CCT TELECOM

中建電訊集團有限公司

Stock Code : 138

2012

CCT TELECOM

contents

chairman's letter

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

CCT Telecom made significant progress in 2012, despite its operating environment remained challenging. Amidst a backdrop of a weak world economy, the Group's turnover declined by 24.1% to $1,544 million in 2012, as compared to $2,034 million a year back. Reported net loss attributable to owners of the parent was $31 million, reduced by 84.0% as compared to a net loss of $194 million in the last corresponding year. This favourable variance was led by Group's successful efforts to restructure and reshape its manufacturing business and good performance of its property investment business. The section headed "Review of Operations" below covers key elements of our performance in more detail.

PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of $0.035 per share for the year 2012 to the shareholders whose names appear on the register of members of the Company on Thursday, 30 May 2013, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company. The proposed final dividend will be payable from the Company's distributable reserve and will be paid on or around Thursday, 13 June 2013 following the shareholders' approval at the forthcoming annual general meeting of the Company. Taking into account the $0.030 per share 2012 interim dividend paid in October 2012, the total dividend per ordinary share amounted to $0.065 per share for the financial year 2012, same dividend as 2011. We have been paying dividend consistently in the past few years despite our operating environment remains difficult. We recognize the importance of consistent dividend payments to our shareholders.

REVIEW OF OPERATIONS

During the year under review, the principal businesses of the Group were: (i) the manufacture and sale of telecom, electronic and child products ("**Telecom Product Business**"); (ii) the manufacture and sale of plastic components; (iii) the securities business; (iv) property development; and (v) property investment and holding.

Telecom Product Business

The Telecom Product Business is our largest business sector and contributes most of our revenue. This business is engaged by the Company's principal listed subsidiary, CCT Tech and its subsidiaries.

In 2012, we continued to see weakness in the major markets of CCT Tech, especially Europe the economy of which was seriously affected by the euro sovereign debt crisis. During the year, the CCT Tech 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 phone declined most as the market for the traditional cordless phone is mature. The decrease in revenue was partially offset by strong growth of CMS and contribution from the child product business which CCT Telecom transferred to CCT Tech 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 the FRS (family radio system), 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. CCT Tech's effective productivity and excellent product quality have earned CCT Tech strong reputation in the industry and enable CCT Tech to build a long-term relationship with its major CMS customers.

The child product business has been successfully integrated into the CCT Tech Group's manufacturing operations and contributed to CCT Tech 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 CCT Tech Group's strong production capability and economy of scale after integration.

In terms of market regions, sales to Europe — CCT Tech's 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 of the Telecom Product Business 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, CCT Tech continued to commit to R&D activities, enhancing its 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. CCT Tech has also reorganised its 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. CCT Tech believes 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, CCT Tech continued to reform and restructuring its operations. It discontinued the US license business and continued to run off loss products. CCT Tech reorganized its senior management team and streamlined various production processes to optimize efficiency. CCT Tech also continued to manage costs and achieved sustainable cost savings. These efforts paid off as the CCT Tech Group managed to deliver a positive EBITDA (earnings before interest, tax, deprecation and amortization) of $38 million in the year, a strong turnaround compared with the negative EBITDA of $104 million in the previous year.

Manufacturing of plastic components

In 2012, the Group's component business continued to provide vertical support to the Telecom Product Business. Most of the components produced by this division were sold to the CCT Tech Group. During the year, turnover of the component business was $173 million, a decrease of 32.7% from the last corresponding year, primarily caused by the drop in turnover of the Telecom Product Business. Rising costs continued to pose major challenges to performance of this business segment as price of plastic resin increased and labor wages soared. We restructured this business division and reorganized its management team to enhance efficiency and to control costs tightly. We began to see certain benefits from these initiatives but they were not enough to counter the tough operating environment that the division faced. As a result, its operating loss was $20 million higher than in 2011.

Securities business

The financial market was volatile in 2012, caused by the euro sovereign crisis and slower economic development worldwide. We adjusted our investment strategy during the year and disposed of all our investment portfolios in listed shares, realising a net gain of $12 million. At the end of 2012, our remaining portfolio represented low-risk investment funds and RMB denominated bonds. The RMB bonds of $51 million have a maturity of two years and pay interest at a fixed rate. These bonds have been pledged to our principal banker in return for an equivalent amount of Hong Kong dollar loan facility, which in turn bears interest at floating rate on HIBOR basis. The arrangements on one hand enable us to release the investment funds for use in working capital or other investment purposes and on the other hand earn us interest income and allow us to enjoy exchange gain if RMB appreciates against Hong Kong dollar.

Property development

In 2012, the central government of the PRC did not lessen its tight grip on the housing market. Under a policy-led property market, speculation and investment on properties were effectively curbed while reduction in transaction volume and softening of house prices continued. Our property projects in Anshan, the Liaoning Province were adversely impacted by the slower market, especially in the second half. In response to the weaker market, we stepped up sale promotions and allowed more incentives to house buyers to boost sales. A total 23,071 square meters of gross floor area ("**GFA**") were sold in the year. This division reported revenue of $139 and operating profit of $15 million in 2012, down 46.3% and 68.8% respectively compared to the performance a year earlier. In 2012, we commenced development of the third phase of Landmark City comprising eight blocks of housing units with a total GFA of 106,000 square meters. Construction of the third phase made good progress as most of the building structure was completed before winter began. Certain units of the third phase have been pre-sold while construction will be resumed in April 2013.

Property investment and holding

We were active in Hong Kong property market in the past two years. Our decision to expand our property investment holdings was made in good timing as property prices in Hong Kong surged in the period. After our acquisition of two floors of the office properties at Fortis Tower, Wanchai at the end of 2011, we completed the purchase of the shopping arcade located at the Basement of Maximall, City Garden, North Point in November 2012. In October 2012, we disposed of the office property at 17/F CCT Telecom Building at Fotan, Shatin as this property was in excess of the needs of the Group. A gain of $35 million was made from the disposal. In the same month, we signed a sale and purchase agreement to acquire the 2-storey shops at Gramercy Hong Kong, the purchase of which was completed on 1 March 2013.

The shopping arcade at Maximall is situated in the densely populated North Point district and is adjacent to a number of large housing estates such as City Garden and Provident Centre and is in the middle of highly developed commercial areas around the Electric Road and King's Road. The property has convenient access and is also within walking distance to the Fortress Hill and North Point MTR stations. There is currently scarce supply of retail properties of such a large scale similar to that of the property in the North Point district.

The retail shops at Gramercy Hong Kong are situated on the ground floor and first floor of a newly constructed composite building comprising multi-storey luxury residential building and the 2-storey shops located at Caine Road, Mid-level, Hong Kong. The building is adjacent to Soho (south of Hollywood Road) district and the Central-Mid-Levels escalator. The occupation permit of the building was issued in September 2012 and is available for occupation.

Benefited from the rising property prices, the property investment segment of the Group contributed net operating profit before tax of $118 million, as opposed to the $1 million operating loss in 2011. This notable positive variance was mainly driven by the property price hike in 2012, which gave rise to substantial unrealised revaluation gains on our investment properties. The segment's operating profit included a gain of $35 million made from the disposal of the office property at 17/F of the CCT Telecom Building and was partially offset by the related property expenses including mortgage loan interest, depreciation and non-cash provision for impairment of a vacant factory property in the Mainland China.

Medical device business

The medical device business was acquired by the Group in 2011, in which the Group had a 51% interest. The medical device business is in process of applying for the PRC State Food and Drug Administration ("**SFDA**") approval for its medical device products which include coronary dilation and peripheral dilation balloons and catheters. Due to the prolonged process of applying for SFDA approval, the medical device business has not yet commenced business and is expected to commence commercial operations in 2013. In view of the huge demand of medical devices in China, we are optimistic about the future prospects of this new business.

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.

The manufacturing businesses, the property development business, and the property investment business will continue to be the core businesses of the Group, each of which has good prospects and underlying challenges. We will focus our energy and resources in these core businesses. We will continue to capitalise our competitive edges in each of these business sectors, balancing returns and risks, targeting for enhancing long term value rather than short term speculative gain.

CCT Tech aims at a steady and sustainable annual growth in revenue for its manufacturing businesses in the coming years as an aggressive growth target will involve significant risk and huge investment. CCT Tech will continue our track record of strong product innovation and offerings. It will leverage its core strength — its 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. CCT Tech will focus on expansion in the niche market of premium products and the emerging markets of residential multimedia android device and mobile phone accessories.

CCT Tech plans 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. CCT Tech will enhance its market recognition as a reliable CMS manufacturer with superior performance and excellent product quality. CCT Tech will strive to gain new CMS customers and to expand its product mix and range.

We expect rising labour and production costs will remain the major challenges to the performance of CCT Tech. To combat cost challenges, CCT Tech will continue to streamline production process and control costs. To this end, CCT Tech will further reinforce its operation audit function and production costs will be critically reviewed and tightly monitored at each production process. CCT Tech believes significant cost savings can be achieved as costs are tightly controlled.

We recognise the problems of the component business and have taken proactive measures to resolve them. We have addressed most of the issues and will continue to reinforce restructuring and structural reform of the operations and to further tighten cost controls. These initiatives have begun to show benefits and we will strive to improve the segment's performance in 2013.

It is not expected that the Chinese leaders will relax their tightening policies on housing market in short term. In fact, the Chinese government just announced further measures to curb housing prices at the beginning of this month. We have an advantage over those medium to small sized property developers who are over-leveraged as our property projects are lowly geared. Our sound financial position enables us to plan sale of our housing projects more effectively to respond to market changes. In 2013, we will introduce new rounds of promotional programs to boost sales of the completed housing units. We will also explore opportunity to cooperate with other developers in the development of the second phase of Evian Villa and the Evian Gardens, situated at the Gao Xin (high-technological) district of Anshan. All these initiatives are intended to generate net cash inflow in order to further improve the financial position of our projects. We will continue to enhance our brand recognition in the city by offering house buyers with flats of quality, articulate design, suitable size mix and pleasant living environment. At end of 2012, our projects have a total GFA of approximately 500,000 square meters of completed and under-developed housing projects and vacant land. The Group's housing and land reserves are sufficient to support growth of our property development business in the next few years. We will grasp opportunities to replenish our land bank. We are confident in the long-term outlook of the housing market in the Mainland China due to urbanization and rising incomes of Chinese people. We are confident in the prospects of our Anshan projects and expect that they will deliver strong results in the coming years and will become a key driver for our revenue and profitability growth in the future.

The effect of the Hong Kong government's latest measures to widen its curbs to double stamp duty on both residential and non-residential properties in order to temper the overheated property market remains to be seen. The market has generally responded that the measures will be effective in driving away most speculators and transaction volume will be lowered in the near term. We believe these measures coupled with the government's commitment to increase long-term supply of land and flats will stabilise property prices and help promote a healthier property market in the long run. We are delighted about the acquisitions of the properties in past two years to expand our investment property business as both the rental yield and value of these properties has surged after acquisition. We will explore proposals to enhance value of these properties. We expect that our property investment will continue to perform in the future.

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, a substantial Shareholder, has been the Chairman, the CEO and the Executive Director since January 1994. 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, and substantial experience in property investment and development and financial investment businesses. In his many years in the businesses, he has demonstrated a keen understanding in the diversified businesses in which the Group is engaged. Mr. Mak is also the chairman, the chief executive officer and an executive director of the Company's subsidiary CCT Tech, whose shares are listed on the main board of the Stock Exchange, and a director of certain subsidiaries of the Company and CCT Tech. Mr. Mak holds a Diploma in Electrical Engineering.

Mr. TAM Ngai Hung, Terry, aged 59, has been the Executive Director and the Group Finance Director since March 2001. He has been appointed as the Deputy Chairman of the Company since December 2005 and 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 Tech whose shares are listed on the main board of the Stock Exchange, and a director of certain subsidiaries of the Company and CCT Tech. 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.

Ms. CHENG Yuk Ching, Flora, aged 59, has been the Executive Director since February 1998. 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, and substantial experience in property investment and development business. She held senior positions in various well-known electronics companies before she joined the Company. Ms. Cheng is also an executive director of CCT Tech whose shares are listed on the main board of the Stock Exchange, and a director of certain subsidiaries of the Company and CCT Tech. Ms. Cheng holds a Diploma in Business Administration.

Dr. William Donald PUTT, aged 75, has been the Executive Director since January 1997. 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 Tech whose shares are listed on the main board of the Stock Exchange. Dr. Putt also serves on the boards of several foundations and non-profit organisations in the US and is on the Leadership Council for the Public Service Center at the Massachusetts Institute of Technology. Dr. Putt holds PhD in Management from the Massachusetts Institute of Technology in the US.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TAM King Ching, Kenny, aged 63, has been an INED of the Company since December 1999. Mr. Tam is the chairman and a member of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee. Mr. Tam also acts as an INED of five other companies listed on the main board of the Stock Exchange, namely, Kingmaker Footwear Holdings Limited, Shougang Concord Grand (Group) Limited, Starlite Holdings Limited, Van Shung Chong Holdings Limited and West China Cement Limited. Mr. Tam serves as a member of the Practice Review Committee, the Restructuring and Insolvency Faculty Executive Committee, the Insolvency SD Vetting Committee and the Small and Medium Practitioners Leadership Panel in the Hong Kong Institute of Certified Public Accountants. He is also a Past President of The Society of Chinese Accountants and Auditors. Mr. Tam is a practising Certified Public Accountant in Hong Kong. He holds a Bachelor's Degree in Commerce and is a fellow of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada.

Mr. CHEN Li, aged 48, has been an INED of the Company since February 2008. Mr. Chen is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Chen is currently a senior management of a reputable telecommunications company in China. He is also an INED of CCT Tech 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.

Mr. CHOW Siu Ngor, aged 57, has been an INED of the Company since March 2013. 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 Tech 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.

SENIOR MANAGEMENT

Ms. NG Yin Fun, Elaine, aged 51, joined CCT Tech Group in April 2009. Ms. Ng holds the position of Managing Director in Business Development of the CCT Tech Group. She is primarily responsible for leading the business development of the telecom and child product and CMS businesses of the CCT Tech Group, and supervises 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 CCT Tech Group. He is responsible for the day-to-day management of the manufacturing activities of the CCT Tech 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 CCT Tech 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 CCT Tech 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 CCT Tech. He heads the finance and accounting department of the CCT Tech Group. He is also a director of certain subsidiaries of CCT Tech. 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 CCT Tech Group and is in charge of manufacturing & purchasing operations audit of the CCT Tech Group. He has more than 30 years of experience in electronics and manufacturing industry. Mr. Lai holds a Degree in Mechanical Engineering.

Ms. CHAN Sau Chiu, Jess, aged 38, has worked in the Group since February 2001. She is the head of the finance and accounting department of the Company. She is also a director of certain subsidiaries of CCT Tech. Ms. Chan graduated from The Hong Kong University of Science and Technology with a Bachelor of Business Administration in Accounting. Ms. Chan is a Chartered Financial Analyst and is an associate of the Hong Kong Institute of Certified Public Accountants.

financial review

HIGHLIGHTS ON FINANCIAL RESULTS AND OTHER COMPREHENSIVE INCOME

$ million	2012	2011 (Restated)	% increase/ (decrease)
Turnover	**1,544**	2,034	(24.1%)
EBITDA/(LBITDA)	**91**	(157)	N/A
Loss before tax	**(5)**	(256)	(98.0%)
Income tax expense	**(62)**	(20)	210.0%
Loss after tax	**(67)**	(276)	(75.7%)
Loss attributable to:			
Owners of the parent	**(31)**	(194)	(84.0%)
Non-controlling interests	**(36)**	(82)	(56.1%)
Loss for the year	**(67)**	(276)	(75.7%)
Loss per share	**($0.051)**	($0.320)	(84.1%)
Dividends per share	**$0.065**	$0.065	–
Other comprehensive income, net of tax	**8**	38	(78.9%)

Discussion on Financial Results and Other Comprehensive Income

The Group's turnover was $1,544 million for the year ended 31 December 2012, a decrease of 24.1% as compared to $2,034 million for the last corresponding year. Against a backdrop of difficult operating environment, the Group was able to deliver an EBITDA of $91 million, a notable turnaround from the negative EBITDA of $157 million in 2011.

Income tax expense was $42 million higher than in 2011, caused by a one-time compromise settlement in relation to Hong Kong tax review for past years. Despite all these, the Group successfully narrowed the loss after tax by 75.7% from $276 million in 2011 to only $67 million in 2012. The improvement in results was largely driven by good performance of the property investment division, offset by losses of the manufacturing businesses and other corporate items. Excluding the share of loss of the non-controlling interest mainly in CCT Tech, the loss attributable to owners of the parent was $31 million, significantly reduced by 84.0% as compared to the previous corresponding year's loss of $194 million.

Other comprehensive income of $8 million represented unrealised exchange gains on translation of the accounts of the property subsidiaries in the PRC, driven by appreciation of RMB.

ANALYSIS BY BUSINESS SEGMENT

Turnover

$ million	2012 Amount	2012 Relative %	2011 Amount	2011 Relative %	% increase/ (decrease)
Telecom Product Business	**1,388**	**89.9%**	1,759	86.5%	(21.1%)
Component business	**173**	**11.2%**	257	12.6%	(32.7%)
Securities business	**13**	**0.8%**	(9)	(0.4%)	N/A
Property development	**139**	**9.0%**	259	12.7%	(46.3%)
Property investment and holding	**5**	**0.3%**	5	0.2%	–
Intersegment transactions	**(174)**	**(11.2%)**	(237)	(11.6%)	(26.6%)
Total	**1,544**	**100.0%**	2,034	100.0%	(24.1%)

(Loss)/profit before tax

$ million	2012	2011	% increase/ (decrease)
Telecom Product Business	**(33)**	(179)	(81.6%)
Component business	**(31)**	(11)	181.8%
Securities business	**12**	(42)	N/A
Property development	**15**	48	(68.8%)
Property investment and holding	**118**	(1)	N/A
Unallocated items	**(86)**	(71)	21.1%
Total	**(5)**	(256)	(98.0%)

The Telecom Product Business continued to be the largest business segment of the Group, contributed 89.9% of the Group's total turnover in 2012. This business segment was able to narrow its operating loss before tax from $179 million in 2011 to only $33 million in 2012, despite a decrease in turnover in the year. This notable favourable variance was mainly caused by absence of exceptional losses incurred in 2011 and cost savings achieved in 2012.

The component business reported revenue of $173 million, down 32.7%, primarily led by the decrease in sales of the Telecom Product Business to which it supplied most of its component products. This business segment incurred an operating loss before tax of $31 million, up 181.8% as compared to $11 million in 2011. The adverse movement in result was largely due to rise in production costs, notably plastic resin costs and factory payroll.

The Group's securities business delivered a gain of $12 million, primarily from divestment of its share portfolio in the year, as opposed to a net loss of $42 million in the last corresponding year.

The property development business reported turnover of $139 million in 2012 against $259 million in 2011. The decrease in turnover was caused by weaker market, especially in the second half due to further market correction under tightening government policies on the housing market. This segment delivered a net operating profit before tax of $15 million, representing $33 million lower than the year earlier, due to less sales.

The property investment and holding business outperformed all other business segments in 2012. This division recognised a net operating profit before tax of $118 million in 2012, a significant positive swing from the operating loss of $1 million in 2011. This solid result was mainly driven by surging property prices in Hong Kong, which gave rise to unrealised fair value gains arising from revaluation of the Group's investment properties.

Unallocated items, representing the head office administrative expenses and other expenses not allocated to the business segments, increased by 21.1% to $86 million. This increase was largely caused by the unrealised fair value loss of $59 million on the Group's interest in the shares of Merdeka Resources due to decline of its share price in 2012.

ANALYSIS BY GEOGRAPHICAL SEGMENT

	Turnover				
	2012		2011		% increase/
$ million	**Amount**	**Relative %**	Amount	Relative %	(decrease)
Europe	**712**	**46.1%**	896	44.1%	(20.5%)
Asian Pacific and others	**571**	**37.0%**	855	42.0%	(33.2%)
North America	**261**	**16.9%**	283	13.9%	(7.8%)
Total	**1,544**	**100.0%**	2,034	100.0%	(24.1%)

Europe — the Group's largest market — contributed 46.1% of the Group's total turnover in 2012. Sales to Europe dropped by 20.5% to $712 million in the year, caused mainly by deferred orders from customers as the debt-stricken euro countries remained in deep recession. Turnover from the Asian Pacific and other regions accounted for 37.0% of the Group's total turnover and contributed revenue of $571 million, dropped 33.2% from $855 million in the last corresponding year. The lower revenue in these regions was caused by adverse impact of the slower economic growth environment on revenue of our manufacturing business and lower revenue of the property projects in Anshan. The business in the North American market decreased slightly and reported revenue of $261 million in the year.

HIGHLIGHTS ON SIGNIFICANT MOVEMENT OF FINANCIAL POSITION

$ million	2012	2011 (Restated)	% increase/ (decrease)
NON-CURRENT ASSETS			
Property, plant and equipment	**772**	882	(12.5%)
Investment properties	**745**	254	193.3%
Available-for-sale investments	**18**	79	(77.2%)
Held-to-maturity debt securities	**51**	–	N/A
CURRENT ASSETS			
Inventories	**102**	156	(34.6%)
Properties under development	**248**	192	29.2%
Completed properties held for sale	**356**	437	(18.5%)
Investment property classified as held for sale	**–**	147	N/A
Trade receivables	**349**	375	(6.9%)
Financial assets at fair value through profit or loss	**10**	135	(92.6%)
Pledged time deposits	**186**	300	(38.0%)
Cash and cash equivalents	**459**	573	(19.9%)
CURRENT LIABILITIES			
Trade and bills payables	**360**	562	(35.9%)
Current interest-bearing bank and other borrowings	**507**	549	(7.7%)
EQUITY AND NON-CURRENT LIABILITIES			
Non-current interest-bearing bank and other borrowings	**522**	412	26.7%
Non-controlling interests	**253**	284	(10.9%)
Equity attributable to owners of the parent	**1,833**	1,900	(3.5%)

Discussion on Financial Position

As at 31 December 2012, balance of property, plant and equipment was $772 million, a decrease of 12.5%. This decrease was mainly attributable to the disposal of one floor of the office building at Fotan, Shatin, and the deprecation charge during the year.

Investment properties at end of 2012 stood at $745 million, $491 million or 193.3% higher than at the beginning of the year. The increase represented the combined effect of: (i) unrealised fair value gains arising from the revaluation of the investment properties at year end; (ii) reclassification of a luxury house property from investment properties classified as held for sale to investment property account; and (iii) the acquisition of shopping arcade situated at the Basement of Maximall City Garden, North Point. This significant movement reflected expansion in our property investment.

Available-for-sale investments represented largely our holdings of shares in Merdeka Resources. The decrease of the account balance in the year was led mainly by the unrealised fair value loss on our investment in that company.

Held-to-maturity debt securities were the two-year RMB bonds of $51 million bought during the year, as an arrangement to hedge against RMB appreciation risk. The bonds have been pledged to a bank to secure equivalent amount of Hong Kong dollar loan facilities.

Inventory decreased 34.6% in the year under review, driven by decrease in sales and improvement in inventory control. The inventory turnover period for the year maintained at a reasonable low level of 34.9 days (2011: 30.5 days).

Balance of the properties under development was $248 million, up 29.2% during the year. This was mainly attributable to the construction and development expenditure incurred on the Anshan property projects.

As at 31 December 2012, completed properties held for sale amounted to $356 million, representing the costs of the completed housing projects in Anshan, which have not yet sold at the year end. The account balance decreased by 18.5% due to housing units sold in the year.

Balance of the investment property classified as held for sale classified under the current asset category reduced to zero at the end of 2012 from a balance of $147 million at the beginning of the year. The movement was attributable to a reclassification of a residential property from the current asset category to the investment property account under the non-current asset category during the year.

Trade receivables amounted to $349 million, down 6.9% from $375 million at last corresponding year end, as turnover dropped.

The decrease in the balance of the financial assets at fair value through profit or loss reflected the disposals of our holdings in Hong Kong listed shares during the year. The remaining balance of $10 million represented the low-risk investment funds.

Pledged time deposits dropped from $300 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.

Cash and cash equivalents dropped by 19.9% to $459 million as at 31 December 2012. The net decrease was used to fund operations of the Group and payment of the dividend, net of cash from disposals of investments during the year.

Trade and bills payables decreased by 35.9% to $360 million, largely reflecting reduction of purchases following drop in sales.

The aggregate amount of the current and non-current interest-bearing bank and other borrowings increased from $961 million as at 31 December 2011 to $1,029 million as at 31 December 2012, up 7.1%. The net increase represented additional working-capital bank loans, less part repayment of Hong Kong dollar loans.

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

Equity attributable to owners of the parent at end of the year stood at $1,833 million, a decrease of 3.5% compared to $1,900 at beginning of the year. This change was the combined result of the net loss for the year and the dividend paid during the year.

CAPITAL STRUCTURE AND GEARING RATIO

	2012		2011	
$ million	**Amount**	**Relative %**	Amount (Restated)	Relative %
Bank borrowings	**1,027**	**35.9%**	958	33.5%
Finance lease payable	**2**	**0.1%**	3	0.1%
Total borrowings	**1,029**	**36.0%**	961	33.6%
Equity	**1,833**	**64.0%**	1,900	66.4%
Total capital employed	**2,862**	**100.0%**	2,861	100.0%

The Group's gearing ratio was 36.0% as at 31 December 2012 (2011: 33.6%). The slight increase in the gearing ratio was led by the net increase of the bank borrowings during the year.

Outstanding bank borrowings amounted to $1,027 million at 31 December 2012 (2011: $958 million). Approximately 49.3% of these bank borrowings were arranged on a short-term basis for the manufacturing business activities of the Group and were repayable within one year. The remaining 50.7% of the bank borrowings were of long-term nature, primarily representing mortgage loans on properties held by the Group. Out of the Group's bank borrowings, bank loans of $927 million (2011: $763 million) were borrowed to finance ordinary businesses of the Group and the balance of $100 million (2011: $195 million) represented Hong Kong dollar loans fully secured by equivalent amount of RMB deposits and bonds for hedging against RMB appreciation exposure.

Acquisition of certain of the Group's assets was financed by way of finance leases and the total outstanding finance lease payables as at 31 December 2012 were approximately $2 million (2011: $3 million).

As at 31 December 2012, the maturity profile of the bank and other borrowings of the Group falling due within one year, in the second to the fifth year and beyond five years amounted to $507 million, $263 million and $259 million, respectively (2011: $549 million, $251 million and $161 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

LIQUIDITY AND FINANCIAL RESOURCES

$ million	**2012**	2011
Current assets	**1,961**	2,622
Current liabilities	**1,106**	1,397
Current ratio	**177.3%**	187.7%

The Group's current ratio as at 31 December 2012 was 177.3% (2011: 187.7%). This liquid position reflected the healthy financial position of the Group.

As at 31 December 2012, the Group's cash balance amounted to $653 million (2011: $881 million), which included pledged deposits of $186 million (2011: $300 million) to secure general banking facilities and for arrangement to hedge against RMB appreciation. Almost all of the Group's cash was placed on deposits with licensed banks in Hong Kong. In view of the Group's current cash position and the banking facilities available, the Group 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 $216 million (2011: $9 million) mainly for acquisition for investment properties and construction cost of property development projects in Anshan. The capital commitment will be funded partly by internal resources and partly by bank borrowings.

TREASURY MANAGEMENT

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

During the financial year 2012, the Group's business receipts were mainly denominated in US dollar and RMB (largely from property development business) with some in Hong Kong dollar. Payments were mainly made in Hong Kong dollar, RMB and US dollar. Cash was generally placed in short-term deposits denominated in Hong Kong dollar, RMB and US dollar. In 2012, the Group's borrowings were mainly denominated in Hong Kong dollar, RMB and US dollar and interest on the Group's borrowings was principally determined on a floating rate basis.

The objective of the Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. The Group does not have any significant interest rate risk as the interest rates currently remain at extremely low level. In terms of foreign exchange exposures, the Group is principally exposed to two major currencies, namely the US dollar in terms of receipts and RMB in terms of the production costs (including workers' wages and overhead) in the PRC. Regarding 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 use the arrangements as described in the review of 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

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 $1,575 million (2011: $1,305 million) and time deposits of $186 million (2011: $300 million) were pledged to secure the general banking facilities granted to the Group 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 5,971 (2011: 6,458). 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 were no outstanding share options issued by the Company.

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
Nil–$1,000,000	3
$1,000,001–$2,000,000	2
$2,000,001–$3,000,000	1
	6

corporate information

COMPANY NAME
CCT Telecom Holdings Limited

BOARD OF DIRECTORS

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

Independent Non-executive Directors
Tam King Ching, Kenny
Chen Li
Chow Siu Ngor *(appointed on 8 March 2013)*
Lau Ho Man, Edward *(passed away on 12 January 2013)*

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
22 Victoria Street
Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
31/F., Fortis Tower
77–79 Gloucester Road
Hong Kong

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

TELEPHONE NUMBER
+852 2102 8138

FAX NUMBER
+852 2102 8100

COMPANY WEBSITE
www.cct.com.hk

STOCK CODE
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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 least once every three years at the AGM of the Company in accordance with the bye-laws of the Company. As such, the Company deviated from Code Provision A.4.1 of the Old Code for the three months ended 31 March 2012.

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;

— ensuring prudent and effective control measures are in place;

— material bank facilities arrangements;

THE BOARD *(continued)*

Responsibilities, accountabilities and contributions *(continued)*

— 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 14 meetings.

The Board members have also attended the Shareholders' meeting to answer questions from Shareholders. During the financial year ended 31 December 2012, the Company held one Shareholders' meeting on 24 May 2012, which is the AGM of the Company. The attendance of each of the Directors at the Board's meetings (either in person or by phone) and at the AGM of the Company is set out as follows:

	Number of Meetings Attended/Held	
Name of the Directors	**Board**	**AGM**
Mak Shiu Tong, Clement	14/14	1/1
Tam Ngai Hung, Terry	14/14	1/1
Cheng Yuk Ching, Flora	14/14	1/1
William Donald Putt	14/14	1/1
Tam King Ching, Kenny	14/14	1/1
Chen Li	14/14	1/1
The late Mr. Lau Ho Man, Edward	14/14	0/1

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 BOARD *(continued)*

Responsibilities, accountabilities and contributions *(continued)*

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

During 2012, the Board was composed of four Executive Directors, namely Mr. Mak Shiu Tong, Clement (also acting as the Chairman and the CEO), Mr. Tam Ngai Hung, Terry (also acting as the deputy Chairman), Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt and three INEDs, namely Mr. Tam King Ching, Kenny, Mr. Chen Li and Mr. Lau Ho Man, Edward (the "**late Mr. Lau**") who passed away on 12 January 2013. Mr. Chow Siu Ngor who is also an independent non-executive director of CCT Tech, has been appointed as INED of the Company for a term of three years with effect from 8 March 2013 to replace the late Mr. Lau. 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.

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, provided 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. Mr. Chow Siu Ngor, who replaced the late Mr. Lau, also entered into a letter of appointment with the Company on 8 March 2013 for a term of three years commencing from that date, subject to retirement by rotation and re-election at the AGM of the Company in accordance with the bye-laws of the Company.

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 Mr. Tam King Ching, Kenny and Mr. Chen Li for the year ended 31 December 2012 in accordance with Rule 3.13 of the Listing Rules. The Board has assessed the independence of all INEDs 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. The Company did not comply with Rule 3.10(1) of the Listing Rules in relation to appointment of a minimum number of independent non-executive directors after the late Mr. Lau had passed away on 12 January 2013 but has compiled with Rule 3.10(1) after the appointment of Mr. Chow Siu Ngor as the INED of the Company on 8 March 2013.

None of the members of the Board has (and neither the late Mr. Lau had) 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	✓	
Tam Ngai Hung, Terry	✓	✓
Cheng Yuk Ching, Flora	✓	
William Donald Putt	✓	
Tam King Ching, Kenny	✓	✓
Chen Li	✓	
The late Mr. Lau Ho Man, Edward	✓	✓

The training participated by the Directors in 2012 is relevant to their duties and responsibilities as a director 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) each Director (except the Chairman and the managing Director) is required to retire by rotation at least once every three years and that one-third (or the number nearest to but not less than one-third) of the Directors shall retire from office by rotation and be eligible for re-election at each AGM of the Company; and (ii) any Director appointed by the Board, either to fill a casual vacancy on or as an addition to the existing Board, shall hold office only until the next following AGM of the Company and shall then be eligible for re-election at that meeting.

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.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.

During 2012, the Remuneration Committee was composed of five members comprising three INEDs, namely Mr. Tam King Ching, Kenny, Mr. Chen Li and the late Mr. Lau (also acted as chairman of the Remuneration Committee), and two Executive Directors, namely Mr. Mak Shiu Tong, Clement and Mr. Tam Ngai Hung, Terry. Mr. Tam King Ching, Kenny was re-designated as the chairman of the Remuneration Committee to replace the late Mr. Lau after he had passed away on 12 January 2013. After that date, the Remuneration Committee was only composed of two INEDs and two Executive Directors until 8 March 2013 when Mr. Chow Siu Ngor was appointed as a member of the Remuneration Committee (and he was also appointed as the INED of the Company and members of other Board committees of the Company) to replace the late Mr. Lau. Mr. Chow Siu Ngor has also been designated as the chairman of the Remuneration Committee to replace Mr. Tam King Ching, Kenny with effect from 8 March 2013.

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**
Tam King Ching, Kenny	1/1
Chen Li	1/1
Mak Shiu Tong, Clement	1/1
Tam Ngai Hung, Terry	1/1
The late Mr. Lau Ho Man, Edward	1/1

BOARD COMMITTEES *(continued)*

Audit Committee

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

The main responsibilities of the Audit Committee include, inter alia, (i) reviewing the 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.

During 2012, the Audit Committee was composed of three members who were the three INEDs of the Company, namely Mr. Tam King Ching, Kenny (also as chairman of the Audit Committee), Mr. Chen Li and the late Mr. Lau, of whom Mr. Tam is and the late Mr. Lau was a qualified accountant. After the late Mr. Lau had passed away on 12 January 2013, the Audit Committee was composed of the remaining two INEDs until 8 March 2013 when Mr. Chow Siu Ngor was appointed as a member of the Audit Committee to replace the late Mr. Lau.

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

Mr. Chow Siu Ngor, who was appointed as an INED of the Company on 8 March 2013, was then appointed as a member of the Audit Committee to replace the vacancy left by the late Mr. Lau on 8 March 2013.

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 meetings attended/held
Tam King Ching, Kenny	3/3
Chen Li	2/3
The late Mr. Lau Ho Man, Edward	3/3

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 was composed of five members comprising three INEDs of the Company, namely Mr. Tam King Ching, Kenny, Mr. Chen Li and the late Mr. Lau, and two Executive Directors, namely Mr. Mak Shiu Tong, Clement (also as chairman of the Nomination Committee) and Mr. Tam Ngai Hung, Terry. After the late Mr. Lau had passed away on 12 January 2013, the Nomination Committee was only composed of two INEDs and two Executive Directors until 8 March 2013 when Mr. Chow Siu Ngor was appointed as a member of the Nomination Committee to replace the late Mr. Lau.

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**
Tam King Ching, Kenny	1/1
Chen Li	1/1
Mak Shiu Tong, Clement	1/1
Tam Ngai Hung, Terry	1/1
The late Mr. Lau Ho Man, Edward	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
Tam Ngai Hung, Terry	1/1
Cheng Yuk Ching, Flora	1/1
William Donald Putt	1/1
Tam King Ching, Kenny	1/1
Chen Li	1/1
The late Mr. Lau Ho Man, Edward	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	4,000
Non-audit services:	
Tax compliance services	560
Total	4,560

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 and Deputy Chairman, 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 holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of 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.

SHAREHOLDERS' RIGHTS *(continued)*

Right to put forward proposals at general meetings

Pursuant to Article 88 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 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 notices are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notices shall commence on the day after the despatch 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 of the Company held on 24 May 2012. An updated version of the Memorandum of Continuance 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, the manufacture and sale of plastic components, investment in securities business, property development and property investment and holding. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 47 to 130.

An interim dividend of HK$0.030 per ordinary share was paid on 8 October 2012.

The Directors recommend the payment of a final dividend of HK$0.035 (2011: HK$0.035) per ordinary share in respect of the year to shareholders whose names appear on the register of members of the Company on 30 May 2013 subject to the approval of the shareholders of the Company at the forthcoming AGM. This recommendation has been incorporated in the financial statements as an allocation of distributable reserve within the equity section of the statement of financial position.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 132. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 39(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2012, the Company's reserve available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda, amounted to $1,225 million, of which $21 million has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount to $12 million, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totally $2 million (2011: $3 million).

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total			
	Sales		Purchases	
	2012	2011	**2012**	2011
Largest customer	**20%**	20%		
Five largest customers in aggregate	**55%**	59%		
Five largest suppliers in aggregate			**<30%**	<30%

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

DIRECTORS

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

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

Independent non-executive Directors:
Tam King Ching, Kenny
Chen Li
Chow Siu Ngor *(appointed on 8 March 2013)*
Lau Ho Man, Edward *(passed away on 12 January 2013)*

In accordance to the bye-laws of the Company, Mr. Chow Siu Ngor shall hold office only until the forthcoming AGM of the Company and be eligible for re-election. In addition, Mr. Tam Ngai Hung, Terry and Mr. Chen Li, are subject to the bye-laws of the Company to retire and, being eligible, offer themselves for re-election at the forthcoming AGM of the Company.

All Directors (except the Chairman and the managing Director) are subject to retirement by rotation and re-election at least once every three years at the AGM of the Company in accordance with the bye-laws of the Company. 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. Mr. Chow Siu Ngor entered into a letter of appointment with the Company on 8 March 2013, for a term of three years from that date, subject to the retirement by rotation and re-election as stated above.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 8 to 10 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

SHARE OPTION SCHEMES OF THE GROUP

Share option scheme of the Company

At the AGM of the Company held on 27 May 2011, the Shareholders approved the adoption of the 2011 Scheme. The 2011 Scheme has become effective since 30 May 2011, the date on which the Listing Committee of the Stock Exchange granted approval for the listing of, and permission to deal in, any Shares on the Stock Exchange, which may fall to be allotted and issued by the Company pursuant to the exercise of the share options in accordance with the terms and conditions of the 2011 Scheme. Unless otherwise cancelled or amended, the 2011 Scheme will be valid for a period of 10 years from the date of its adoption.

The purpose of the 2011 Scheme is 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 2011 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).

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share option scheme of the Company *(continued)*

Pursuant to the 2011 Scheme, the maximum number of Shares which may be issued upon exercise of all share options to be granted under the 2011 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 2011 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 2011 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 2011 Scheme is 60,614,490, which represents 10% of the total issued share capital of the Company as at the date of this Annual Report.

The total number of Shares issued and which may fall to be issued upon exercise of the share options granted under the 2011 Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the total number of Shares in issue as at the date of grant. Any further grant of the share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders at a general meeting with such eligible participant and his/her associates abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

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

The offer of a grant of the share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than (i) 10 years from the date of grant of the share options, or (ii) the expiry date of the 2011 Scheme, whichever is earlier. There is no specific requirement under the 2011 Scheme that a share option must be held for any minimum period before it can be exercised, but the terms of the 2011 Scheme provide that the Board has the discretion to impose a minimum period at the time of grant of any particular share option.

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

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

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

(iii) the nominal value of a Share.

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share option scheme of the Company *(continued)*

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

As at 31 December 2012, there was no share option outstanding under the 2011 Scheme. No share option has been granted, exercised, cancelled or has lapsed under the 2011 Scheme during the year.

Share option schemes of CCT Tech

CCT Tech adopted the CCT Tech Old Scheme on 17 September 2002 and which took effect on 7 November 2002. At the AGM of each of CCT Tech and the Company held on 27 May 2011, the shareholders of CCT Tech and the Company approved the adoption of the CCT Tech New Scheme and the termination of the operation of the CCT Tech Old Scheme. The CCT Tech New Scheme then became effective on 30 May 2011, being the date on which the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, on the Stock Exchange, any shares of CCT Tech which may fall to be allotted and issued by CCT Tech pursuant to the exercise of the share options in accordance with the terms and conditions of the CCT Tech New Scheme. Unless otherwise cancelled or amended, the CCT Tech New Scheme will be valid for a period of 10 years from the date of its adoption.

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

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

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

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

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

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

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share option schemes of CCT Tech *(continued)*

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

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

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

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

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share option schemes of CCT Tech *(continued)*

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

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

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

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

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

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

As at 31 December 2012, there was no share option outstanding under the CCT Tech Old Scheme and the CCT Tech New Scheme. No share option has been granted, exercised or cancelled under the CCT Tech Old Scheme during the year, but 600,000,000 share options granted under the CCT Tech Old Scheme were lapsed on 7 November 2012. No share option has been granted, exercised, cancelled or has lapsed under the CCT Tech New Scheme during the year. Details of the movements of the share options granted to the Directors and the other eligible participants under the CCT Tech Old Scheme during the year were as follows:

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share option schemes of CCT Tech *(continued)*

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 1)
	Number of share options							
								HK$ per share
Executive Directors								
Tam Ngai Hung, Terry (Note 2)	223,000,000	–	–	223,000,000	–	23/7/2009	23/7/2009 – 6/11/2012	0.01
Cheng Yuk Ching, Flora (Note 2)	245,000,000	–	–	245,000,000	–	23/7/2009	23/7/2009 – 6/11/2012	0.01
William Donald Putt (Note 2)	8,000,000	–	–	8,000,000	–	23/7/2009	23/7/2009 – 6/11/2012	0.01
	476,000,000	–	–	476,000,000	–			
Independent non-executive Directors								
Chen Li (Note 3)	8,000,000	–	–	8,000,000	–	23/7/2009	23/7/2009 – 6/11/2012	0.01
	8,000,000	–	–	8,000,000	–			
Other eligible participants								
Chow Siu Ngor (Note 4)	8,000,000	–	–	8,000,000	–	23/7/2009	23/7/2009 – 6/11/2012	0.01
Lau Ho Kit, Ivan (Note 5)	8,000,000	–	–	8,000,000	–	23/7/2009	23/7/2009 – 6/11/2012	0.01
Others	100,000,000	–	–	100,000,000	–	23/7/2009	23/7/2009 – 6/11/2012	0.01
	116,000,000	–	–	116,000,000	–			
	600,000,000	–	–	600,000,000	–			

Notes:

1. The exercise price of the share options was subject to adjustment in the case of capitalisation issue, rights issue, sub-division or consolidation of the shares of CCT Tech, or other similar changes in the CCT Tech's share capital.

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

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

4. Mr. Chow Siu Ngor is an INED of CCT Tech and has also served the Company as an INED since 8 March 2013.

5. Mr. Lau Ho Kit, Ivan is an INED of CCT Tech.

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share option schemes of CCT Tech *(continued)*

The closing market price of the shares of CCT Tech 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 CCT Tech 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			Approximate percentage of the total issued share capital of the Company
	Personal	Corporate	Total	(%)
Mak Shiu Tong, Clement (Note)	8,475,652	294,775,079	303,250,731	50.03
Tam Ngai Hung, Terry	500,000	–	500,000	0.08
William Donald Putt	591,500	–	591,500	0.10

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

DIRECTORS' INTERESTS *(continued)*

(b) Interests and short positions in the shares and the underlying shares of an associated corporation — CCT Tech as at 31 December 2012

Long positions in the shares of CCT Tech:

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

Note: The interest disclosed represents 33,026,391,124 shares of CCT Tech held by the Company through its indirect wholly-owned subsidiaries. Mr. Mak Shiu Tong, Clement is deemed to be interested in such shares of CCT Tech under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of the Company through his interest in the shareholding of approximately 50.03% of the total issued share capital in the Company as at 31 December 2012.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 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 (%)
Capital Force International Limited (Note)	96,868,792	15.98
New Capital Industrial Limited (Note)	171,357,615	28.27

Note: Capital Force International Limited and New Capital Industrial Limited are corporations controlled by Mr. Mak Shiu Tong, Clement. Mr. Mak Shiu Tong, Clement's interest in such Shares has also been disclosed under the section headed "Directors' Interests" above.

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

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. Tam King Ching, Kenny resigned as an INED of North Asia Strategic Holdings Limited (a company listed on the Growth Enterprise Market of the Stock Exchange) on 19 February 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.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event after the reporting period of the Group are set out in note 50 to the financial statements.

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

安 永

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

We have audited the consolidated financial statements of CCT Telecom Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 47 to 130, 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 Telecom Holdings Limited
(Incorporated in the Cayman Islands and continued 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 (Restated)
REVENUE	5	**1,544**	2,034
Cost of sales		**(1,463)**	(1,894)
Gross profit		**81**	140
Other income and gains	5	**232**	88
Selling and distribution expenses		**(37)**	(73)
Administrative expenses		**(146)**	(239)
Other expenses		**(113)**	(156)
Finance costs	7	**(22)**	(16)
LOSS BEFORE TAX	6	**(5)**	(256)
Income tax expense	10	**(62)**	(20)
LOSS FOR THE YEAR		**(67)**	(276)
Attributable to:			
Owners of the parent	11	**(31)**	(194)
Non-controlling interests		**(36)**	(82)
		(67)	(276)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		**(HK$0.05)**	(HK$0.32)
Diluted		**(HK$0.05)**	(HK$0.32)

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

consolidated statement of comprehensive income

Year ended 31 December 2012

HK$ million	2012	2011 (Restated)
LOSS FOR THE YEAR	**(67)**	(276)
Other comprehensive income, net of tax:		
Available-for-sale investments:		
Changes in fair value	**–**	1
Reclassification adjustments for losses included in the consolidated income statement — impairment losses	**–**	9
	–	10
Exchange differences on translation of foreign operations	**8**	28
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(59)**	(238)
Attributable to:		
Owners of the parent	**(23)**	(156)
Non-controlling interests	**(36)**	(82)
	(59)	(238)

consolidated statement of financial position

31 December 2012

HK$ million	Notes	31 December 2012	31 December 2011 (Restated)	1 January 2011 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	14	**772**	882	696
Prepayments for acquisition of property, plant and equipment		**–**	7	11
Investment properties	15	**745**	254	325
Prepayments for acquisition of investment properties	50	**23**	–	–
Prepaid land lease payments	16	**97**	100	239
Goodwill	17	**87**	87	55
Available-for-sale investments	19	**18**	79	106
Held-to-maturity debt securities	20	**51**	–	–
Other receivable	33	**–**	14	–
Deferred tax assets	36	**1**	1	1
Total non-current assets		**1,794**	1,424	1,433
Current assets				
Inventories	21	**102**	156	129
Properties under development	22	**248**	192	305
Completed properties held for sale	23	**356**	437	99
Investment property classified as held for sale	24	**–**	147	137
Non-current assets held for sale	25	**–**	20	159
Trade receivables	26	**349**	375	433
Prepayments, deposits and other receivables	27	**243**	279	278
Financial assets at fair value through profit or loss	28	**10**	135	234
Pledged time deposits	29	**186**	300	83
Time deposits with original maturity of more than three months	29	**8**	8	–
Cash and cash equivalents	29	**459**	573	610
Total current assets		**1,961**	2,622	2,467
Total assets		**3,755**	4,046	3,900
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Issued capital	37	**61**	61	61
Reserves	39(a)	**1,751**	1,818	2,013
Proposed final dividend	12	**21**	21	21
		1,833	1,900	2,095
Non-controlling interests		**253**	284	352
Total equity		**2,086**	2,184	2,447
Non-current liabilities				
Derivative financial instrument	33	**14**	14	–
Interest-bearing bank and other borrowings	34	**522**	412	250
Other payable	40	**–**	16	–
Deferred tax liabilities	36	**27**	23	21
Total non-current liabilities		**563**	465	271

HK$ million	Notes	31 December 2012	31 December 2011 (Restated)	1 January 2011 (Restated)
Current liabilities				
Trade and bills payables	30	**360**	562	502
Tax payable		**34**	39	32
Other payables and accruals	31	**203**	244	198
Receipts in advance	32	**2**	3	39
Interest-bearing bank and other borrowings	34	**507**	549	411
Total current liabilities		**1,106**	1,397	1,182
Total liabilities		**1,669**	1,862	1,453
Total equity and liabilities		**3,755**	4,046	3,900
Net current assets		**855**	1,225	1,285
Total assets less current liabilities		**2,649**	2,649	2,718

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	Notes	Issued capital	Share premium account	Capital reserve (note 39(a))	Distributable reserve	Investment revaluation reserve	Share option reserve	Exchange fluctuation reserve	Capital redemption reserve	Accumulated losses	Proposed final dividend	Total	Non-controlling interests	Total equity
At 1 January 2011														
As previously reported		61	12	745	1,279	(8)	3	68	24	(120)	21	2,085	352	2,437
Prior year adjustment		–	–	–	–	–	–	–	–	10	–	10	–	10
As restated		61	12	745	1,279	(8)	3	68	24	(110)	21	2,095	352	2,447
Loss for the year (as restated)		–	–	–	–	–	–	–	–	(194)	–	(194)	(82)	(276)
Other comprehensive income/(loss) for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	–	28	–	–	–	28	–	28
Available-for-sale investments:														
Changes in fair value		–	–	–	–	1	–	–	–	–	–	1	–	1
Reclassification adjustments for losses included in the consolidated income statement – impairment loss		–	–	–	–	9	–	–	–	–	–	9	–	9
Total comprehensive income/(loss) for the year		–	–	–	–	10	–	28	–	(194)	–	(156)	(82)	(238)
Acquisition of subsidiaries	40	–	–	–	–	–	–	–	–	–	–	–	14	14
2010 final dividend paid		–	–	–	–	–	–	–	–	–	(21)	(21)	–	(21)
2011 interim dividend	12	–	–	–	(18)	–	–	–	–	–	–	(18)	–	(18)
Proposed 2011 final dividend	12	–	–	–	(21)	–	–	–	–	–	21	–	–	–
At 31 December 2011		61	12*	745*	1,240*	2*	3*	96*	24*	(304)*	21	1,900	284	2,184
At 1 January 2012														
As previously reported		61	12	745	1,240	2	3	96	24	(315)	21	1,889	284	2,173
Prior year adjustment		–	–	–	–	–	–	–	–	11	–	11	–	11
As restated		61	12	745	1,240	2	3	96	24	(304)	21	1,900	284	2,184
Loss for the year		–	–	–	–	–	–	–	–	(31)	–	(31)	(36)	(67)
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	–	8	–	–	–	8	–	8
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	8	–	(31)	–	(23)	(36)	(59)
Dilution of interest over certain subsidiaries without loss of control		–	–	–	(5)	–	–	–	–	–	–	(5)	5	–
Transfer of share option reserve upon expiry of share options		–	–	–	–	–	(3)	–	–	3	–	–	–	–
2011 final dividend paid		–	–	–	–	–	–	–	–	–	(21)	(21)	–	(21)
2012 interim dividend	12	–	–	–	(18)	–	–	–	–	–	–	(18)	–	(18)
Proposed 2012 final dividend	12	–	–	–	(21)	–	–	–	–	–	21	–	–	–
At 31 December 2012		61	12*	745*	1,196*	2*	–*	104*	24*	(332)*	21	1,833	253	2,086

* These reserve accounts comprise the consolidated reserves of HK$1,751 million (2011: HK$1,818 million (as restated)) 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		**(5)**	(256)
Adjustments for:			
Finance costs	7	**22**	16
Interest income	5	**(7)**	(3)
Depreciation	6	**71**	77
Amortisation of prepaid land lease payments	6	**3**	6
Net reversal of impairment of trade receivables	6	**–**	(3)
Write-off of items of property, plant and equipment	6	**–**	22
Impairment of items of property, plant and equipment	6	**46**	–
Gain on disposal of subsidiaries	5	**–**	(13)
(Gain)/loss on disposal of items of property, plant and equipment	6	**(47)**	6
Gain on disposal of prepaid land lease payments	6	**–**	(23)
Fair value gains on investment properties	6	**(138)**	(10)
Fair value gain on investment property classified as held for sale	6	**(28)**	(10)
Provision for slow-moving and obsolete inventories	6	**9**	15
Fair value loss on financial assets at fair value through profit or loss	6	**–**	32
Impairment loss on available-for-sale investments	6	**59**	37
		(15)	(107)
Decrease/(increase) in inventories		**45**	(46)
Decrease in trade receivables		**26**	61
(Increase)/decrease in properties under development		**(56)**	113
Decrease/(increase) in completed properties held for sale		**81**	(338)
Increase in prepayments, deposits and other receivables		**(1)**	(1)
(Decrease)/increase in trade and bills payables, and other payables and accruals		**(251)**	109
Decrease in receipts in advance		**(1)**	(36)
Cash used in operations		**(172)**	(245)
Interest received		**7**	3
Interest paid		**(22)**	(16)
Hong Kong profits tax paid		**(6)**	–
Mainland China tax paid		**(6)**	(11)
Net cash flows used in operating activities		**(199)**	(269)

HK$ million	Notes	2012	2011
Net cash flows used in operating activities		**(199)**	(269)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(12)**	(112)
Proceeds from disposal of items of property, plant and equipment		**59**	4
Proceeds from disposal of non-current assets held for sale		**–**	139
Proceeds from disposal of prepaid land lease payments		**–**	158
Additions to investment properties		**(176)**	(93)
Addition to investment property classified as held for sale		**(2)**	–
Acquisition of subsidiaries	40	**–**	1
Disposal of subsidiaries	41	**12**	7
Proceeds from disposal of available-for-sales investments		**2**	–
Net proceeds from disposal of financial assets at fair value through profit or loss		**125**	67
Increase in held-to-maturity debt securities		**(51)**	–
Decrease/(increase) in pledged time deposits		**114**	(217)
Increase in time deposits with original maturity of more than three months		**–**	(8)
Increase in prepayments for acquisition of investment properties		**(23)**	–
Net cash flows from/(used in) investing activities		**48**	(54)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**271**	630
New trust receipts loans, net		**34**	11
Repayment of bank loans		**(236)**	(342)
Capital element of finance lease rental payments		**(1)**	(1)
Dividends paid		**(39)**	(39)
Net cash flows from financing activities		**29**	259
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(122)**	(64)
Cash and cash equivalents at beginning of year		**573**	610
Effect of foreign exchange rate changes, net		**8**	27
CASH AND CASH EQUIVALENTS AT END OF YEAR		**459**	573
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	29	**285**	414
Non-pledged time deposits with original maturity of less than three months when acquired	29	**174**	159
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**459**	573

statement of financial position

31 December 2012

HK$ million	Notes	2012	2011
ASSETS			
Non-current assets			
Property, plant and equipment	14	**1**	2
Investments in subsidiaries	18	**971**	1,205
Total non-current assets		**972**	1,207
Current assets			
Due from subsidiaries	18	**282**	193
Prepayments, deposits and other receivables	27	**1**	1
Cash and cash equivalents	29	**71**	107
Total current assets		**354**	301
Total assets		**1,326**	1,508
EQUITY AND LIABILITIES			
Issued capital	37	**61**	61
Reserves	39(b)	**1,240**	1,423
Proposed final dividend	12	**21**	21
Total equity		**1,322**	1,505
Current liabilities			
Other payables and accruals	31	**4**	3
Total current liabilities		**4**	3
Total equity and liabilities		**1,326**	1,508
Net current assets		**350**	298
Total assets less current liabilities		**1,322**	1,505

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

1. CORPORATE INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 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.

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

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

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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

Other than as further explained below regarding the impact of amendments to HKAS 12, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. Prior to the adoption of the amendments, deferred tax with respect to the Group's investment properties was provided on the basis that the carrying amount will be recovered through use, and accordingly the profits tax rate had been applied to the calculation of deferred tax arising on the revaluation of the Group's investment properties. Upon the adoption of the HKAS 12 Amendments, deferred tax in respect of the Group's investment properties is provided on the presumption that the carrying amount will be recovered through sale. The effects of the above change are summarised below:

HK$ million	**2012**	2011
Consolidated income statement for the year ended 31 December		
Decrease in income tax expense	**(23)**	(1)
Decrease in loss for the year	**(23)**	(1)
Decrease in basic loss per share	**(HK$0.038)**	(HK$0.002)
Decrease in diluted loss per share	**(HK$0.038)**	(HK$0.002)
Consolidated statement of financial position at 31 December		
Decrease in deferred tax liabilities and total non-current liabilities	**(34)**	(11)
Increase in net assets and reserves	**34**	11
Consolidated statement of financial position at 1 January		
Decrease in deferred tax liabilities and total non-current liabilities		(10)
Increase in net assets and reserves		10

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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

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

Where goodwill 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 of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

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

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

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).

Property, plant and equipment and depreciation

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment 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)*

Investment properties *(continued)*

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

Properties under development

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

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

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

Completed properties held for sale

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

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

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

Non-current assets held for sale

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

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

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.

Intangible assets (other than goodwill)

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

Deferred development costs

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Loans and receivables

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

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

Available-for-sale financial investments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments (continued)

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

Derecognition of financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets *(continued)*

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

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

Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value 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, derivative financial instruments and interest-bearing and other borrowings.

Subsequent measurement

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

Loans and borrowings

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Fair value of financial instruments

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

Derivative financial instruments

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

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

Inventories

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

Income tax

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

The Company and CCT Tech International Limited ("CCT Tech"), a non-wholly owned subsidiary of the Company, each operate a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based 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 38 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.

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

The functional currencies of certain overseas subsidiaries 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Cash and cash equivalents

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

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

Revenue recognition

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividends

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and 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.

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:

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.

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

Judgements *(continued)*

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

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

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

Transfer of land development right

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2012 was HK$87 million (2011: HK$87 million). Further details are given in note 17 to the financial statements.

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

Estimation uncertainty *(continued)*

Impairment of non-financial assets (other than goodwill)

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2012 was HK$1 million (2011: HK$1 million). The amount of unrecognised tax losses at 31 December 2012 was HK$1,011 million (2011: HK$1,021 million). Further details are contained in note 36 to the financial statements.

Impairment of available-for-sale investments

The Group classifies certain financial assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assessment about the decline in value to determine whether there is an impairment that should be recognised in the income statement. During the year ended 31 December 2012, impairment losses of HK$59 million have been recognised for available-for-sale investments (2011: HK$37 million). The carrying amount of available-for-sale investments was HK$18 million (2011: HK$79 million) at the end of the reporting period.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has 5 reportable operating segments as follows:

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

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

(c) the securities business segment which is the trading in securities and the holding of securities and treasury products;

(d) the property development segment which is engaged in the development and sale of properties; and

(e) the property investment and holding segment which is the investment and holding of properties.

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

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

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

During the year, the Group changed the structure of its internal organisation in a manner that causes the combination of the telecom and electronic products segment and the baby and child products into the telecom, electronic and child products segments. Following this change in the composition of the reportable segments of the Group, the corresponding items of segment information of the prior year have been restated.

4. OPERATING SEGMENT INFORMATION *(continued)*

HK$ million	Telecom, electronic and child products 2012	2011 (Restated)	Components 2012	2011	Securities business 2012	2011	Property development 2012	2011	Property investment and holding 2012	2011	Reconciliations 2012	2011	Group total 2012	2011
Segment revenue:														
Sales to external customers	1,363	1,740	28	44	13	(9)	139	259	1	–	–	–	1,544	2,034
Other revenue	13	10	6	2	–	–	–	–	–	–	–	9	19	21
Intersegment revenue	25	19	145	213	–	–	–	–	4	5	(174)	(237)	–	–
	1,401	1,769	179	259	13	(9)	139	259	5	5	(174)	(228)	1,563	2,055
Operating (loss)/profit	(31)	(161)	(36)	(28)	13	(41)	15	48	134	2	–	–	95	(180)
Interest income	6	3	1	–	–	–	–	–	–	–	–	–	7	3
Finance costs	(16)	(12)	–	–	(1)	(1)	–	–	(5)	(3)	–	–	(22)	(16)
Reconciled items:														
Corporate and other unallocated expenses	–	–	–	–	–	–	–	–	–	–	(27)	(34)	(27)	(34)
Gain on disposal of subsidiaries	–	13	–	–	–	–	–	–	–	–	–	–	–	13
Gain on disposal of prepaid land lease payments	–	–	–	23	–	–	–	–	–	–	–	–	–	23
Gain/(loss) on disposal of items of property, plant and equipment	8	(6)	4	–	–	–	–	–	35	–	–	–	47	(6)
Impairment loss on available-for-sale investments	–	–	–	–	–	–	–	–	–	–	(59)	(37)	(59)	(37)
Impairment of items of property, plant and equipment	–	–	–	–	–	–	–	–	(46)	–	–	–	(46)	–
Write-off of items of property, plant and equipment	–	(16)	–	(6)	–	–	–	–	–	–	–	–	–	(22)
(Loss)/profit before tax	(33)	(179)	(31)	(11)	12	(42)	15	48	118	(1)	(86)	(71)	(5)	(256)
Other segment information:														
Expenditure for non-current assets	8	29	1	1	–	–	–	2	185	177	3	2	197	211
Depreciation	(43)	(51)	(15)	(16)	–	–	–	–	(12)	(9)	(1)	(1)	(71)	(77)
Amortisation	(3)	(3)	–	(3)	–	–	–	–	–	–	–	–	(3)	(6)
Other material non-cash items:														
Net reversal of impairment/(impairment) of trade receivables	–	7	–	(4)	–	–	–	–	–	–	–	–	–	3
Provision for slow-moving and obsolete inventories	(9)	(15)	–	–	–	–	–	–	–	–	–	–	(9)	(15)
Fair value gains on investment properties and investment property classified as property held for sale	–	–	–	–	–	–	–	–	166	20	–	–	166	20
Fair value loss on financial assets at fair value through profit or loss	–	–	–	–	–	(32)	–	–	–	–	–	–	–	(32)
Write-off of items of property, plant and equipment	–	(16)	–	(6)	–	–	–	–	–	–	–	–	–	(22)
Impairment of items of property, plant and equipment	–	–	–	–	–	–	–	–	(46)	–	–	–	(46)	–
Segment assets	1,362	1,694	150	198	61	135	856	881	1,145	835	(20)	(45)	3,554	3,698
Reconciled items:														
Non-current assets held for sale	–	–	–	–	–	–	–	–	–	–	–	20	–	20
Corporate and other unallocated assets	–	–	–	–	–	–	–	–	–	–	201	328	201	328
Total assets	1,362	1,694	150	198	61	135	856	881	1,145	835	181	303	3,755	4,046
Segment liabilities	902	1,170	52	60	48	56	116	199	471	313	(20)	(45)	1,569	1,753
Reconciled items:														
Corporate and other unallocated liabilities (as restated)	–	–	–	–	–	–	–	–	–	–	100	109	100	109
Total liabilities (as restated)	902	1,170	52	60	48	56	116	199	471	313	80	64	1,669	1,862

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) *Revenue from external customers*

HK$ million	Group 2012	Group 2011
Europe	**712**	896
Asia Pacific and others	**571**	855
North America	**261**	283
	1,544	2,034

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

(b) *Non-current assets*

HK$ million	Group 2012	Group 2011
Hong Kong	**1,154**	693
Mainland China	**640**	731
	1,794	1,424

The non-current asset 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 of the telecom, electronic and child products segment was HK$304 million and HK$185 million, respectively, representing 20% and 12% of the Group's total revenue, respectively.

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

	Group	
HK$ million	**2012**	2011
Revenue		
Manufacture and sale of telecom, electronic and child products	**1,384**	1,781
Realised gain/(loss) from sale of securities investment, net	**13**	(9)
Sale of properties	**139**	259
Rental income from investment properties	**1**	–
Bank interest income	**7**	3
	1,544	2,034
Other income and gains		
Fair value gain on investment properties	**138**	10
Fair value gain on investment property classified as held for sale	**28**	10
Foreign exchange gains, net	**–**	11
Gain on disposal of subsidiaries	**–**	13
Gain on disposal of prepaid land lease payments	**–**	23
Gain on disposal of items of property, plant and equipment	**47**	–
Others	**19**	21
	232	88

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		**1,348**	1,703
Cost of properties sold		**106**	185
Depreciation	14	**71**	77
Amortisation of prepaid land lease payments	16	**3**	6
Minimum lease payments under operating leases in respect of land and buildings		**12**	11
Research and development costs		**40**	68
Auditors' remuneration		**4**	4
Employee benefits expense (excluding directors' and chief executive's remuneration (note 8))			
Wages and salaries		**349**	421
Pension scheme contributions****		**6**	7
		355	428
Net reversal of impairment of trade receivables*	26	**–**	(3)
Write-off of items of property, plant and equipment*	14	**–**	22
Provision for slow-moving and obsolete inventories		**9**	15
Foreign exchange differences, net***/**		**2**	(11)
Fair value gain on investment properties**	15	**(138)**	(10)
Fair value gain on investment property classified as held for sale**	5	**(28)**	(10)
Fair value loss on financial assets at fair value through profit or loss*		**–**	32
Impairment loss on available-for-sale investments*		**59**	37
Impairment of items of property, plant and equipment*	14	**46**	–
Gain on disposal of subsidiaries**	41	**–**	(13)
Loss on disposal of items of property, plant and equipment*		**–**	6
Gain on disposal of items of property, plant and equipment**	5	**(47)**	–
Gain on disposal of prepaid land lease payments**	5	**–**	(23)
Gross rental income from investment properties**	5	**(1)**	–

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

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

*** Included in "Administrative expenses" 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	2011
Interest on bank loans wholly repayable within five years	**17**	7
Interest on bank loans wholly repayable beyond five years	**5**	9
Total interest expense on financial liabilities not at fair value through profit or loss	**22**	16

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 of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

HK$ million	Group 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	**20**	20
Pension scheme contributions	**1**	1
	21	21
	22	22

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

(a) Independent non-executive directors

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

	Fees
	HK$'000
2012	
Tam King Ching, Kenny	**240**
Lau Ho Man, Edward	**240**
Chen Li	**240**
	720
2011	
Tam King Ching, Kenny	240
Lau Ho Man, Edward	240
Chen Li	240
	720

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

(b) Executive directors and the chief executive

HK$ million	**Salaries, allowances and benefits in kind**	**Tax allowance**	**Pension scheme contributions**	**Total remuneration**
2012				
Mak Shiu Tong, Clement ("Mr. Mak")				
— chief executive	**10**	**2**	**1**	**13**
Tam Ngai Hung, Terry	**4**	**–**	**–**	**4**
Cheng Yuk Ching, Flora	**4**	**–**	**–**	**4**
William Donald Putt	**–**	**–**	**–**	**–**
	18	**2**	**1**	**21**

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

(b) Executive directors and the chief executive *(continued)*

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

With effect from 1 July 2011, quarters have been provided to Mr. Mak free of charge and at the same time his remuneration receivable from the Company has been reduced by HK$200,000 per month. The amount of Mr. Mak's remuneration for 2012 and 2011 has included the estimated value of the housing benefit provided to him for the periods.

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**	4

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–HK$1,500,000	**1**	–
HK$2,000,001–HK$2,500,000	**1**	2
	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.

	Group	
HK$ million	**2012**	2011 (Restated)
Group:		
Current — Hong Kong		
Under provision in prior years	**59**	–
Current — Elsewhere		
Charge of the Mainland China income tax for the year	**5**	13
Overprovision in prior years	**(9)**	–
Mainland China land appreciation tax	**3**	5
Deferred (note 36)	**4**	2
Total tax charge for the year	**62**	20

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

	Hong Kong		Mainland China		Total	
HK$ million		%		%		%
Profit/(loss) before tax	**88.4**		**(93.1)**		**(4.7)**	
Tax at the statutory or appropriate tax rate	**14.6**	**16.5**	**(23.3)**	**25.0**	**(8.7)**	**185.1**
Adjustments in respect of current tax of previous periods	**59.0**	**66.7**	**(9.6)**	**10.3**	**49.4**	**(1,051.1)**
Income not subject to tax	**(29.2)**	**(33.0)**	**(3.4)**	**3.6**	**(32.6)**	**693.6**
Expenses not deductible for tax	**20.9**	**23.6**	**22.0**	**(23.6)**	**42.9**	**(912.8)**
Tax losses not recognised	**0.9**	**1.0**	**9.8**	**(10.5)**	**10.7**	**(227.6)**
Tax losses utilised from previous periods	**(2.6)**	**(2.9)**	**–**	**–**	**(2.6)**	**55.3**
Land appreciation tax	**–**	**–**	**3.3**	**(3.5)**	**3.3**	**(70.2)**
Tax charge at the Group's effective rate	**63.6**	**71.9**	**(1.2)**	**1.3**	**62.4**	**(1,327.7)**

10. INCOME TAX EXPENSE *(continued)*

Group — 2011

HK$ million	Hong Kong (Restated)	%	Mainland China	%	Total (Restated)	%
Loss before tax	(187.9)		(68.7)		(256.6)	
Tax at the statutory or appropriate tax rate	(31.0)	16.5	(17.2)	25.0	(48.2)	18.8
Income not subject to tax	(5.4)	2.9	(8.9)	13.0	(14.3)	5.6
Expenses not deductible for tax	17.0	(9.0)	18.7	(27.2)	35.7	(13.9)
Tax losses not recognised	21.0	(11.2)	19.9	(29.0)	40.9	(15.9)
Land appreciation tax	–	–	5.6	(8.1)	5.6	(2.2)
Tax charge at the Group's effective rate	1.6	(0.8)	18.1	(26.3)	19.7	(7.6)

In late February 2008, the Company received a letter from the Hong Kong Inland Revenue Department (the "IRD") in respect of a review on the tax affairs of the Group for the past years. As at 31 December 2012, protective tax assessments in the aggregate amount of HK$182 million for the years of assessment 2001/2002 to 2005/2006 were issued by the IRD to certain subsidiaries of the Company.

The directors are of the opinion that the Hong Kong Profits Tax returns previously submitted by the Company's subsidiaries 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 the Group, 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 the Group.

In September 2012, subsequent to the negotiations with the IRD, a proposal for settlement was reached with the IRD at a sum of HK$59 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$59 million were issued by the IRD, which was settled in February 2013 by the tax reserve certificates in aggregate of HK$59 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. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated loss attributable to owners of the parent for the year included a profit of HK$2 million (2011: loss of HK$17 million) which has been dealt with in the financial statements of the Company (note 39(b)).

12. DIVIDENDS

HK$ million	**2012**	2011
Paid interim — HK$0.030 (2011: HK$0.030) per ordinary share	**18**	18
Proposed final — HK$0.035 (2011: HK$0.035) per ordinary share	**21**	21
Total	**39**	39

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

13. LOSS 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$31 million (2011: HK$194 million (restated)), and the weighted average number of 606,144,907 (2011: 606,144,907) 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 granted by a subsidiary of the Company had an anti-dilutive effect on the basic loss per share amounts presented.

14. PROPERTY, PLANT AND EQUIPMENT

Group

HK$ million	Leasehold land and buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
31 December 2012							
At 31 December 2011 and 1 January 2012:							
Cost	1,364	462	202	141	21	10	2,200
Accumulated depreciation and impairment	(628)	(377)	(191)	(111)	(11)	–	(1,318)
Net carrying amount	736	85	11	30	10	10	882
At 1 January 2012, net of accumulated depreciation and impairment	736	85	11	30	10	10	882
Additions	11	–	4	3	1	–	19
Disposals	(10)	(1)	–	(1)	–	–	(12)
Depreciation provided during the year	(44)	(17)	(3)	(4)	(3)	–	(71)
Impairment	(46)	–	–	–	–	–	(46)
Transfer	6	–	–	–	–	(6)	–
At 31 December 2012, net of accumulated depreciation and impairment	653	67	12	28	8	4	772
At 31 December 2012:							
Cost	1,347	389	187	138	21	4	2,086
Accumulated depreciation and impairment	(694)	(322)	(175)	(110)	(13)	–	(1,314)
Net carrying amount	653	67	12	28	8	4	772

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

Group *(continued)*

HK$ million	Leasehold land and buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
31 December 2011							
At 31 December 2010 and 1 January 2011:							
Cost	1,111	492	201	144	22	3	1,973
Accumulated depreciation and impairment	(574)	(390)	(189)	(111)	(13)	–	(1,277)
Net carrying amount	537	102	12	33	9	3	696
At 1 January 2011, net of accumulated depreciation and impairment	537	102	12	33	9	3	696
Additions	87	2	11	6	5	7	118
Acquisition of subsidiaries (note 40)	–	–	2	–	–	–	2
Transfer from investment properties (note 15)	174	–	–	–	–	–	174
Disposals	(2)	–	(7)	–	(1)	–	(10)
Write-off	(19)	–	–	(3)	–	–	(22)
Depreciation provided during the year	(42)	(19)	(7)	(6)	(3)	–	(77)
Exchange realignment	1	–	–	–	–	–	1
At 31 December 2011, net of accumulated depreciation and impairment	736	85	11	30	10	10	882
At 31 December 2011:							
Cost	1,364	462	202	141	21	10	2,200
Accumulated depreciation and impairment	(628)	(377)	(191)	(111)	(11)	–	(1,318)
Net carrying amount	736	85	11	30	10	10	882

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

Company

HK$ million	Furniture and office equipment
31 December 2012	
At 31 December 2011 and 1 January 2012:	
Cost	**5**
Accumulated depreciation	**(3)**
Net carrying amount	**2**
At 1 January 2012, net of accumulated depreciation	**2**
Depreciation provided during the year	**(1)**
At 31 December 2012, net of accumulated depreciation	**1**
At 31 December 2012:	
Cost	**2**
Accumulated depreciation	**(1)**
Net carrying amount	**1**
31 December 2011	
At 31 December 2010 and 1 January 2011:	
Cost	4
Accumulated depreciation	(3)
Net carrying amount	1
At 1 January 2011, net of accumulated depreciation	1
Additions	1
At 31 December 2011, net of accumulated depreciation	2
At 31 December 2011:	
Cost	5
Accumulated depreciation	(3)
Net carrying amount	2

The net carrying amount of the Group's property, plant and equipment held under finance leases included in the total amount of motor vehicles as at 31 December 2012 amounted to approximately HK$3 million (2011: HK$4 million).

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

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

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

HK$ million	**Hong Kong**	**Elsewhere**	**Total**
31 December 2011			
Medium term leases	19	460	479
Long term leases	257	–	257
	276	460	736
31 December 2012			
Medium term leases	8	388	396
Long term leases	257	–	257
	265	388	653

At 31 December 2012, certain of the Group's leasehold land and buildings with an aggregate net carrying amount of approximately HK$559 million (2011: HK$594 million) were pledged to secure general banking facilities granted to the Group (note 34(b)(ii)).

An impairment of HK$46 million (2011: Nil) was recognised for a plant during the year because certain production facilities of the Group were under utilised (note 6). The impairment loss is determined based on the difference between the carrying amount of the plant and its recoverable amount which is estimated using the income approach.

15. INVESTMENT PROPERTIES

	Group	
HK$ million	**2012**	2011
Carrying amount at 1 January	**254**	325
Additions	**176**	93
Transfer from investment property classified as held for sale (note 24)	**177**	–
Transfer to owner-occupied property (note 14)	**–**	(174)
Fair value gain on investment properties	**138**	10
Carrying amount at 31 December	**745**	254

15. INVESTMENT PROPERTIES *(continued)*

The Group's investment properties are situated in Hong Kong and held under the following lease terms:

HK$ million	2012	2011
Medium term leases	**7**	–
Long term leases	**738**	254
	745	254

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.

At 31 December 2012, the Group's investment properties with an aggregate carrying amount of HK$745 million (2011: HK$254 million) were pledged to secure general banking facilities granted to the Group (note 34(b)(i)).

Further particulars of the Group's investment properties at 31 December 2012 are as follows:

Location	Lot number	Use	Tenure	Attributable interest of the Group
House No. 37, Carpark 50 & 51, 56 Repulse Bay Road, Hong Kong	359/16,363th parts of Rural Building Lot No. 172	Residential	Long term lease	100%
House No. 7, Rosecliff No. 20 Tai Tam Road Hong Kong	2,310/26,070th parts of Rural Building Lot No. 147	Residential	Long term lease	100%
32nd Floor, Carpark 5, 6 & 11 Fortis Tower 77–79 Gloucester Road, Hong Kong	103/3,100th parts of Inland Lot No. 2782	Commercial	Long term lease	100%
Units Nos. 1–33, 34A, 34B, 36A, 36B and 38-45, on the portion of the basement of podium of Block 1, 2 and 3, City Garden No. 233 Electric Road, Hong Kong	1,135/100,180th shares of and in Inland Lot No. 8580	Commercial	Long term lease	100%
Flat C on 17/F, No.37 Broadway Mei Foo Sun Chuen Kowloon, Hong Kong	1/2,030th parts of Kowloon Inland Lot No. 5087	Residential	Medium term lease	100%
Flat G on 31/F, Block 6 Jubilee Garden, Nos. 2–18 Lok King Street, Shatin, Hong Kong	580/2,000,000th parts of Sha Tin Town Lot No. 87	Residential	Medium term lease	100%

16. PREPAID LAND LEASE PAYMENTS

HK$ million	Group 2012	2011
Carrying amount at 1 January	**103**	244
Disposal	**–**	(135)
Recognised during the year	**(3)**	(6)
Carrying amount at 31 December	**100**	103
Current portion included in prepayments, deposits and other receivables	**(3)**	(3)
Non-current portion	**97**	100

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

At 31 December 2012, the Group's leasehold land with an aggregate net carrying amount of approximately HK$100 million (2011: HK$103 million) were pledged to secure general banking facilities granted to the Group (note 34(b)(iii)).

17. GOODWILL

Group

HK$ million	
At 1 January 2011:	
Cost	108
Accumulated impairment	(53)
Net carrying amount	55
Cost at 1 January 2011, net of accumulated impairment	55
Acquisition of a subsidiary (note 40)	32
At 31 December 2011	87
At 31 December 2011, 1 January 2012, and 31 December 2012:	
Cost	140
Accumulated impairment	(53)
Net carrying amount	87

17. GOODWILL *(continued)*

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to cash-generating units for the telecom, electronic and child product business and the medical device product business for impairment testing. The recoverable amounts of the cash-generating units of the telecom, electronic and child product business and the medical device product business are determined based on value in use calculations using cash flow projections based on financial budgets covering a five-year period and an eight-year period approved by senior management, respectively. The discount rates applied to the cash flow projections of the telecom, electronic and child product business and the medical device product business are 11.5% (2011: 11.6%) and 30.8% (2011: 15.0%), respectively. The cash flow projections of the telecom, electronic and child product business and the medical device product business beyond the respective periods of financial budgets were extrapolated using growth rates of 3.0% (2011: 3.0%) and 3.0% (2011: 3.0%), respectively, which did not exceed the long term average growth rates of the respective industries.

The cash flow projections for the medical device product business cover a period of eight years as the senior management expects the medical device product business to achieve a stable growth beyond the eight-year period.

The carrying amount of goodwill as at 31 December 2012 and 2011 is as follows:

HK$ million	**2012**	2011
Telecom, electronic and child product business	**55**	55
Medical device product business	**32**	32
	87	87

Assumptions were used in the value in use calculation of the telecom, electronic and child product business and medical device product business cash-generating units for 31 December 2012. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

18. INVESTMENTS IN SUBSIDIARIES

	Company	
HK$ million	**2012**	2011
Unlisted shares, at cost	**1**	1
Due from subsidiaries	**2,512**	2,511
	2,513	2,512
Impairment*	**(1,260)**	(1,114)
	1,253	1,398
Less: Portion of amounts due from subsidiaries classified as current assets	**(282)**	(193)
	971	1,205

* An impairment was recognised for certain balances due from subsidiaries with a carrying amount of HK$1,260 million (2011: HK$1,114 million) which are considered to be not recoverable as the subsidiaries were loss-making. An additional impairment loss of HK$146 million (2011: HK$147 million) was recognised during the year.

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

(a) Amounts due from subsidiaries of HK$268 million (2011: HK$130 million), net of impairment of nil (2011: HK$66 million), are unsecured and repayable on demand, and bear annual interest at 2% (2011: ranging from 2% to 3%) above the Hong Kong dollar prime rate as determined by The Hongkong and Shanghai Banking Corporation Limited.

(b) An amount due from subsidiaries of HK$14 million (2011: HK$63 million), net of impairment of HK$607 million (2011: HK$499 million), was unsecured, interest-free and repayable on demand.

18. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

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

18. **INVESTMENTS IN SUBSIDIARIES** *(continued)*

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

* The non-voting shares carry no rights to dividends and no rights to vote at general meetings.
@ Listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").
^ Registered as wholly-foreign-owned enterprises under the 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. AVAILABLE-FOR-SALE INVESTMENTS

HK$ million	Group 2012	2011
Unlisted equity investment, at cost less impairment	–	2
Listed equity investment in Hong Kong, at fair value	13	72
Other assets, at fair value	5	5
	18	79

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

Included in the Group's available-for-sale investments as at 31 December 2012 is a listed equity investment of 15.5% of the issued share capital of Merdeka Resources Holdings Limited ("Merdeka Resources") which is listed on the Growth Enterprise Market of the Stock Exchange.

There was a significant decline in the market value of the listed equity investment during the year. The directors consider that such a decline indicates that the listed equity investment has been impaired and an impairment loss of HK$59 million (2011: HK$37 million included a reclassification from other comprehensive income of HK$9 million) for the year has been recognised in the consolidated income statement for the year.

In 2011, the fair value gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$1 million.

20. HELD-TO-MATURITY DEBT SECURITIES

HK$ million	Group 2012
Unlisted bonds, at amortised cost	51

The held-to-maturity debt securities represented RMB denominated bonds. At 31 December 2012, the held-to-maturity debt securities with an aggregate carrying amount of approximately HK$51 million (2011: Nil) were pledged to secure general banking securities granted to the Group (note 34(b)(iv)).

21. INVENTORIES

HK$ million	Group 2012	2011
Raw materials	**25**	35
Work in progress	**19**	35
Finished goods	**58**	86
	102	156

22. PROPERTIES UNDER DEVELOPMENT

HK$ million	Group 2012	2011
Properties under development expected to be completed:		
Within normal operating cycle and recoverable within one year included under current assets	**248**	192

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

23. COMPLETED PROPERTIES HELD FOR SALE

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

At 31 December 2012, certain of the Group's completed properties held for sale with an aggregate net carrying amount of approximately HK$120 million (2011: HK$151 million) were pledged to secure general banking facilities granted to the Group (note 34(b)(v)).

24. INVESTMENT PROPERTY CLASSIFIED AS HELD FOR SALE

At 31 December 2011, the investment property classified as held for sale with a carrying amount of approximately HK$147 million was pledged to secure general banking facilities granted to the Group (note 34(b)(vii)). During the year, the investment property classified as held for sale of the Group was reclassified as investment properties under non-current assets.

25. NON-CURRENT ASSETS HELD FOR SALE

During the prior year, the Group entered into an agreement for the disposal of a subsidiary holding the non-current assets held for sale of HK$20 million. The disposal was completed in 2012 (note 41).

26. TRADE RECEIVABLES

HK$ million	Group 2012	2011
Trade receivables	**354**	381
Impairment	**(5)**	(6)
	349	375

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 had a certain concentration of credit risk as 30% (2011: 16%) and 62% (2011: 66%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	Group			
	2012		2011	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**126**	**36**	142	38
31 to 60 days	**86**	**25**	108	28
61 to 90 days	**78**	**22**	100	26
Over 90 days	**59**	**17**	25	8
	349	**100**	375	100

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

HK$ million	Group 2012	2011
At 1 January	**6**	11
Net reversal of impairment losses recognised (note 6)	**–**	(3)
Amount written off as uncollectible	**(1)**	(2)
At 31 December	**5**	6

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$5 million (2011: HK$6 million) with a carrying amount before provision of HK$5 million (2011: HK$29 million). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

26. 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	**306**	285
Past due but not impaired — within 6 months	**43**	67
	349	352

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

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

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
HK$ million	**2012**	2011	**2012**	2011
Prepayments	**200**	199	**–**	–
Deposits and other receivables	**43**	80	**1**	1
	243	279	**1**	1

The above balance as at 31 December 2012 included prepayments for the acquisition of land use rights in Mainland China amounting to approximately HK$192 million (2011: HK$192 million) in relation to the Group's property development business.

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

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
HK$ million	**2012**	2011
Listed equity investments in Hong Kong, at market value	**–**	125
Fund investments, at fair value	**10**	10
	10	135

The above equity investments and fund investments at 31 December 2012 and 2011 were classified as held for trading.

At 31 December 2011, certain of the Group's financial assets at fair value through profit or loss with an aggregate carrying amount of HK$56 million were pledged to secure general banking facilities granted to the Group (note 34(b)(viii)).

29. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
HK$ million	**2012**	2011	**2012**	2011
Cash and bank balances	**285**	414	**6**	51
Time deposits	**368**	467	**65**	56
	653	881	**71**	107
Less: Time deposits pledged for bank facilities (note 34(a) and note 34(b)(vi))	**(186)**	(300)	**–**	–
Time deposits with original maturity of more than three months when acquired	**(8)**	(8)	**–**	–
Cash and cash equivalents	**459**	573	**71**	107

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$284 million (2011: HK$468 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

30. 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	**93**	**26**	233	41
31 to 60 days	**64**	**18**	101	18
61 to 90 days	**52**	**14**	73	13
Over 90 days	**151**	**42**	155	28
	360	**100**	562	100

31. OTHER PAYABLES AND ACCRUALS

	Group		Company	
HK$ million	**2012**	2011	**2012**	2011
Other payables	**106**	96	**–**	–
Accruals	**97**	148	**4**	3
	203	244	**4**	3

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

32. RECEIPTS IN ADVANCE

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

33. OTHER RECEIVABLE/DERIVATIVE FINANCIAL INSTRUMENT

On 3 August 2011, the Group granted to the seller a call option over the acquisition of 16% equity interest in InnoMed Scientific International Limited and its subsidiaries (the "InnoMed Group") held by the Group at a cash consideration of HK$14 million (US$1.8 million) to be paid by the seller on 5 August 2013. The consideration receivable is presented as a current asset in the consolidated statement of financial position.

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

34. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2012			2011		
	Effective contractual interest rate (%)	**Maturity**	**HK$ million**	Effective contractual interest rate (%)	Maturity	HK$ million
Current						
Finance lease payable (note 35)	**4.83–5.25**	**2013**	**1**	4.83–5.25	2012	1
Bank loans — unsecured	**3.50**	**2013**	**7**	1.41–4.00	2012	27
Bank loans — secured	**1.28–8.00**	**2013**	**499**	1.00–8.65	2012	521
			507			549
Non-current						
Finance lease payable (note 35)	**4.83–5.25**	**2014–2016**	**1**	4.83–5.25	2013–2014	2
Bank loans — secured	**1.28–7.05**	**2014–2032**	**521**	1.15–8.65	2013–2030	410
			522			412
			1,029			961

	Group	
HK$ million	**2012**	2011
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**506**	548
In the second year	**63**	79
In the third to fifth years, inclusive	**199**	170
Beyond five years	**259**	161
	1,027	958
Other borrowings repayable:		
Within one year or on demand	**1**	1
In the second year	**1**	1
In the third to fifth years, inclusive	**–**	1
	2	3
	1,029	961

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

(a) 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 29).

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

(i) pledge of the Group's investment properties situated in Hong Kong, which had an aggregate carrying amount at the end of the reporting period of approximately HK$745 million (2011: HK$254 million) (note 15);

(ii) pledge of certain of the Group's leasehold land and buildings situated in Hong Kong and Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$559 million (2011: HK$594 million) (note 14);

(iii) 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$100 million (2011: HK$103 million) (note 16);

(iv) pledge of certain of the Group's held-to-maturity debt securities, which had a carrying amount at the end of the reporting period of approximately HK$51 million (2011: Nil) (note 20);

(v) pledge of certain of the Group's completed properties held for sale situated in Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$120 million (2011: HK$151 million) (note 23);

(vi) pledge of certain of the Group's time deposits amounting to HK$115 million (2011: HK$222 million) (note 29);

(vii) pledge of the Group's investment property classified as held for sale situated in Hong Kong, which had a carrying amount at 31 December 2011 of approximately HK$147 million (note 24); and

(viii) pledge of certain of the Group's financial assets at fair value through profit or loss, which had an aggregate carrying amount at 31 December 2011 of approximately HK$56 million (note 28).

(c) The Group's bank and other borrowings with carrying amounts of HK$619 million (2011: HK$494 million), HK$296 million (2011: HK$345 million) and HK$114 million (2011: HK$122 million) are denominated in Hong Kong dollars, United States dollars ("US$") and RMB, respectively.

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

35. FINANCE LEASE PAYABLES

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

At 31 December 2012, the total future minimum lease payments under finance leases and their present values 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	**1**	1
In the second year	**1**	1	**1**	1
In the third to fifth years, inclusive	**–**	1	**–**	1
Total minimum finance lease payments	**2**	3	**2**	3
Future finance charges	**–**	–		
Total net finance lease payables	**2**	3		
Portion classified as current liabilities (note 34)	**(1)**	(1)		
Non-current portion (note 34)	**1**	2		

36. DEFERRED TAX

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

Deferred tax liabilities

Group

HK$ million	Depreciation allowance in excess of related depreciation	Revaluation of properties (Restated)	Total (Restated)
Gross deferred tax liabilities at 1 January 2011	2	19	21
Deferred tax charged to the income statement during the year (note 10)	–	2	2
Gross deferred tax liabilities at 31 December 2011 and 1 January 2012	2	21	23
Deferred tax charged to the income statement during the year (note 10)	–	4	4
Gross deferred tax liabilities at 31 December 2012	2	25	27

Deferred tax assets

Group

HK$ million	**Losses available for offsetting against future taxable profits**
Gross deferred tax assets at 1 January 2011, 31 December 2011, 1 January 2012 and 31 December 2012	1

The Group and the Company have tax losses arising in Hong Kong of HK$1,011 million (2011: HK$1,021 million) and HK$219 million (2011: HK$208 million), respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

36. DEFERRED TAX *(continued)*

At 31 December 2012, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$64 million as at 31 December 2012 (2011: HK$53 million).

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

37. SHARE CAPITAL

Shares

	Company	
HK$ million	**2012**	2011
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200**	200
Issued and fully paid:		
606,144,907 ordinary shares of HK$0.10 each	**61**	61

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

Share options

Details of the Group's share option schemes and the share options issued under the scheme are included in note 38 to the financial statements.

38. SHARE OPTION SCHEMES OF THE GROUP

Share option schemes of the Company

At the annual general meeting ("AGM") of the Company held on 27 May 2011, the shareholders of the Company ("Shareholders") approved the adoption of the share option scheme adopted by the Company on 27 May 2011 ("2011 Scheme"). The 2011 Scheme has become effective since 30 May 2011, the date on which the Listing Committee of the Stock Exchange granted approval for the listing of, and permission to deal in, any shares of the Company ("Shares") on the Stock Exchange, 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 2011 Scheme. Unless otherwise cancelled or amended, the 2011 Scheme will be valid for a period of 10 years from the date of its adoption.

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

Share option schemes of the Company *(continued)*

The purpose of the 2011 Scheme is 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 of the Company ("Invested Entity") or the holding company of the Company (if applicable). Eligible participants of the 2011 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).

Pursuant to the 2011 Scheme, the maximum number of Shares which may be issued upon exercise of all share options to be granted under the 2011 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 2011 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 2011 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 2011 Scheme is 60,614,490, which represents 10% of the total issued share capital of the Company as at the date of approval of these financial statements.

The total number of Shares issued and which may fall to be issued upon exercise of the share options granted under the 2011 Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the total number of Shares in issue as at the date of grant. Any further grant of the share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders at a general meeting with such eligible participant and his/her associates abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

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

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

The offer of a grant of the share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than (i) 10 years from the date of grant of the share options, or (ii) the expiry date of the 2011 Scheme, whichever is earlier. There is no specific requirement under the 2011 Scheme that a share option must be held for any minimum period before it can be exercised, but the terms of the 2011 Scheme provide that the Board has the discretion to impose a minimum period at the time of grant of any particular share option.

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

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

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

(iii) the nominal value of a Share.

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

As at 31 December 2012, there was no share option outstanding under the 2011 Scheme. No share option has been granted, exercised, cancelled or has lapsed under the 2011 Scheme during the year.

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

Share option schemes of CCT Tech

CCT Tech adopted the old share option scheme of CCT Tech (the "CCT Tech Old Scheme") on 17 September 2002 and which took effect on 7 November 2002. At the AGM of each of CCT Tech and the Company held on 27 May 2011, the shareholders of CCT Tech and the Company approved the adoption of the CCT Tech New Scheme and the termination of the operation of the CCT Tech Old Scheme. The new share option scheme of CCT Tech (the "CCT Tech New Scheme") then became effective on 30 May 2011, being the date on which the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, on the Stock Exchange, any shares of CCT Tech which may fall to be allotted and issued by CCT Tech pursuant to the exercise of the share options in accordance with the terms and conditions of the CCT Tech New Scheme. Unless otherwise cancelled or amended, the CCT Tech New Scheme will be valid for a period of 10 years from the date of its adoption.

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

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

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

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

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

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

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

Share option schemes of CCT Tech *(continued)*

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

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

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

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

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

Share option schemes of CCT Tech *(continued)*

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

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

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

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

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

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

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

Share option schemes of CCT Tech *(continued)*

As at 31 December 2012, there was no share option outstanding under the CCT Tech Old Scheme and the CCT Tech New Scheme. No share option has been granted, exercised or cancelled under the CCT Tech Old Scheme during the year, but 600,000,000 share options granted under the CCT Tech Old Scheme were lapsed on 7 November 2012. No share option has been granted, exercised, cancelled or has lapsed under the CCT Tech New Scheme during the year. Details of the movements of the share options granted to the Directors and the other eligible participants under the CCT Tech Old Scheme during the year were as follows:

	Number of share options							
Name or category of the participants	**Outstanding as at 1 January 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 1)
								HK$ per share
Executive Directors								
Tam Ngai Hung, Terry (Note 2)	223,000,000	–	–	223,000,000	–	23/7/2009	23/7/2009 – 6/11/2012	0.01
Cheng Yuk Ching, Flora (Note 2)	245,000,000	–	–	245,000,000	–	23/7/2009	23/7/2009 – 6/11/2012	0.01
William Donald Putt (Note 2)	8,000,000	–	–	8,000,000	–	23/7/2009	23/7/2009 – 6/11/2012	0.01
	476,000,000	–	–	476,000,000	–			
Independent non-executive Directors								
Chen Li (Note 3)	8,000,000	–	–	8,000,000	–	23/7/2009	23/7/2009 – 6/11/2012	0.01
	8,000,000	–	–	8,000,000	–			
Other eligible participants								
Chow Siu Ngor (Note 4)	8,000,000	–	–	8,000,000	–	23/7/2009	23/7/2009 – 6/11/2012	0.01
Lau Ho Kit, Ivan (Note 5)	8,000,000	–	–	8,000,000	–	23/7/2009	23/7/2009 – 6/11/2012	0.01
Others	100,000,000	–	–	100,000,000	–	23/7/2009	23/7/2009 – 6/11/2012	0.01
	116,000,000	–	–	116,000,000	–			
	600,000,000	–	–	600,000,000	–			

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

Share option schemes of CCT Tech *(continued)*

Notes:

1. 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 of CCT Tech, or other similar changes in the CCT Tech's share capital.

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

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

4. Mr. Chow Siu Ngor is an INED of CCT Tech and has also served the Company as an INED since 8 March 2013.

5. Mr. Lau Ho Kit, Ivan is an INED of CCT Tech.

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

As at 31 December 2012 and the date of approval of these financial statements, there was no share option outstanding under the CCT Tech Old Scheme.

39. RESERVES

(a) Group

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

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

(b) Company

HK$ million	Notes	Capital redemption reserve	Share premium account	Capital reserve*	Distributable reserve	Accumulated losses	Total
At 1 January 2011		24	12	741	1,279	(430)	1,626
Total comprehensive loss for the year	11	–	–	–	–	(164)	(164)
2011 interim dividend	12	–	–	–	(18)	–	(18)
Proposed 2011 final dividend	12	–	–	–	(21)	–	(21)
At 31 December 2011 and 1 January 2012		24	12	741	1,240	(594)	1,423
Total comprehensive loss for the year	11	–	–	–	–	(144)	(144)
2012 interim dividend	12	–	–	–	(18)	–	(18)
Proposed 2012 final dividend	12	–	–	–	(21)	–	(21)
At 31 December 2012		24	12	741	1,201	(738)	1,240

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

40. BUSINESS COMBINATION

During the prior year, on 3 August 2011, the Group acquired 51% interest in the InnoMed Group for a consideration of HK$47 million (US$6 million). The InnoMed Group will be engaged in the manufacturing and sale of cardiovascular medical services and other medical device. The purchase consideration for the acquisition was in the form of cash, with HK$31 million (US$4 million) paid on 3 August 2011 and the remaining HK$16 million (US$2 million) to be paid to the seller on 5 August 2013.

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

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

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

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

40. BUSINESS COMBINATION *(continued)*

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

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

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

Had the combination taken place at the beginning of the year ended 31 December 2011, the revenue of the Group and the loss of the Group for the year ended 31 December 2011 would have been HK$2,034 million and HK$280 million, respectively.

41. DISPOSAL OF SUBSIDIARIES

HK$ million	Note	**2012**	2011
Net assets/(liabilities) disposed of:			
Inventories		**–**	4
Accruals and other payables		**–**	(10)
Non-current assets held for sale		**20**	–
		20	(6)
Gain on disposal of subsidiaries	6	**–**	13
		20	7
Satisfied by:			
Cash		**12**	7
Deposit received in 2011		**8**	–
		20	7
An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:			
Cash consideration and net inflow of cash and cash equivalents in respect of the disposal of subsidiaries		**12**	7

42. CONTINGENT LIABILITIES

(a) 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	**994**	614

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$644 million (2011: HK$438 million).

(b) Two subsidiaries of the Company claimed a defendant in a lawsuit for outstanding invoices in 2012. The defendant subsequently pleaded the defence and counterclaimed the subsidiaries on the ground of the subsidiaries' failure to deliver some moulds and products ordered. The directors of the Company believe the defendant's counterclaim is unjustified and the subsidiaries have a valid defence against the allegation of the counterclaim. As such, no provision has been made in these consolidated financial statements for any claim arising from the litigation. The Group considers that the possible outcome of the lawsuit is unlikely to have a significant impact on the Group's financial position.

43. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group are included in note 34 to the financial statements.

44. OPERATING LEASE ARRANGEMENTS

As lessee

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

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

	Group	
HK$ million	**2012**	2011
Within one year	**1**	2
In the second to fifth years, inclusive	**1**	2
	2	4

44. OPERATING LEASE ARRANGEMENTS *(continued)*

As lessee *(continued)*

At 31 December 2012, the Group had total future minimum lease payments under non-cancellable operating leases with an initial lease term of fifty to fifty one years in respect of land on which certain of the Group's factories are situated falling due as follows:

	Group	
HK$ million	**2012**	2011
Within one year	**3**	3
In the second to fifth years, inclusive	**12**	12
Beyond five years	**127**	129
	142	144

45. COMMITMENTS

In addition to the operating lease commitments detailed in note 44 above, the Group had the following commitments at the end of the reporting period:

Capital commitments

	Group	
HK$ million	**2012**	2011
Contracted, but not provided for:		
Building	**2**	3
Investment property	**205**	–
Construction cost for properties under development	**9**	4
Plant and machinery	**–**	2
	216	9

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

46. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

HK$ million	**2012**	2011
Short term employee benefits	**29**	35

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

47. FINANCIAL INSTRUMENTS BY CATEGORY

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

2012

HK$ million	Group				
Financial assets	**Financial assets at fair value through profit or loss — held for trading**	**Loans and receivables**	**Available-for-sale investments**	**Held-to-maturity debt securities**	**Total**
Available-for-sale investments	–	–	18	–	18
Held-to-maturity debt securities	–	–	–	51	51
Trade receivables	–	349	–	–	349
Financial assets included in prepayments, deposits and other receivables (note 27)	–	43	–	–	43
Financial assets at fair value through profit or loss	10	–	–	–	10
Pledged time deposits	–	186	–	–	186
Time deposits with original maturity of more than three months	–	8	–	–	8
Cash and cash equivalents	–	459	–	–	459
	10	1,045	18	51	1,124

2012

HK$ million	Group		
Financial liabilities	**Financial liabilities at fair value through profit or loss — designated as such upon recognition**	**Financial liabilities at amortised cost**	**Total**
Trade and bills payables	–	360	360
Other payables and accruals	–	203	203
Interest-bearing bank and other borrowings	–	1,029	1,029
Derivative financial instrument	14	–	14
	14	1,592	1,606

47. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2011

HK$ million	Group			
Financial assets	Financial assets at fair value through profit or loss — held for trading	Loans and receivables	Available-for-sale investments	Total
Available-for-sale investments	–	–	79	79
Other receivable	–	14	–	14
Trade receivables	–	375	–	375
Financial assets included in prepayments, deposits and other receivables (note 27)	–	80	–	80
Financial assets at fair value through profit or loss	135	–	–	135
Pledged time deposits	–	300	–	300
Time deposits with original maturity of more than three months	–	8	–	8
Cash and cash equivalents	–	573	–	573
	135	1,350	79	1,564

2011

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

47. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2012

HK$ million	Company
Financial assets	**Loans and receivables**
Financial assets included in investments in subsidiaries (note 18)	**970**
Due from subsidiaries (note 18)	**282**
Cash and cash equivalents	**71**
Financial assets included in prepayments, deposits and other receivables (note 27)	**1**
	1,324

2011

HK$ million	Company
Financial assets	Loans and receivables
Financial assets included in investments in subsidiaries (note 18)	1,204
Due from subsidiaries (note 18)	193
Cash and cash equivalents	107
Financial assets included in prepayments, deposits and other receivables (note 27)	1
	1,505

	Company	
HK$ million	**2012**	2011
Financial liabilities		
Other payables and accruals	**4**	3

48. FAIR VALUE AND FAIR VALUE HIERARCHY

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

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

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

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

Group

Assets measured at fair value as at 31 December 2012:

HK$ million	**Level 1**	**Level 2**	**Total**
Available-for-sale investments:			
Other assets, at fair value	**5**	**–**	**5**
Listed equity investment, at fair value	**13**	**–**	**13**
Financial assets at fair value through profit or loss	**10**	**–**	**10**
	28	**–**	**28**

Assets measured at fair value as at 31 December 2011:

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

The Company did not have any financial assets measured at fair value as at 31 December 2012 and 2011.

Group

Liabilities measured at fair value as at 31 December 2012 and 2011:

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

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

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

	Group	
HK$ million	**2012**	2011
Derivative financial instrument		
At 1 January	**14**	–
Acquired	**–**	14
At 31 December	**14**	14

The Company did not have any financial liabilities measured at fair value as at 31 December 2012 and 2011.

During the year ended 31 December 2012, there was no transfer of fair value measurements between Level 1 and Level 2 (2011: Nil).

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

49. 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**	**6**
US$	**100**	**3**
RMB	**100**	**1**
HK$	**(100)**	**(6)**
US$	**(100)**	**(3)**
RMB	**(100)**	**(1)**

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

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

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by or expenditure of operating units in currencies other than the units' functional 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 RMB and the Hong Kong dollar would result in decrease/(increase) on the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) by HK$8 million in 2012 (2011: HK$19 million).

Credit risk

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

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

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

There is no significant concentration of credit risk in relation to the Group's financial assets, other than trade receivables. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 26 to the financial statements.

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

Liquidity risk

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

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

As at 31 December 2012

	Group				
HK$ million	Within one year or on demand	In the second year	In the third to fifth years, inclusive	Beyond five years	Total
Trade and bills payables	**360**	**–**	**–**	**–**	**360**
Other payables and accruals	**203**	**–**	**–**	**–**	**203**
Interest-bearing bank and other borrowings	**534**	**76**	**211**	**265**	**1,086**
	1,097	**76**	**211**	**265**	**1,649**

As at 31 December 2011

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

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

Liquidity risk *(continued)*

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

	Company	
	2012	2011
HK$ million	**Within one year or on demand**	Within one year or on demand
Guarantees given to banks in connection with facilities granted to subsidiaries (note 42)	**644**	438
Other payables and accruals	**4**	3
	648	441

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments and available-for-sale investments as at 31 December 2012. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

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

	31 December 2012	**High/low 2012**	31 December 2011	High/low 2011
Hong Kong — Hang Seng Index	**22,657**	**22,719/18,056**	18,434	24,469/16,170

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

	Carrying amounts of equity investments HK$ million	**Increase/ (decrease) in equity price %**	**Increase/ (decrease) in loss before tax HK$ million**	**Increase/ (decrease) in total equity HK$ million**
2012				
Investments listed in:				
Hong Kong — Held for trading (note 28)	**10**	**21.62**	**(2)**	**2**
	10	**(21.62)**	**2**	**(2)**
— Available-for-sale investments (note 19)	**13**	**21.62**	**–**	**3**
	13	**(21.62)**	**–**	**(3)**

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

Equity price risk *(continued)*

	Carrying amounts of equity investments HK$ million	Increase/ (decrease) in equity price %	Increase/ (decrease) in loss before tax HK$ million	Increase/ (decrease) in total equity HK$ million
2011				
Investments listed in:				
Hong Kong — Held for trading (note 28)	125	34.84	(44)	44
	125	(34.84)	44	(44)
— Available-for-sale investments (note 19)	72	34.84	–	25
	72	(34.84)	–	(25)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 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 the owners of the parent. The gearing ratios as at the end of the reporting periods are as follows:

	Group	
HK$ million	**2012**	2011 (Restated)
Interest-bearing bank and other borrowings	**1,029**	961
Total borrowings	**1,029**	961
Total capital	**1,833**	1,900
Total capital and borrowings	**2,862**	2,861
Gearing ratio	**36.0%**	33.6%

50. EVENT AFTER THE REPORTING PERIOD

On 17 October 2012, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement for the acquisition of an investment property in Hong Kong at a purchase price of HK$228 million, of which a deposit of HK$23 million was paid by the Group as at 31 December 2012. The transaction was completed on 1 March 2013.

51. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of the revised HKFRS during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 January 2011 has been presented.

As further explained in note 4 to the financial statements, due to the change in composition of the reportable segments of the Group, the corresponding items of segment information of the prior year have been restated.

52. APPROVAL OF THE FINANCIAL STATEMENTS

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

other information

PARTICULARS OF COMPLETED PROPERTIES FOR SALE AS AT 31 DECEMBER 2012

Name of projects	**Locations**	**Uses**	**Site area of the project** (square metres) (Approximately)	**Gross floor area** (square metres) (Approximately)	**Stage of completion**	**Attributable interest of the Group**
Landmark City Phases I and II	No. 253 Jiu Dao Road, Tiexi District, Anshan City, Liaoning Province, China	Residential and commercial	8,000	24,000	Completed	100%
Evian Villa Phase I	No. 37 Qian Ye Street, Tiedong District, Anshan City, Liaoning Province, China	Residential and commercial	33,000	51,000	Completed	100%

PARTICULARS OF PROPERTIES UNDER DEVELOPMENT AS AT 31 DECEMBER 2012

Name of projects	**Locations**	**Uses**	**Site area of the project** (square metres) (Approximately)	**Gross floor area** (square metres) (Approximately)	**Stage of completion**	**Attributable interest of the Group**
Landmark City Phase III	No. 253 Jiu Dao Road, Tiexi District, Anshan City, Liaoning Province, China	Residential and commercial	36,000	106,000	Under construction	100%
Evian Villa Phase II	No. 37 Qian Ye Street, Tiedong District, Anshan City, Liaoning Province, China	Residential and commercial	34,000	65,000	Planning	100%

PARTICULARS OF UNDEVELOPED LAND AS AT 31 DECEMBER 2012

Name of project	**Locations**	**Uses**	**Site area** (square metres) (Approximately)	**Gross floor area** (square metres) (Approximately)	**Stage of completion**	**Attributable interest of the Group**
Evian Garden	A piece of land located at north of Yueling Road, Gaoxin District, Anshan City, Liaoning Province, China	Residential and commercial	83,000	281,000	Planning	100%

five year financial summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out below. The amounts for each year in the five year financial summary have been adjusted for the effects of the retrospective changes in the accounting policy affecting deferred tax on investment properties, as detailed in note 2.2 to the financial statements.

RESULTS

HK$ million	Year ended 31 December				
	2012	2011 (Restated)	2010 (Restated)	2009 (Restated)	2008 (Restated)
REVENUE	**1,544**	2,034	1,919	1,653	2,935
PROFIT/(LOSS) BEFORE TAX	**(5)**	(256)	64	51	(1,284)
Income tax expense	**(62)**	(20)	(19)	(16)	(5)
PROFIT/(LOSS) FOR THE YEAR	**(67)**	(276)	45	35	(1,289)
Profit/(loss) attributable to:					
Owners of the parent	**(31)**	(194)	48	44	(1,123)
Non-controlling interests	**(36)**	(82)	(3)	(9)	(166)
	(67)	(276)	45	35	(1,289)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

HK$ million	As at 31 December				
	2012	2011 (Restated)	2010 (Restated)	2009 (Restated)	2008 (Restated)
TOTAL ASSETS	**3,755**	4,046	3,900	3,517	3,893
TOTAL LIABILITIES	**(1,669)**	(1,862)	(1,453)	(1,087)	(1,316)
	2,086	2,184	2,447	2,430	2,577
EQUITY:					
Equity attributable to owners of the parent	**1,833**	1,900	2,095	2,075	2,213
Non-controlling interests	**253**	284	352	355	364
	2,086	2,184	2,447	2,430	2,577

glossary of terms

GENERAL TERMS

"2011 Scheme"	The share option scheme conditionally adopted by the Company on 27 May 2011 which took effect on 30 May 2011
"AGM"	Annual general meeting
"Audit Committee"	The audit committee of the Company
"Board"	The board of Directors
"CCT Tech"	CCT Tech International Limited, a company listed on the main board of the Stock Exchange and a non wholly-owned subsidiary of the Company
"CCT Tech Group"	CCT Tech and its subsidiaries
"CCT Tech Invested Entity"	Any entity in which any member of the CCT Tech Group holds any equity interest
"CCT Tech New Scheme"	The share option scheme conditionally adopted by CCT Tech on 27 May 2011 which took effect on 30 May 2011
"CCT Tech Old Scheme"	The share option scheme conditionally adopted by CCT Tech on 17 September 2002 which took effect on 7 November 2002 and the operation of which was subsequently terminated with effect from the adoption of the CCT Tech New Scheme
"CEO"	The chief executive officer of the Company
"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 Telecom Holdings 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
"Merdeka Resources"	Merdeka Resources Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, of which the Company is a substantial shareholder as at the date of this report
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules
"N/A"	Not applicable
"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
"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$0.10 each in the share capital of the Company
"Shareholder(s)"	Holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US"	The United States of America
"US$"	United States dollar(s), the lawful currency of US
"%"	Per cent.

FINANCIAL TERMS

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