connection with banking facilities granted to subsidiaries (note 34)	**492**	**–**	**–**	**–**	**492**
Other payables and accruals	**1**	**–**	**–**	**–**	**1**
Promissory note	**2**	**2**	**73**	**–**	**77**
	495	**2**	**73**	**–**	**570**

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

Liquidity risk *(continued)*

As at 31 December 2011

	Company				
HK$ million	Within one year or on demand	In the second year	In the third to fifth years	Beyond five years	Total
Guarantees given to banks in connection with banking facilities granted to subsidiaries (note 34)	497	–	–	–	497
Other payables and accruals	1	–	–	–	1
	498	–	–	–	498

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 2012 and 2011.

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	**2012**	2011
Interest-bearing bank and other borrowings	**479**	473
Total borrowings	**479**	473
Total capital	**491**	548
Total capital and borrowings	**970**	1,021
Gearing ratio	**49.4%**	46.3%

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2013.

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	**2012**	2011	2010	2009	2008
REVENUE	**1,342**	1,553	1,573	1,446	2,758
Cost of sales	**(1,297)**	(1,506)	(1,465)	(1,330)	(2,781)
Gross profit/(loss)	**45**	47	108	116	(23)
Other income and gains	**43**	28	57	23	36
Selling and distribution expenses	**(32)**	(57)	(49)	(24)	(36)
Administrative expenses	**(59)**	(102)	(103)	(111)	(149)
Other expenses	**(4)**	(69)	(7)	(18)	(8)
Finance costs, net	**(17)**	(11)	(8)	(3)	(9)
	(24)	(164)	(2)	(17)	(189)
Costs in connection with the discontinuation and restructuring, net	**–**	–	–	–	(126)
LOSS BEFORE TAX	**(24)**	(164)	(2)	(17)	(315)
Income tax expense	**(34)**	(1)	(3)	(2)	(2)
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**(58)**	(165)	(5)	(19)	(317)

ASSETS AND LIABILITIES

	As at 31 December				
HK$ million	**2012**	2011	2010	2009	2008
TOTAL ASSETS	**1,470**	1,595	1,698	1,513	1,777
TOTAL LIABILITIES	**(979)**	(1,047)	(985)	(795)	(1,042)
	491	548	713	718	735

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
"Executive Director(s)"	The executive 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
"Mainland China"	The mainland of the PRC
"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

“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” or “China” — 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