CCT FORTIS 2013

中建富通集團有限公司

Stock Code : 138

chairman's letter

On behalf of the Board of the Company, CCT Fortis Holdings Limited (formerly known as CCT Telecom Holdings Limited), I present the interim results of the Company and its subsidiaries for the six months ended 30 June 2013.

There has been no shortage of challenges in first six months of 2013. Despite this, the Group made significant progress in the first half. Amidst an uncertain global market, the Group's turnover declined by 8.1% to $694 million in the current period, as compared to $755 million in the same period last year. Despite decrease in turnover, reported net loss decreased 30.8% from $65 million to $45 million in first half of 2013, a significant improvement in performance. The key elements of performance in the period will be highlighted in the section headed "Review of Operations" below.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.03 per share for 2013 (30 June 2012: HK$0.03 per share) to be payable from the Company's distributable reserves. The interim dividend of HK$0.03 per share will be payable on or around Thursday, 26 September 2013 to the shareholders whose names appear on the register of members of the Company on Thursday, 12 September 2013. The consistent payment of interim dividend in the past few years signifies the confidence of the Board in the Group and the Board's understanding of the importance of consistent dividend payments to the shareholders of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 10 September 2013 to Thursday, 12 September 2013 (both days inclusive), during which period no transfer of share(s) will be effected. In order to qualify for the interim dividend of HK$0.03 per share, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Monday, 9 September 2013.

REVIEW OF OPERATIONS

During the period under review, the principal businesses of the Group were (i) the manufacture and sale of telecom, electronic and child products (the "**Telecom Product Business**"); (ii) the manufacture and sale of plastic components; (iii) the securities business; (iv) property development and property trading in Hong Kong; (v) the property development business in Mainland China; and (vi) property investment and holding.

Telecom Product Business

The Telecom Product Business is engaged by the Company's principal listed subsidiary, CCT Land Holdings Limited (formerly known as "CCT Tech International Limited") and its subsidiaries. During the reporting period, this business remained the largest business sector of the Group, in terms of turnover.

Reported turnover of the CCT Land Group dropped by 2.8% to $593 million amidst slower global market. The decline in revenue was primarily caused by weak economies which caused customers to control inventory level. Turnover of the original design manufacturing ("**ODM**") business improved as orders from a major customer increased. The lower demand of traditional residential phones was partially offset by growing market interest in premium and advanced products.

We saw slow-down in CMS business in the current period as our major CMS customers faced keen competition. On the other hand, child products contributed higher revenue, reaching $97 million in the first half as compared to $78 million in last corresponding period mainly as a result of increased orders from customers for baby monitor and other child products. During the period, new customers were added. The CCT Land Group continued to improve efficiency and productivity of the child product business which has begun to contribute positive EBITDA to the CCT Land Group.

Sales to Europe, the largest market of the CCT Land Group, amounted to $359 million, an increase of 5.0%, led by higher revenue from ODM business and child product business in the first half. There was weakness in Asian Pacific and others market, as sales declined by 14.4% to $149 million, affected by slower economies in the regions. Sales to the North American market also decreased by 9.6% to only $85 million in the reporting period, as the CCT Land Group ceased to sell telecom products in that market.

The CCT Land Group has invested significantly in R&D, focusing in developing technologically advanced and innovative products. The CCT Land Group has developed and introduced new Android phone for market in United Kingdom and new Android tablet plus phone for Australian service providers. New designer phone was also launched globally. As for the child products, new nursery items, such as teether and brush and new range of feeding items to our major European customers were launched in the first half. All these new products have received market accolade.

In the first half of the current year, the CCT Land Group benefited from cost of raw materials becoming stabilised, led by weak global demand. However, labour costs and factory overheads in Mainland China continued to rise. It has become increasingly difficult to recruit and retain Chinese workers. However, benefiting from the continuous measures to restructure and streamline operations and to control costs, the CCT Land Group was able to improve gross profit from $18 million in the first half of 2012 to $30 million in the first half of this year, a notable increase of 66.7%. This improvement has further proved the success of the CCT Land Group's strategic move in restructuring and reforming its manufacturing business.

Manufacturing of plastic components

The Group's component business continued to provide vertical support to the CCT Land Group for production of telecom, electronic and child products in the first half of the year. Turnover of the component business was $68 million for the reporting period, a decrease of 5.6% from the last corresponding period. Benefited from the restructuring measures taken by the Group to reform the operations and improve costs, the operating loss of this business division narrowed to $13 million, as compared to $23 million in last period.

Securities business

In view of the volatility of the stock market, the Group disposed its share portfolio in 2012 and has scaled down its securities business. As a result, this business segment did not have any gain or loss during the period, as opposed to a net gain of $11 million mainly derived from disposal of listed shares in the last period. At the period end, our existing investment portfolio mainly consisted of low-risk RMB denominated bonds of approximately $52 million, which will be mature next year and carry 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, bearing interest at floating rate on HIBOR basis. These arrangements enable us to release the investment funds for use in working capital or other investment purposes and at the same time allow us to earn interest income on the RMB bonds and enjoy exchange gain if RMB appreciates against Hong Kong dollar in the future. Exchange gain on the RMB bonds in the first half was credited to the income statement as other income.

Property development and property trading in Hong Kong

In the first half of 2013, the Group decided to sub-divide the shopping mall located at the Basement of Maximall, City Garden, North Point, Hong Kong into approximately over 300 shopping units and offer the sub-divided shopping units for sale to public. The decision was made in view of the surge in price of the property since its acquisition, which represented an excellent opportunity for the Group to realize its investment in the property by selling the sub-divided shop units, which is expected to give rise to a substantial gain to the Group. As a result of the above decision, the Group has entered into a new business — the property development and property trading in Hong Kong. As such, the Group has reclassified this property in its accounts from "investment property" to "stock of property" to reflect the change of its use and also to reflect the new business that the Group has entered into. This new business incurred an operating loss of $5 million in the reporting period, mainly attributable to operating expenses including mortgage loan interest, government rent and rates and management fee in relation to the retail property. The Group has offered the sub-divided shop units for sale after the period end.

Property development in Mainland China

Amidst a slower housing market in Mainland China, our property projects in Anshan recorded contracted sales of $92 million and operating profit of $6 million in the first half of the current year, down 7.1% and 53.8% respectively, as compared to $99 million and $13 million respectively in the same period last year. During the period, the Group responded properly to the slow property market in Anshan, caused by the continued tightening measures introduced by the PRC leaders to cool housing market. Despite decline in contracted sales, the Land Group, which is engaged in the property development in Mainland China, continued to build its brand in Anshan and has been recognized as one of the reputable developers which can offer quality properties with creative design and marketing in the region. This strong foothold that the Land Group has established in Anshan will pave way for its future growth in Mainland China.

Property investment and holding

Following the launch of new round of tough tightening measures by the Hong Kong government to curb the overheated property market early this year, the property market in Hong Kong has cooled down and property transactions reduced significantly in the reporting period. We saw certain price drop in mass housing market. However, the prices of our investments properties, which consist of luxury residential properties and commercial properties stood firm in the first half. Since completion of acquisition of the retail shops at Gramercy, Caine Road, Mid-Level, Hong Kong in March this year, we have leased out the two shops on the first floor at a satisfactory rental yield. One of the shops on ground floor was also leased out after the period end. In the absence of property revaluation gain, the property investment division reported a net operating profit before tax of only $1 million for the current period as compared to a net operating profit before tax of $40 million for the last period, which was attributable to unrealised revaluation gains on the investment properties. Such fluctuation in operating profit is reasonable and acceptable as demand of properties has been constrained under the tough measures.

OUTLOOK

Looking forward, the global economy continues to face uncertainties. Although the property market and unemployment in US have shown some improvement, concerns on the US Federal Reserve's plan to start tapering monetary stimulus have brought turbulence to the global financial market. As for the other major economies, China government has pledged to stabilise growth amid increasing signs of China's economic slow-down while euro sovereign debt crisis is lingering.

Against a backdrop of challenging operating environment, the CCT Land Group will strive to improve its performance of our manufacturing business in the second half. The CCT Land Group will foster relationship with existing customers and seek new customers. It will continue to roll out advance and innovative products to meet market expectation and will continue to streamline operations and optimise efficiency. The CCT Land Group will strive to maintain a competitive position in the phone business and will explore to diversify into other product lines that have better growth prospects.

The CCT Land Group continues to pursue its strategic aim of achieving a long-term sustainable growth by strengthening its existing business and seeking attractive opportunities to expand in other business sectors. In April this year, the Company announced the restructuring transactions (the "**Restructuring Transactions**") contracted with CCT Land under which the CCT Land Group would own almost all the shareholding in the Land Company, an indirect wholly-owned subsidiary of the Company before completion of the Restructuring Transactions. The Land Group are engaged in the property development business in Mainland China. The Restructuring Transactions were completed in July 2013 and since then the property development business in Mainland China has been carried on by the CCT Land Group through the Land Group, which continues to be part of the Group. The Restructuring Transactions have given rise to a number of benefits and advantages to both the Group and the CCT Land Group and such benefits and advantages have been set out in the Company's circular dated 14 June 2013. It is expected that the property development business will increase the CCT Land Group's source of revenue and will open a new platform for the CCT Land Group to grow.

We expect the new government of China is determined to get the economy onto a more sustainable growth path driven more by domestic consumption than investment and exports. The new emphasis of the Chinese government is on quality rather than the quantity of growth. It is generally realised that the tight austerity measures on property market will not be relaxed in the short term. However, we are confident in the long-term outlook of the housing market in Mainland China due to urbanization, rising income of Chinese people and strong underlying demand for residential properties. The Group will continue to be engaged in the property development business in Mainland China through the CCT Land Group after completion of the Restructuring Transactions. Such Restructuring Transactions will not have any significant impact on the property business. The CCT Land Group plans to increase sales of flats in the second half as more properties will be completed and available for sale. The CCT Land Group also plans to start construction of the Phase 2 of the Evian Villa in the second half. There is sufficient land bank available for the development by the CCT Land Group in the next few years. The CCT Land Group will consider replenish its land bank as opportunity arises. We are confident that the property projects in Anshan, which we believe will continue to deliver solid results to the CCT Land Group in the coming years. This will benefit the Group as well as the results of CCT Land Group will continue to be consolidated into the accounts of the Group.

We have made good progress in strengthening the management of the component division and we will continue to step up efforts to control costs and to drive productivity and efficiency. These initiatives have begun to deliver benefits and we will strive to improve further this division's performance in the second half.

We believe the tough tightening measures introduced by the Hong Kong government earlier this year will continue to cool the property market. We believe the property prices will stabilize and the property market will become healthier in the long run. Nevertheless, given the underlying demand is strong, we are confident that the property market in Hong Kong will continue to robust in the long run and we expect that our property investment will continue to deliver satisfactory rental yield and potential price appreciation in the future.

We have offered the shop units sub-divided from the shopping mall in North Point for sale after the period end, since mid July. The response was excellent and all of the shop units offered for sale have been sold, amidst a cold property market in Hong Kong. The sale of the shopping units has not yet completed as completion of sale will take place within three months from date of the provisional sale and purchase agreements. It is expected that the sale of the sub-divided units will not only give rise to significant gain to the Group but will also offer an opportunity for the Group to enter into the new businesses of property development and property trading and money lending business in Hong Kong (in case part of the selling price of the shop units is financed by way of mortgage loan to be provided by the Group). We believe these new businesses have excellent business potential and will open a new avenue for the Group to grow. We will leverage our capability in these new sectors and will explore opportunities to acquire new projects which we consider to have good development potentials.

APPRECIATION

On behalf of the Board, I want to thank the directors, the management and all our employees for their strong commitment, loyalty, and hard work during the period. 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, 26 August 2013

financial review

HIGHLIGHTS ON FINANCIAL RESULTS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June		
$ million	**2013 (Unaudited)**	2012 (Unaudited)	% increase/ (decrease)
Financial results			
Turnover	**694**	755	(8.1%)
Loss before tax	**(41)**	(56)	(26.8%)
Income tax expense	**(4)**	(9)	(55.6%)
Loss after tax	**(45)**	(65)	(30.8%)
Loss attributable to:			
Owners of the parent	**(35)**	(49)	(28.6%)
Non-controlling interests	**(10)**	(16)	(37.5%)
	(45)	(65)	(30.8%)
Loss per share	**($0.058)**	($0.081)	(28.4%)
Dividends per share	**$0.030**	$0.030	–
Other comprehensive income/(loss), net of tax	**6**	(8)	N/A

Discussion on Financial Results and Other Comprehensive Income

The Group reported a turnover of $694 million for the six months ended 30 June 2013, a decrease of 8.1% as compared to $755 million for the last corresponding period. The drop in revenue was mainly due to the lower income of the manufacturing business of the CCT Land Group led by slower global economies and the reduced sales of property projects in Mainland China, caused by the continuing tightening measures on the property market in the Mainland China.

The Group recorded a loss after tax of $45 million for the period, a decrease of 30.8% as compared to the loss after tax of $65 million reported in the last corresponding period, led by a number of factors as explained in other sections of this review. Excluding the share of loss of the non-controlling interest mainly in the CCT Land Group, the loss attributable to owners of the parent was $35 million in the current period, down 28.6% compared to the loss of $49 million in the previous corresponding period.

Other comprehensive income of $6 million in the current period represented unrealised exchange gains (six months ended 30 June 2012: unrealised exchange loss of $8 million) on translation of the accounts of the property development subsidiaries in the PRC.

ANALYSIS BY BUSINESS SEGMENT

$ million	Turnover Six months ended 30 June 2013 Amount (Unaudited)	2013 Relative %	2012 Amount (Unaudited)	2012 Relative %	% increase/ (decrease)
Telecom Product Business	**593**	**85.5%**	654	86.6%	(9.3%)
Component business	**68**	**9.8%**	72	9.5%	(5.6%)
Securities business	**1**	**0.1%**	12	1.6%	(91.7%)
Property development and trading in Hong Kong	**–**	**–**	–	–	–
Property development in Mainland China	**92**	**13.3%**	99	13.1%	(7.1%)
Property investment and holding	**3**	**0.4%**	1	0.1%	200.0%
Elimination of intersegment transactions	**(63)**	**(9.1%)**	(83)	(10.9%)	(24.1%)
Total	**694**	**100.0%**	755	100.0%	(8.1%)

$ million	(Loss)/profit before tax Six months ended 30 June 2013 (Unaudited)	2012 (Unaudited)	% increase/ (decrease)
Telecom Product Business	**(13)**	(25)	(48.0%)
Component business	**(13)**	(23)	(43.5%)
Securities business	**–**	11	N/A
Property development and trading in Hong Kong	**(5)**	–	N/A
Property development in Mainland China	**6**	13	(53.8%)
Property investment and holding	**1**	40	(97.5%)
Unallocated items	**(17)**	(72)	(76.4%)
Total	**(41)**	(56)	(26.8%)

The Telecom Product Business continued to be the largest business segment of the Group and contributed 85.5% of the Group's total turnover for the six months ended 30 June 2013. Despite the decrease in turnover, this business segment was able to narrow its operating loss from $25 million in the previous corresponding period to $13 million in the current period. The improvement was mainly caused by the CCT Land Group's continuous strategic focus to streamline and improve costs.

Revenues of the component business decreased by 5.6% to $68 million in the first half this year, led mainly by the decrease in sales of the Telecom Product Business to which the component business supplied most of its components. This business segment incurred an operating loss of $13 million in the current period, down 43.5% as compared to $23 million in the previous corresponding period. This notable improvement was mainly caused by the success of continuous restructuring and cost saving measures taken by the Group.

In view of the uncertain outlook of the equity market, the Group has adjusted the investment strategy in 2012 and disposed of all the investment portfolios in listed shares and scaled down its securities investment. As such, neither gain nor loss was recorded in the current period as opposed to the operating gain of $11 million in the last corresponding period which was derived mainly from the divestment of its share portfolio in that period.

During the period, the Group commenced the property development and trading business in Hong Kong. The operating loss before tax of $5 million incurred by the new business represented the operating expenses incurred during the period, mainly consisting of mortgage loan interest, building management fees, air-conditioning fee, government rent and rates on the retail property at Basement of Maximall, City Garden, North Point, Hong Kong.

The property development business in Mainland China recorded contracted sales of $92 million in first half of 2013 against $99 million in same period last year. The decrease in contracted sales was caused by weaker market, due to strict tightening measures having continued to apply to the housing market. This segment delivered a net operating profit before tax of $6 million as compared to $13 million reported in the period earlier, due to lower sales.

The property investment and holding business reported a profit before tax of only $1 million in the first six months of 2013 as the value of the Group's investment properties stayed flat in the first half, amidst tightening measures taken by the Hong Kong government to cool the heated property market. A profit before tax of $40 million was recorded for the previous corresponding reporting period, which represented the unrealised fair value gains arising from revaluation of the Group's investment properties at last period end, as property prices rose in that period.

Unallocated items, representing the head office administrative expenses and other expenses not allocated to the business segments of the Group, decreased by 76.4% to $17 million. This decrease was caused largely by the decrease in unrealised fair value loss on the Group's interest in the shares of Merdeka Resources from $51 million in the last period to $6 million in the current period, due to decline in the market price of the share as in Merdeka Resources, at end of each period.

ANALYSIS BY GEOGRAPHICAL SEGMENT

	Turnover Six months ended 30 June				
	2013		2012		
$ million	**Amount (Unaudited)**	**Relative %**	Amount (Unaudited)	Relative %	% increase/ (decrease)
Europe	**359**	**51.7%**	344	45.6%	4.4%
Asian Pacific and others	**250**	**36.0%**	287	38.0%	(12.9%)
North America	**85**	**12.3%**	124	16.4%	(31.5%)
Total	**694**	**100.0%**	755	100.0%	(8.1%)

European market remained the largest market of the Group and contributed 51.7% of the Group's total turnover for the six months ended 30 June 2013. Sales to Europe increased by 4.4% to $359 million in the current period, due to increased sales to ODM customers and child product customers. The Group's business in the Asian Pacific and other regions accounted for 36.0% of the Group's total turnover and contributed revenue of $250 million, dropped 12.9% from $287 million in the last corresponding period. The drop in revenue in these regions reflected the adverse impact of the slower Asian economy on revenue of our manufacturing business and the decrease in sales of property units in the Mainland China. The business in the North American market decreased 31.5% and reported revenue of $85 million in the period as we ceased to sell telecom products in that market.

HIGHLIGHTS ON SIGNIFICANT MOVEMENT OF FINANCIAL POSITION

$ million	30 June 2013 (Unaudited)	31 December 2012 (Audited)	% increase/ (decrease)
NON-CURRENT ASSETS			
Property, plant and equipment	**738**	772	(4.4%)
Investment properties	**724**	745	(2.8%)
Available-for-sale investments	**12**	18	(33.3%)
Held-to-maturity debt securities	**52**	51	2.0%
CURRENT ASSETS			
Inventories	**71**	102	(30.4%)
Trade receivables	**344**	349	(1.4%)
Stock of properties	**260**	–	N/A
Properties under development	**411**	248	65.7%
Completed properties held for sale	**337**	356	(5.3%)
Pledged time deposits	**243**	186	30.6%
Cash and cash equivalents	**411**	459	(10.5%)
CURRENT LIABILITIES			
Trade and bills payables	**436**	360	21.1%
Current interest-bearing bank and other borrowings	**712**	507	40.4%
EQUITY AND NON-CURRENT LIABILITIES			
Non-current interest-bearing bank and other borrowings	**632**	522	21.1%
Equity attributable to owners of the parent	**1,783**	1,833	(2.7%)

Discussion on Financial Position

As at 30 June 2013, balance of property, plant and equipment was $738 million, a decrease of 4.4%. This decrease was mainly attributable to the depreciation charge during the year.

The Group's investment properties decreased from $745 million as at 31 December 2012 to $724 million as at 30 June 2013. The change represented the combined effect of: (i) the acquisition of the 2-storey shops at Gramercy Hong Kong at a total cost of $239 million and (ii) reclassification of carrying cost of the shopping arcade situated at the Basement of Maximall, City Garden, North Point of $260 million from investment properties account to stock of properties account to reflect the change of use of the property during the period.

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

Held-to-maturity debt securities were the two-year RMB bonds of $52 million bought in 2012, 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.

Inventories decreased 30.4% in the period, driven by decrease in sales and further improvement in inventory control. The inventory turnover period for the period maintained at a reasonable low level of 27.2 days (31 December 2012: 34.9 days).

Trade receivables amounted to $344 million at end of the current period, down 1.4% from $349 million at end of last year, generally in line with drop in sales.

The balance of properties under development increased by 65.7% to $411 million during the period. The increase is mainly attributable to the construction and development expenditure incurred on the Anshan property projects.

As at 30 June 2013, completed properties held for sale amounted to $337 million, which represented the costs of the unsold completed property units in Anshan.

Pledged time deposits rose from $186 million as at 31 December 2012 to $243 million as at 30 June 2013, due to increase in deposits pledged to secure additional banking facilities. Pledged deposits of total amount of $159 million (equivalent to RMB126 million) were denominated in RMB and these deposits 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 10.5% to $411 million as at 30 June 2013. The net decrease in cash and bank balance was used to fund operations of the Group and payment of the 2012 final dividend in the first half of 2013.

Trade and bills payables increased by 21.1% to $436 million. The increase mainly represented construction costs payable for the Anshan property projects.

The aggregate amount of the current and non-current interest-bearing bank and other borrowings increased from $1,029 million as at 31 December 2012 to $1,344 million as at 30 June 2013, up 30.6%. The net increase represented additional bank loans borrowed in the period less the net repayment of bank loans during the period.

Equity attributable to owners of the parent declined by 2.7% to $1,783 million as at 30 June 2013, led primarily by the loss incurred and dividend paid during the first half of 2013.

CAPITAL STRUCTURE AND GEARING RATIO

$ million	30 June 2013 Amount (Unaudited)	30 June 2013 Relative %	31 December 2012 Amount (Audited)	31 December 2012 Relative %
Bank borrowings	**1,344**	**43.0%**	1,027	35.9%
Finance lease payable	**–**	**–**	2	0.1%
Total borrowings	**1,344**	**43.0%**	1,029	36.0%
Equity	**1,783**	**57.0%**	1,833	64.0%
Total capital employed	**3,127**	**100.0%**	2,862	100.0%

The Group's gearing ratio was 43.0% as at 30 June 2013 (31 December 2012: 36.0%). The increase in the gearing ratio is led by the net increase of the bank borrowings during the period under review. The gearing ratio was still in a healthy level.

Outstanding bank borrowings amounted to $1,344 million at 30 June 2013 (31 December 2012: $1,027 million). 53.0% 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 47.0% of the bank borrowings were of long-term nature, principally comprised of mortgage loans on properties held by the Group. Out of the Group's bank borrowings, bank loans of $1,194 million (31 December 2012: $927 million) were borrowed to finance the ordinary businesses of the Group and the balance of $150 million (31 December 2012: $100 million) were Hong Kong dollar loans fully secured by equivalent amount of RMB deposits for hedging against RMB exposure.

As at 30 June 2013, 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 $712 million, $230 million and $402 million, respectively (31 December 2012: $507 million, $263 million and $259 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

LIQUIDITY AND FINANCIAL RESOURCES

$ million	30 June 2013 (Unaudited)	31 December 2012 (Audited)
Current assets	**2,352**	1,961
Current liabilities	**1,363**	1,106
Current ratio	**172.6%**	177.3%

The Group's current ratio as at 30 June 2013 was 172.6% (31 December 2012: 177.3%). This liquid position reflected the healthy financial position of the Group.

As at 30 June 2013, the Group's cash balance amounted to $662 million (31 December 2012: $653 million), of which $243 million (31 December 2012: $186 million) was pledged for general banking facilities and for arrangement of hedging against RMB appreciation. Almost all of the Group's cash was placed on deposits with licensed banks in Hong Kong. In view of the Group's current cash position and the banking facilities available, the Group maintains a sound financial position and has sufficient resources to finance its operations and its future expansion plan.

CAPITAL COMMITMENTS

As at 30 June 2013, capital commitment of the Group amounted to $87 million (31 December 2012: $216 million) mainly for 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 period under review, 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. As at 30 June 2013, 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 or Hong Kong 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 period, we continued to use the arrangements as described in the review of financial position above as a means to hedge our RMB appreciation exposure. 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 period under review.

SIGNIFICANT INVESTMENT

Save as disclosed in the other section of the financial review, the Group did not hold any significant investment as at 30 June 2013.

PLEDGE OF ASSETS

As at 30 June 2013, certain of the Group's assets with a net book value of $2,074 million (31 December 2012: $1,575 million) and time deposits of $243 million (31 December 2012: $186 million) were pledged to secure the general banking facilities granted to the Group and for hedging RMB exposure.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group as at 30 June 2013 was 4,560 (31 December 2012: 5,971). 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 30 June 2013, there was no outstanding share options issued by the Company.

interim results

The Board of the Company is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2013 together with the comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

		Six months ended 30 June	
HK$ million	Notes	**2013 (Unaudited)**	2012 (Unaudited)
REVENUE	3	**694**	755
Cost of sales		**(652)**	(716)
Gross profit		**42**	39
Other income and gains	4	**26**	74
Selling and distribution expenses		**(15)**	(19)
Administrative expenses		**(67)**	(80)
Other expenses		**(13)**	(56)
Finance costs		**(14)**	(14)
LOSS BEFORE TAX	5	**(41)**	(56)
Income tax expense	6	**(4)**	(9)
LOSS FOR THE PERIOD		**(45)**	(65)
Attributable to:			
Owners of the parent		**(35)**	(49)
Non-controlling interests		**(10)**	(16)
		(45)	(65)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**(HK$0.058)**	(HK$0.081)
Diluted		**(HK$0.058)**	(HK$0.081)

Details of the dividends payable and proposed for the period are disclosed in note 7 to the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Six months ended 30 June	
HK$ million	**2013 (Unaudited)**	2012 (Unaudited)
LOSS FOR THE PERIOD	**(45)**	(65)
Other comprehensive income/(loss), net of tax:		
Items that may be reclassified subsequently to income statements		
— Exchange differences on translation of foreign operations	**6**	(8)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(39)**	(73)
Attributable to:		
Owners of the parent	**(29)**	(57)
Non-controlling interests	**(10)**	(16)
	(39)	(73)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013

HK$ million	Notes	30 June 2013 (Unaudited)	31 December 2012 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**738**	772
Investment properties		**724**	745
Prepayments for acquisition of investment properties		**–**	23
Prepaid land lease payments		**96**	97
Goodwill		**87**	87
Available-for-sale investments		**12**	18
Held-to-maturity debt securities		**52**	51
Deferred tax assets		**1**	1
Total non-current assets		**1,710**	1,794
Current assets			
Inventories		**71**	102
Stock of properties		**260**	–
Properties under development		**411**	248
Completed properties held for sale		**337**	356
Trade receivables	10	**344**	349
Prepayment, deposits and other receivables		**265**	243
Financial assets at fair value through profit or loss		**2**	10
Pledged time deposits		**243**	186
Time deposits with original maturity of more than three months		**8**	8
Cash and cash equivalents		**411**	459
Total current assets		**2,352**	1,961
Total assets		**4,062**	3,755

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
30 June 2013

HK$ million	Notes	30 June 2013 (Unaudited)	31 December 2012 (Audited)
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital	12	**61**	61
Reserves		**1,722**	1,772
		1,783	1,833
Non-controlling interests		**243**	253
Total equity		**2,026**	2,086
Non-current liabilities			
Derivative financial instrument		**14**	14
Interest-bearing bank and other borrowings		**632**	522
Deferred tax liabilities		**27**	27
Total non-current liabilities		**673**	563
Current liabilities			
Trade and bills payables	11	**436**	360
Tax payable		**28**	34
Other payables and accruals		**186**	203
Receipts in advance		**1**	2
Interest-bearing bank and other borrowings		**712**	507
Total current liabilities		**1,363**	1,106
Total liabilities		**2,036**	1,669
Total equity and liabilities		**4,062**	3,755
Net current assets		**989**	855
Total assets less current liabilities		**2,699**	2,649

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the parent												
HK$ million	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital reserve (Unaudited)	Distributable reserve (Unaudited)	Investment revaluation reserve (Unaudited)	Share option reserve (Unaudited)	Capital redemption reserve (Unaudited)	Other reserve (Unaudited)	Exchange fluctuation reserve (Unaudited)	Accumulated losses (Unaudited)	Total (Unaudited)	Non-controlling interests (Unaudited)	Total equity (Unaudited)
At 1 January 2013	**61**	**12**	**745**	**1,217**	**2**	**-**	**24**	**-**	**104**	**(332)**	**1,833**	**253**	**2,086**
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6**	**(35)**	**(29)**	**(10)**	**(39)**
2012 final dividend	**-**	**-**	**-**	**(21)**	**-**	**-**	**-**	**-**	**-**	**-**	**(21)**	**-**	**(21)**
At 30 June 2013	**61**	**12**	**745**	**1,196**	**2**	**-**	**24**	**-**	**110**	**(367)**	**1,783**	**243**	**2,026**
At 1 January 2012	61	12	745	1,261	2	3	24	-	96	(304)	1,900	284	2,184
Total comprehensive loss for the period	-	-	-	-	-	-	-	-	(8)	(49)	(57)	(16)	(73)
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	-	2	-	-	2	(2)	-
2011 final dividend	-	-	-	(21)	-	-	-	-	-	-	(21)	-	(21)
At 30 June 2012	61	12	745	1,240	2	3	24	2	88	(353)	1,824	266	2,090

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
HK$ million	**2013 (Unaudited)**	2012 (Unaudited)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**(84)**	(151)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(263)**	(17)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**294**	59
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(53)**	(109)
Cash and cash equivalents at beginning of period	**459**	573
Effect of foreign exchange rate changes, net	**5**	(8)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**411**	456
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**260**	279
Non-pledged time deposits with original maturity of less than three months when acquired	**151**	177
	411	456

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2012 (the "**2012 Annual Report**").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's 2012 Annual Report.

The following new and revised HKFRSs have been adopted by the Company with effect from 1 January 2013. The adoption of the new and revised HKFRSs does not have any significant financial effect on the interim financial statements.

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

3. OPERATING SEGMENT INFORMATION

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

(a) the telecom, 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 Hong Kong property development segment engages in development and trading of properties in Hong Kong;

(e) the China property development segment engages in the development and sale of properties in Mainland China; and

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

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

Segment assets exclude 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.

3. OPERATING SEGMENT INFORMATION *(continued)*

2013

HK$ million	Telecom, electronic and child products (Unaudited)	Components (Unaudited)	Securities business (Unaudited)	Property development and trading in Hong Kong (Unaudited)	Property development in Mainland China (Unaudited)	Property investment and holding (Unaudited)	Reconciliations (Unaudited)	Group total (Unaudited)
Segment revenue:								
Sales to external customers	593	7	1	-	92	1	-	694
Other revenue	2	3	-	-	-	19	-	24
Intersegment revenue	-	61	-	-	-	2	(63)	-
	595	71	1	-	92	22	(63)	718
Operating (loss)/profit	(9)	(13)	-	(4)	7	6	-	(13)
Interest income	2	1	-	-	-	-	-	3
Finance costs	(6)	(1)	-	(1)	(1)	(5)	-	(14)
Reconciled items:								
Corporate and other unallocated expenses	-	-	-	-	-	-	(11)	(11)
Impairment loss on available-for-sale investments	-	-	-	-	-	-	(6)	(6)
(Loss)/profit before tax	(13)	(13)	-	(5)	6	1	(17)	(41)
Other segment information:								
Expenditure for non-current assets	-	1	-	-	-	239	-	240
Depreciation and amortisation	(22)	(7)	-	-	-	(5)	-	(34)
Other material non-cash items:								
Net impairment of trade receivables	(1)	-	-	-	-	-	-	(1)

3. OPERATING SEGMENT INFORMATION *(continued)*

2012

HK$ million	Telecom, electronic and child products (Unaudited)	Components (Unaudited)	Securities business (Unaudited)	Property development and trading in Hong Kong (Unaudited)	Property development in Mainland China (Unaudited)	Property investment and holding (Unaudited)	Reconciliations (Unaudited)	Group total (Unaudited)
Segment revenue:								
Sales to external customers	630	14	12	–	99	–	–	755
Other revenue	4	2	–	–	–	–	1	7
Intersegment revenue	24	58	–	–	–	1	(83)	–
	658	74	12	–	99	1	(82)	762
Operating (loss)/profit	(28)	(27)	11	–	16	43	–	15
Interest income	3	–	–	–	–	–	–	3
Finance costs	(8)	–	–	–	(3)	(3)	–	(14)
Reconciled items:								
Corporate and other unallocated expenses	–	–	–	–	–	–	(21)	(21)
Impairment loss on available-for-sale investments	–	–	–	–	–	–	(51)	(51)
Gain on disposal of items of property, plant and equipment	8	4	–	–	–	–	–	12
(Loss)/profit before tax	(25)	(23)	11	–	13	40	(72)	(56)
Other segment information:								
Expenditure for non-current assets	8	1	–	–	–	5	1	15
Depreciation and amortisation	(24)	(8)	–	–	–	(6)	–	(38)
Other material non-cash items:								
Fair value gain on investment properties and investment property classified as held for sale	–	–	–	–	–	54	–	54
Net impairment of trade receivables	(1)	–	–	–	–	–	–	(1)

3. OPERATING SEGMENT INFORMATION *(continued)*

30 June 2013

HK$ million	Telecom, electronic and child products (Unaudited)	Components (Unaudited)	Securities business (Unaudited)	Property development and trading in Hong Kong (Unaudited)	Property development in Mainland China (Unaudited)	Property investment and holding (Unaudited)	Reconciliations (Unaudited)	Group total (Unaudited)
Segment assets	1,252	203	54	263	1,084	1,098	(49)	3,905
Reconciled items:								
Corporate and other unallocated assets	-	-	-	-	-	-	157	157
Total assets	1,252	203	54	263	1,084	1,098	108	4,062
Segment liabilities	813	131	48	77	339	586	(49)	1,945
Reconciled item:								
Corporate and other unallocated liabilities	-	-	-	-	-	-	91	91
Total liabilities	813	131	48	77	339	586	42	2,036

31 December 2012

HK$ million	Telecom, electronic and child products (Audited)	Components (Audited)	Securities business (Audited)	Property development and trading in Hong Kong (Audited)	Property development in Mainland China (Audited)	Property investment and holding (Audited)	Reconciliations (Audited)	Group total (Audited)
Segment assets (restated)	1,362	150	61	266	856	879	(20)	3,554
Reconciled items:								
Corporate and other unallocated assets	-	-	-	-	-	-	201	201
Total assets	1,362	150	61	266	856	879	181	3,755
Segment liabilities (restated)	902	52	48	80	116	391	(20)	1,569
Reconciled item:								
Corporate and other unallocated liabilities	-	-	-	-	-	-	100	100
Total liabilities	902	52	48	80	116	391	80	1,669

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

HK$ million	Six months ended 30 June 2013 (Unaudited)	2012 (Unaudited)
Europe	**359**	344
Asian Pacific and others	**250**	287
North America	**85**	124
	694	755

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	30 June 2013 (Unaudited)	31 December 2012 (Audited)
Hong Kong	**1,102**	1,154
Mainland China	**608**	640
	1,710	1,794

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

Information about major customers

For the six months ended 30 June 2013, revenue from each of two major customers of the telecom, electronic and child product segment was HK$198 million and HK$82 million, respectively, representing 29% and 12% of the Group's total revenue, respectively.

For the six months ended 30 June 2012, revenue from each of two major customers of the telecom, electronic and child product segment was HK$126 million and HK$91 million, respectively, representing 17% and 12% of the Group's total revenue, respectively.

4. OTHER INCOME AND GAINS

HK$ million	Six months ended 30 June 2013 (Unaudited)	2012 (Unaudited)
Fair value gain on investment properties and investment property classified as held for sale	–	54
Foreign exchange gain	2	1
Gain on disposal of items of property, plant and equipment	–	12
Others	24	7
	26	74

5. LOSS BEFORE TAX

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

HK$ million	Six months ended 30 June 2013 (Unaudited)	2012 (Unaudited)
Cost of inventories sold	577	704
Cost of properties sold	75	71
Depreciation	33	37
Amortisation of prepaid land lease payments	1	1

6. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for the six months ended 30 June 2013 and 2012 as the Group had no profits chargeable to Hong Kong profits tax during those periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

HK$ million	Six months ended 30 June 2013 (Unaudited)	2012 (Unaudited)
Current — Elsewhere	2	4
Overprovision in prior year	–	(3)
PRC land appreciation tax	2	2
Deferred tax	–	6
Total tax charge for the period	4	9

7. DIVIDENDS

The board of directors has declared an interim dividend for 2013 of HK$0.03 per share (30 June 2012: HK$0.03 per share) to be payable from the Company's distributable reserves. The interim dividend will be paid on or around Thursday, 26 September 2013 to the shareholders whose names appear on the register of members of the Company on Thursday, 12 September 2013. The register of members of the Company will be closed from Tuesday, 10 September 2013 to Thursday, 12 September 2013 (both days inclusive).

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

The calculation of the basic and diluted loss per share for the period is based on the loss for the period attributable to ordinary equity holders of the parent of HK$35 million (30 June 2012: HK$49 million), and the weighted average number of 606,144,907 (30 June 2012: 606,144,907) ordinary shares in issue during the period.

No adjustment has been made to the basic loss per share presented for the period ended 30 June 2012 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 presented.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired fixed assets of approximately HK$240 million (six months ended 30 June 2012: HK$15 million).

10. TRADE RECEIVABLES

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

	30 June 2013 (Unaudited)		31 December 2012 (Audited)	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**122**	**36**	126	36
31 to 60 days	**87**	**25**	86	25
61 to 90 days	**70**	**20**	78	22
Over 90 days	**65**	**19**	59	17
	344	**100**	349	100

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

11. TRADE AND BILLS PAYABLES

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

HK$ million	30 June 2013 (Unaudited) Balance	30 June 2013 (Unaudited) Percentage	31 December 2012 (Audited) Balance	31 December 2012 (Audited) Percentage
Current to 30 days	**131**	**30**	93	26
31 to 60 days	**83**	**19**	64	18
61 to 90 days	**52**	**12**	52	14
Over 90 days	**170**	**39**	151	42
	436	**100**	360	100

12. SHARE CAPITAL

HK$ million	30 June 2013 (Unaudited)	31 December 2012 (Audited)
Authorised:		
2,000,000,000 (31 December 2012: 2,000,000,000) ordinary shares of HK$0.10 each	**200**	200
Issued and fully paid:		
606,144,907 (31 December 2012: 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 six months ended 30 June 2013.

13. CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any significant contingent liabilities (31 December 2012: Nil).

14. PLEDGE OF ASSETS

At 30 June 2013, the Group's interest-bearing bank borrowings were secured by:

(a) the 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$724 million (31 December 2012: HK$745 million);

(b) the pledge certain of the Group's leasehold land and buildings situated in Hong Kong and the Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$540 million (31 December 2012: HK$559 million);

(c) the pledge of the Group's leasehold land situated in the Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$99 million (31 December 2012: HK$100 million);

(d) the pledge of the Group's held-to-maturity debt securities, which had a carrying amount at the end of the reporting period of approximately HK$52 million (31 December 2012: HK$51 million);

(e) the pledge of certain of the Group's properties under development situated in the Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$202 million (31 December 2012: Nil);

(f) the pledge of certain of the Group's completed properties held for sale situated in the Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$197 million (31 December 2012: HK$120 million);

(g) the pledge of the Group's stock of properties situated in Hong Kong approximately amounting to HK$260 million (31 December 2012: Nil); and

(h) the pledge of certain of the Group's time deposits approximately amounting to HK$243 million (31 December 2012: HK$186 million).

15. 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 three years.

At 30 June 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

HK$ million	**30 June 2013 (Unaudited)**	31 December 2012 (Audited)
Within one year	**2**	1
In the second to fifth years, inclusive	**1**	1
	3	2

At 30 June 2013, the Group had total future minimum lease payments under non-cancellable operating leases with initial lease terms ranging from fifty to fifty one years in respect of land on which certain of the Group's factories are situated falling due as follows:

HK$ million	**30 June 2013 (Unaudited)**	31 December 2012 (Audited)
Within one year	**3**	3
In the second to fifth years, inclusive	**12**	12
Beyond five years	**128**	127
	143	142

16. COMMITMENTS

In addition to the operating lease commitments detailed in note 15 above, the Group had the following capital commitments at the end of reporting period:

HK$ million	**30 June 2013 (Unaudited)**	31 December 2012 (Audited)
Contracted, but not provided for:		
Building	**2**	2
Investment properties	**–**	205
Construction cost for properties under development	**83**	9
Construction cost for stock of properties	**2**	–
	87	216

17. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	Six months ended 30 June	
HK$ million	**2013 (Unaudited)**	2012 (Unaudited)
Short term employee benefits	**8**	10

18. EVENT AFTER THE REPORTING PERIOD

An indirect wholly-owned subsidiary of the Company has entered into provisional sale and purchase agreements with third party purchasers for the sale of the shopping units to be sub-divided from the shopping mall located at the Basement of Maximall, City Garden, North Point, Hong Kong after the period end. The accumulated selling price of the shopping units sold up to 13 August 2013 is approximately HK$682,000,000. Details of disposal of the shopping units have been disclosed in the Company's announcements dated 9 July 2013, 17 July 2013, 18 July 2013, 24 July 2013, 26 July 2013, 29 July 2013, 30 July 2013, 8 August 2013, and 13 August 2013 and the Company's circular dated 21 August 2013. The disposal of the shopping units have not been completed on the date of this report.

19. APPROVAL OF THE INTERIM REPORT

The interim report was approved by the Board on 26 August 2013.

disclosure of interests

DIRECTORS' INTERESTS

As at 30 June 2013, 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 30 June 2013

Long positions in the Shares:

Name of the Directors	Number of the Shares interested and nature of interest Personal	Corporate	Total	Approximate percentage of the total issued share capital of the Company
				(%)
Mak Shiu Tong, Clement (Note)	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.

(b) Interests and short positions in the shares and the underlying shares of an associated corporation — CCT Land as at 30 June 2013

Long positions in the shares of CCT Land:

Name of the Directors	Number of the shares interested and nature of interest Personal	Corporate	Total	Approximate percentage of the total issued share capital of CCT Land
				(%)
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 Land 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 Land 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 30 June 2013.

Save as disclosed above, as at 30 June 2013, none of the Directors and chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the sections headed "Directors' Interests" above and "Share Option Schemes" below, at no time during the period for the six months ended 30 June 2013 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 30 June 2013, the following persons (not being the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the Shares as at 30 June 2013:

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, whose 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 30 June 2013, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

share option schemes

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 any share options granted 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.

As at 30 June 2013, 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 six months ended 30 June 2013.

SHARE OPTION SCHEME OF CCT LAND

At the AGM of each of CCT Land and the Company held on 27 May 2011, the respective shareholders of CCT Land and the Company approved the adoption of the CCT Land 2011 Scheme. The CCT Land 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 CCT Land on the Stock Exchange, which may fall to be allotted and issued by CCT Land pursuant to the exercise of any share options granted in accordance with the terms and conditions of the CCT Land 2011 Scheme. Unless otherwise cancelled or amended, the CCT Land 2011 Scheme will be valid for a period of 10 years from the date of its adoption.

As at 30 June 2013, there was no share option outstanding under the CCT Land 2011 Scheme. No share option has been granted, exercised, cancelled or has lapsed under the CCT Land 2011 Scheme during the six months ended 30 June 2013.

other information

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed Shares during the period for the six months ended 30 June 2013.

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 the CG Code throughout the period from 1 January 2013 to 30 June 2013, except for the following deviations from the Code Provisions of the CG Code:

Code Provision A.2.1

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

There is no separation of the roles of chairman and chief executive officer of the Company and hence the Company has not complied with the Code Provision A.2.1 during the period from 1 January 2013 to 30 June 2013.

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, strong leadership and a firmly established reputation in the diversified business 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 business experience.

Code Provision A.4.2

The Code Provision A.4.2 provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after 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 deviation is not material as casual vacancy of Directors seldom happens and duration between appointment to fill casual vacancy and the immediate following AGM of the Company is less than one year and is considered to be short.

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

Code Provision A.5.1

The Code Provision A.5.1 provides that the nomination committee should comprise a majority of independent non-executive directors.

The Nomination Committee did not comprise a majority of INEDs from 12 January 2013 to 8 March 2013 and therefore deviated from Code Provision A.5.1 during the period from 12 January 2013 (the date of death of the previous INED, the late Mr. Lau Ho Man, Edward) to 8 March 2013 (the date when Mr. Chow Siu Ngor was appointed as an INED to replace the late Mr. Lau as member of the Nomination Committee). Since then, the Company has complied with the Code Provision A.5.1.

Other information on the corporate governance practices of the Company has been disclosed in the corporate governance report contained in the 2012 Annual Report of the Company issued in April 2013.

Model Code for Securities Transactions by the Directors

The Company has adopted its code of conduct regarding the securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code adopted by the Company throughout the six months ended 30 June 2013.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the special general meeting of the Company held on 8 July 2013 and the approval granted by the Registrar of Companies in Bermuda on 8 July 2013, the name of the Company has been changed from “CCT Telecom Holdings Limited” to “CCT Fortis Holdings Limited — 中建富通集團有限公司” (the “**Change of Company Name**”). The Chinese name “中建電訊集團有限公司” which was previously adopted for identification purpose only is no longer used by the Company.

Details of the Change of Company Name are set out in the announcement of the Company dated 20 August 2013.

REVIEW OF INTERIM REPORT

The Group's interim report including the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2013 has been reviewed by the Audit Committee.

BOARD AND COMMITTEES OF THE BOARD

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

Audit Committee
Tam King Ching, Kenny *(Chairman)*
Chen Li
Chow Siu Ngor

Remuneration Committee
Chow Siu Ngor *(Chairman)*
Tam King Ching, Kenny
Chen Li
Mak Shiu Tong, Clement
Tam Ngai Hung, Terry

Nomination Committee
Mak Shiu Tong, Clement *(Chairman)*
Tam Ngai Hung, Terry
Tam King Ching, Kenny
Chen Li
Chow Siu Ngor

Company Secretary
Tam Ngai Hung, Terry

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 Land"	CCT Land Holdings Limited (formerly known as 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 Land Group"	CCT Land and its subsidiaries
"CCT Land 2011 Scheme"	The share option scheme conditionally adopted by CCT Land on 27 May 2011, which took effect on 30 May 2011
"CEO"	The chief executive officer of the Company
"CG Code"	The Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	The chairman of the Company
"CMS"	Contract manufacturing service
"Company"	CCT Fortis Holdings Limited (formerly known as CCT Telecom Holdings Limited)
"Director(s)"	The director(s) of the Company
"Group"	The Company and its subsidiaries
"HK" or "Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"HK$" or "$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"INED(s)"	Independent non-executive director(s)
"Land Company"	CCT Land (China) Holdings Limited, a company incorporated in the British Virgin Islands
"Land Group"	the Land Company and its subsidiaries

"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
"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 the 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 the 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 period attributable to ordinary equity holders of the parent divided by weighted average number of ordinary shares in issue during the period
"Current Ratio"	Current assets divided by current liabilities