CCT LAND

中建置地集團有限公司

Stock Code : 261

2013

contents

chairman's letter

On behalf of the Board of the Company, I present the annual results of the Group for the year ended 31 December 2013.

2013 was an important year for CCT Land. It represented a significant milestone for the Group in corporate development and future growth. During the year, perhaps the most exciting achievement of the Group was the restructuring transaction entered into with its holding company, CCT Fortis, under which the mainland property development business has been assigned into the Group. This enables the Group to significantly enhance its assets, revenue and profitability. Following completion of the restructuring transaction in July 2013, the Company has changed its name from CCT Tech to CCT Land to reflect that the Company has entered into a new page. Turnover for the year was $1,193 million, down 11.1% due to decrease in revenue of the manufacturing business. Despite lower revenue, net loss in 2013 further narrowed to $31 million, a decrease of 46.6% as compared to the net loss of $58 million in 2012, led by productivity gains and cost savings and the first-time contribution from the property development business.

As the Group intends to conserve cash resources to finance operations and future business development, the Board does not propose or recommend payment of a final dividend for the year ended 31 December 2013.

REVIEW OF OPERATIONS

During the year under review, the principal businesses of the Group were: (i) manufacture and sale of telecom, electronic and child products (the "Telecom Product Business"); and (ii) the property development business in China, which was assigned into the Group during the year.

Telecom Product Business

After the name change, the Group will continue to be engaged in the Telecom Product Business using the former business name of CCT Tech.

Turnover of the Telecom Product Business for 2013 was $1,067 million, representing a decrease of 20.5%. The decline in revenue was led by lower revenue from ODM and CMS, partially offset by higher revenue from child products. The reduction of turnover was primarily caused by slow economy in our major markets and weaker consumer demand. The decrease in revenue did not surprise us as it was within our expectation. In recent years, we do not aim at fast top-line growth of our manufacturing business but rather we strive for enhancing our competitive position and targeting for improving our bottom-line profitability. This strategy has proven to be right as the performance and financial position of the Group has been improving.

Our cordless phone products continued to sell well in 2013. The launch of new design phone attracted good market attention. As for the child product line, sales of baby monitors was $56 million, up 96.0% in the year. Other child products such as bottle warmers, baby feeding and cleaning kit sets also achieved increase in sales.

In 2013, shortage of labour in Mainland China continued to exert pressure on costs. To combat this, CCT Tech kept on streamlining production process and improving productivity. Our relentless efforts of cost management have paid off and significant cost savings were achieved. The productivity gains and cost savings arising from such initiatives were more than offset cost rise and as a result, gross profit increased to $47 million in 2013 from $45 million in 2012, despite a reduction in turnover during the year.

Property development in Mainland China

All the existing property projects assigned into the Group are located in Anshan, Liaoning Province, China, where the residential market is predominately underpinned by end-user demand. During the year, development of Landmark City Phase III was completed and has been rolled out for sale to the market. This project consists of eight blocks of residential buildings, shops, car parks and community facilities with a total saleable gross floor area of approximately 108,000 square meter. The launch of this project received positive market response despite a slow market in Anshan, which was impacted by the continuing tightening policies introduced by the Chinese leaders to cool property market. Our Anshan developments delivered satisfactory performance in 2013, contributed half-year turnover of $126 million and operating profit of $3 million to the Group's result.

OUTLOOK

Looking ahead to 2014, developed countries are likely to achieve modest economic recovery while the developing economies can expect to see their growth stablise. Despite uncertainties arising from the tapering in the US, the Federal Reserve's commitment to keep low interest rate for a considerable time will help to boost global economic growth. With the anticipated improvement of the global economy and the implementation of economic reform and urbanisation, China can expect its domestic consumption and economic growth to stablise this year.

In 2014, we will continue to capitalise our competitive edges in our core businesses, targeting for enhancing long term sustainable growth of the Group. Further, we will seek new business opportunities which will offer good prospects for business growth and profitability.

CCT Land China has already established a strong foothold in the Anshan property market. Several successful projects have been rolled out and were well received by customers. The high quality of our Anshan projects in terms of materials, landscaping, layouts and designs has earned us a strong reputation in the Anshan property sector. We will continue our pursuit of project quality and service excellence. Despite a relatively competitive market in 2014, we will strive to boost sales of property units in the current year. We will restructure and strengthen our marketing team and enhance marketing and promotion of our property projects with a view to further improve both the top line and the bottom line of our Anshan business unit. We are confident in the prospects of our Anshan developments given the optimistic long-term economic outlook in Mainland China and our strong project team. We believe this business will become the key driver for the Group's growth in the future.

Against the backdrop of challenging operating environment, the CCT Tech will strive to improve performance of its manufacturing business in 2014. The Group will continue to roll out innovative and high performance products which will meet customers' expectation. We expect shortage of labour will continue to be the major challenge to our manufacturing business as it has become increasingly difficult to recruit and retain Chinese workers. This problem will not only increase labour costs but will also affect productivity. To combat this problem, the Group will continue to improve its competitive advantages and will continue to pursue measures to drive productivity and efficiency and to save costs. It will strive to improve performance of its manufacturing business in 2014.

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 year. 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, 25 March 2014

directors and senior management

EXECUTIVE DIRECTORS

Mr. MAK Shiu Tong, Clement, aged 60, has been the Chairman, the CEO and the Executive Director since August 2002. Mr. Mak is a member of the Remuneration Committee and the chairman and a member of the Nomination Committee. He is responsible for the corporate planning and overall strategic direction of the Group and takes a leading role in managing the businesses of the Group. He has over 37 years of experience in the electronics manufacturing and distribution industry. In his many years in the businesses, he has demonstrated a keen understanding in the diversified businesses in which the Group is engaged. Mr. Mak is also the chairman, the chief executive officer and an executive director of the Company's holding company CCT Fortis, whose shares are listed on the main board of the Stock Exchange, and a director of certain subsidiaries of the Company and CCT Fortis. Mr. Mak holds a Diploma in Electrical Engineering.

Ms. CHENG Yuk Ching, Flora, aged 60, has been the Executive Director since August 2002. Ms. Cheng is also the Deputy Chairman of the Company. Ms. Cheng assists the CEO in overseeing the day-to-day management of the principal businesses of the Group. Ms. Cheng has over 34 years of experience in the electronics industry. She held senior positions in various well-known electronics companies before she joined the Company. Ms. Cheng is also an executive director of CCT Fortis whose shares are listed on the main board of the Stock Exchange, and a director of certain subsidiaries of the Company and CCT Fortis. Ms. Cheng holds a Diploma in Business Administration.

Mr. TAM Ngai Hung, Terry, aged 60, has been the Executive Director and the Group Finance Director since August 2002. He has also acted as the Company Secretary of the Company since May 2012. He is a member of the Remuneration Committee and the Nomination Committee. Mr. Tam is mainly responsible for the corporate finance, accounting and company secretarial functions of the Group. He has more than 36 years of experience in finance and accounting management, and management experience in diversified businesses. He also possesses substantial knowledge in corporate finance matters, mergers and acquisitions and company secretarial matters. 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 Fortis whose shares are listed on the main board of the Stock Exchange, and a director and company secretary of certain subsidiaries of the Company and CCT Fortis. Mr. Tam is a fellow of the Association of Chartered Certified Accountants and an associate of both the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Secretaries and Administrators.

Dr. William Donald PUTT, aged 76, has been the Executive Director since September 2003. Dr. Putt is responsible for overseas business development and advising the Chairman in strategic direction of the overseas business of the Group. Dr. Putt has over 41 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 Fortis whose shares are listed on the main board of the Stock Exchange. He also serves on the boards of several foundations and non-profit organisations in the US and is on the Leadership Council for the Public Service Center at the Massachusetts Institute of Technology. Dr. Putt holds PhD in Management from the Massachusetts Institute of Technology in the US.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHOW Siu Ngor, aged 58, has been an INED of the Company since August 2002. Mr. Chow is the chairman and a member of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee. He is also an INED of CCT Fortis 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. The shares of these two companies are listed on the main board of the Stock Exchange. Mr. Chow is a practising solicitor in Hong Kong. He is currently a Partner with Messrs. King & Wood Mallesons. Mr. Chow graduated from The Chinese University of Hong Kong in 1981 with an Honours Degree in Social Science. He then obtained an Honours Degree in Laws from the University of Birmingham in 1987. Mr. Chow was admitted as a solicitor of the Supreme Court of Hong Kong in 1990 and has been in private practice since then.

Mr. LAU Ho Kit, Ivan, aged 55, has been an INED of the Company since August 2002. Mr. Lau is the chairman and a member of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. Mr. Lau has extensive experience in accounting and financial management. Mr. Lau is a practising accountant in Hong Kong. He is also an INED of Singamas Container Holdings Limited and Glory Mark Hi-Tech (Holdings) Limited, whose shares are listed on the main board and the Growth Enterprise Market of the Stock Exchange respectively. Mr. Lau holds a Master's Degree in Professional Accounting and is a member of the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales.

Mr. CHEN Li, aged 49, has been an INED of the Company since September 2004. Mr. Chen is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Chen is also an INED of CCT Fortis whose shares are listed on the main board of the Stock Exchange. He was formerly a senior management of a reputable telecommunications company in China and is currently a senior management of a large company with diversified business in China. Mr. Chen graduated from the faculty of physics in a university in China in 1985 with a profession in radio technology and has extensive experience in the Chinese telecommunications and management field.

SENIOR MANAGEMENT

Ms. NG Yin Fun, Elaine, aged 52, joined the CCT Tech Group in April 2009. Ms. Ng currently holds the position of Managing Director of the manufacturing division of the Group. She is primarily responsible for leading the business development of the CCT Tech Group's manufacturing business, and oversees and supervises principal functions of the manufacturing business of the CCT Tech Group. Ms. Ng has been in the consumer electronic industry for more than 24 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 59, joined the CCT Tech 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 30 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 58, 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 34 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.

Mr. WONG Tze Kin, aged 60, rejoined the CCT Tech Group in August 2013. Mr. Wong currently holds the position of Manufacturing Director and is responsible for the manufacturing of the telecom and electronic products of the CCT Tech Group. Mr. Wong has more than 29 years of extensive experience in the electronics manufacturing industry, mainly in Hong Kong, the PRC and Canada. He graduated from the McMaster University in Canada in 1978 with a Bachelor's Degree in Engineering.

Mr. CHAN Siu Chung, Marco, aged 40, has been in service with the CCT Tech Group since June 2012. Mr. Chan currently holds the position of Chief Technical Officer. He is responsible for the supervision of the research and development team and the entire engineering process. Meanwhile, he is also responsible for the management of the new technology's development and enhancement. Mr. Chan has over 16 years of experience in the research and development field and he has been mainly responsible for the development and project managements of various kinds of telecommunication products. He graduated from The Chinese University of Hong Kong, holding a Bachelor's Degree in Electronic Engineering and a Master's Degree of Philosophy in Engineering.

Mr. HO Yiu Hong, Victor, aged 45, joined the Group in January 2000. Mr. Ho holds the position of Senior Finance Director in a principal subsidiary of the Company. He heads the finance and accounting department of the Group. He is also a director of certain subsidiaries of the Company. Mr. Ho has over 23 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. LEUNG Ho Yin, Henry, aged 43, rejoined the CCT Fortis Group in March 2013. Mr. Leung currently holds the position of General Counsel of the CCT Fortis Group. He is responsible for advising on all legal matters of the CCT Fortis Group. Mr. Leung graduated from The Chinese University of Hong Kong with a Bachelor of Arts Degree and The University of Hong Kong with a Bachelor of Laws Degree. He is a practicing solicitor qualified to practise in Hong Kong.

financial review

HIGHLIGHTS ON FINANCIAL RESULTS AND OTHER COMPREHENSIVE INCOME

$ million	2013	2012	% increase/ (decrease)
Turnover	**1,193**	1,342	(11.1%)
Gross profit	**66**	45	46.7%
EBITDA	**51**	38	34.2%
Other expenses	**(18)**	(4)	350.0%
Finance costs	**(36)**	(17)	111.8%
Loss before tax	**(30)**	(24)	25.0%
Income tax expense	**(1)**	(34)	(97.1%)
Loss for the year	**(31)**	(58)	(46.6%)
Other comprehensive income, net of tax	**11**	1	1,000.0%

Discussion on Financial Results and Other Comprehensive Income

The Group's turnover was $1,193 million in 2013, representing an 11.1% decrease over the $1,342 million in 2012, primarily due to the lower sales from the ODM business and CMS business. This was partially offset by higher revenue from the child product business and the half-year contribution from the mainland property development business. It is encouraging to see that the Group's gross profit and EBITDA continue to improve, reaching $66 million and $51 million in 2013, up 46.7% and 34.2% respectively, as compared with $45 million and $38 million in 2012, respectively. It is even more exciting to note that the Group's net loss further narrowed by 46.6% from $58 million in 2012 to $31 million in 2013, thanks to higher efficiency and cost savings and the first-time contribution from the mainland property developments.

Other expenses increased from $4 million in 2012 to $18 million in 2013. The increase primarily represented non-recurrent restructuring costs to improve productivity and efficiency of the manufacturing business, which will give rise to long-term cost savings and benefits in the future.

Finance costs increased 111.8% to $36 million in 2013. The increase was largely due to interest of $14 million on the promissory notes due to a wholly-owned subsidiary of CCT Fortis and CCT Fortis, of which $12 million represented the imputed non-cash interest calculated on an interest-free promissory note due to a wholly-owned subsidiary of CCT Fortis. This interest-free promissory note represented the deferred consideration for the restructuring transaction entered into with CCT Fortis, under which the property development business was assigned to the Group.

Income tax provision decreased to only $1 million in 2013 from $34 million in 2012. Most of the tax charge made in 2012 was caused by a one-time compromise settlement in relation to a Hong Kong tax review for the past years, while the provision in 2013 mainly represented the current tax charged net of the reversal of deferred tax liability related to property units sold during 2013.

Other comprehensive income of $11 million reported in the Consolidated Statement of Comprehensive Income represented unrealised exchange gains on translation of the accounts of the property subsidiaries in Mainland China, attributable to appreciation of RMB.

ANALYSIS BY BUSINESS SEGMENT

	Turnover				
	2013		2012		
$ million	**Amount**	**Relative %**	Amount	Relative %	% decrease
Telecom Product Business	**1,067**	**89.4%**	1,342	100.0%	(20.5%)
Property development	**126**	**10.6%**	–	–	N/A
Total	**1,193**	**100.0%**	1,342	100.0%	(11.1%)

	Operating (loss)/profit		
$ million	**2013**	2012	% decrease
Telecom Product Business	**(21)**	(23)	(8.7%)
Property development	**3**	–	N/A
Total	**(18)**	(23)	(21.7%)

During the year, the manufacture and sale of telecom, electronic and child products remained the largest business segment of the Group. This business segment reported revenue of $1,067 million, down 20.5%, primarily led by lower sales to ODM and CMS customers. The operating result of the Telecom Product Business improved slightly in 2013 as its operating loss reduced to $21 million from $23 million in 2012.

The property development business contributed half-year turnover of $126 million and net operating profit of $3 million respectively to the Group since completion of the inter-group restructuring transaction in July 2013. Including the gain on bargain purchase of $29 million arising from the restructuring transaction and deducting the finance costs (including the imputed interest), the property business contributed net profit before tax of $11 million to the Group's result in 2013.

ANALYSIS BY GEOGRAPHICAL SEGMENT

	Turnover				
	2013		2012		%
$ million	**Amount**	**Relative %**	Amount	Relative %	decrease
Europe	**622**	**52.2%**	710	52.9%	(12.4%)
Asian Pacific and others	**400**	**33.5%**	400	29.8%	–
North America	**171**	**14.3%**	232	17.3%	(26.3%)
Total	**1,193**	**100.0%**	1,342	100.0%	(11.1%)

European market, representing the Group's largest market, contributed 52.2% of the Group's total turnover. Sales to Europe dropped by 12.4% to $622 million in the year, caused by deferred orders from customers amidst weak European economy. Turnover from the Asian Pacific and other regions was $400 million, virtually no change from last year, which represented the net effect of the first-time contribution from our mainland property developments and the decline in sales of the telecom products to these regions. Sales to the North American market dropped to $171 million, down 26.3%, mainly caused by slow recovery of US economy and absence of sale of phones to this market after termination of the GE licensed business.

HIGHLIGHTS ON SIGNIFICANT MOVEMENTS ON FINANCIAL POSITION

$ million	2013	2012	% increase/ (decrease)
Total assets	**2,655**	1,470	80.6%
Total current assets	**2,104**	886	137.5%
Inventories	**67**	88	(23.9%)
Properties under development	**141**	–	N/A
Completed properties held for sale	**818**	–	N/A
Trade receivables	**244**	306	(20.3%)
Prepayment, deposits and other receivables	**309**	35	782.9%
Current and non-current pledged time deposits	**193**	186	3.8%
Cash and cash equivalents	**346**	263	31.6%
Trade and bills payables	**401**	309	29.8%
Current and non-current interest-bearing bank and other borrowings	**602**	479	25.7%
Deferred tax liabilities	**103**	6	1,616.7%
Promissory notes	**960**	67	1,332.8%
Equity attributable to owners of the parent	**471**	491	(4.1%)

Discussion on Financial Position

Total assets and total current assets at year end were $2,655 million and $2,104 million, surged 80.6% and 137.5% respectively from previous year end, due to consolidation of the significant assets of the mainland property business.

Inventory decreased 23.9% in the year under review, caused by decrease in sales of the manufacturing business and improvement in inventory control. The inventory turnover period of the Group further improved to 25.2 days (2012: 30.5 days).

Balance of the properties under development was $141 million at the year end, representing the construction and development expenditure of the properties under development in Anshan.

As at 31 December 2013, completed properties held for sale amounted to $818 million, representing the costs of the completed housing projects in Anshan, which have not yet sold at year end.

Trade receivables of the Group amounted to $244 million, a decrease of 20.3% from $306 million as at 31 December 2013, in line with decrease in sales.

Prepayments, deposits and other receivables rose from $35 million to $309 million as at 31 December 2013, primarily attributable to the inclusion of prepayment at fair value of $283 million for a contracted acquisition of the land use right of a development land site in Anshan.

Current and non-current pledged time deposits increased from $186 million at 2012 balance sheet date to $193 million at end of 2013. Of the pledged deposits, a total amount of $108 million (equivalent to RMB84 million) were denominated in RMB, which were pledged to a banker to secure equivalent amount of Hong Kong dollar loans. Such arrangements were made for hedging RMB appreciation risk to the manufacturing operations, as the Group is entitled to benefit from exchange appreciation of the pledged RMB deposits and at the same time, the Group can continue to use the funds borrowed in Hong Kong dollars for business purpose.

Cash and cash equivalents as at 31 December 2013 increased by 31.6% to $346 million. The net increase primarily represented cash of the mainland property business.

Trade and bills payables of the Group were $401 million, up 29.8%, largely due to trade payable of the mainland property development business consolidated into the Group.

The aggregate amount of the current and non-current interest-bearing bank and other borrowings was $602 million, an increase of 25.7%. The net increase was mainly caused by consolidation of the bank loans of the Anshan projects.

As at 31 December 2013, deferred tax liabilities was $103 million, of which $97 million related to the deferred tax liability estimated on the fair value adjustments of the Anshan property projects. The deferred tax liabilities will be credited to the profit and loss account in the future when the related property units are sold and the actual tax is charged.

Promissory notes amounted to $960 million as at 31 December 2013, payable to a wholly-owned subsidiary of CCT Fortis and CCT Fortis, represented fair value of the deferred payment of consideration for assignment of the mainland property development and the child product business into the Group and a loan borrowed from CCT Fortis.

Equity attributable to owners of the parent at end of the year stood at $471 million, down 4.1%, due primarily to net loss for 2013.

CAPITAL STRUCTURE AND GEARING RATIO

	2013		2012	
$ million	**Amount**	**Relative %**	Amount	Relative %
Bank borrowings	**602**	**56.1%**	477	49.2%
Finance lease payable	**–**	**–**	2	0.2%
Total borrowings	**602**	**56.1%**	479	49.4%
Equity	**471**	**43.9%**	491	50.6%
Total capital employed	**1,073**	**100.0%**	970	100.0%

The Group's gearing ratio increased to 56.1% as at 31 December 2013 (2012: 49.4%) as a result of net increase of the bank and other borrowings.

The Group's outstanding bank and other borrowings increased to $602 million as at 31 December 2013 (2012: $479 million), largely due to consolidation of bank loan of the Anshan property projects. The maturity profile of the outstanding borrowings falling due within one year, in the second to the fifth year amounted to $507 million and $95 million respectively (2012: $397 million and $82 million respectively).

Out of the Group's bank and other borrowings, a total of $502 million (2012: $379 million) were borrowed to finance the ordinary business of the Group and the balance of $100 million (2012: $100 million) were Hong Kong dollar loans fully secured by RMB deposits for hedging against RMB appreciation exposure. There was no material effect of seasonality on the Group's borrowing requirements.

LIQUIDITY AND FINANCIAL RESOURCES

$ million	2013	2012
Current assets	2,104	886
Current liabilities	1,026	824
Current ratio	205.1%	107.5%

Current ratio surged to 205.1% (2012: 107.5%), due to inclusion of the current assets and liabilities of the Anshan property business. Among the total cash balance of $539 million, deposits with an aggregate amount of $193 million (2012: $186 million) were pledged for general banking facilities and for hedging RMB appreciation.

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

CAPITAL COMMITMENTS

As at 31 December 2013, capital commitment of the Group amounted to $2 million (2012: $2 million). The capital commitment will be funded partly by internal resources and partly by bank borrowings.

TREASURY MANAGEMENT

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

During the financial year 2013, the Group's receipts were mainly denominated in US dollar and RMB. Payments were mainly made in Hong Kong dollar, US dollar and RMB. Cash was generally placed in short-term deposits denominated in Hong Kong dollar, US dollar and RMB. In 2013, the Group's borrowings were mainly denominated in Hong Kong dollar, US dollar and RMB and interest on the borrowing was principally determined on a floating rate basis.

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

As for RMB exposure, since factory wages and overhead in our Guangdong factory and costs of our Anshan projects are paid in RMB, our costs in China in terms of Hong Kong dollar will rise due to further appreciation of RMB. The exchange risk of the project costs in Anshan will be offset by RMB receipts from sale of property units in Anshan, which therefore will not give rise to any significant risk to RMB appreciation. As for our factory costs and overhead payable in RMB, since we do not have any RMB receipt from the manufacturing business, we would expose to exchange risk if RMB appreciate further against Hong Kong dollar. In order to hedge against RMB appreciation risk, we have converted some of our surplus funds from Hong Kong dollars to RMB. These RMB funds have been placed on deposits to secure equivalent amount of Hong Kong dollar loans, which have been borrowed to finance working capital of the Group. We consider such arrangement to be an effective way to hedge a part of our exposure against RMB appreciation in the long run.

ACQUISITION AND DISPOSAL OF MATERIAL SUBSIDIARIES AND ASSOCIATES

Save for the mainland property development business assigned from CCT Fortis, the Group did not acquire or dispose of any material subsidiaries and associates during the year under review.

SIGNIFICANT INVESTMENT

Save for disclosed in the review of operations, the Group did not hold any significant investment as at 31 December 2013 (2012: Nil).

PLEDGE OF ASSETS

As at 31 December 2013, certain of the Group's assets with a net book value of $1,290 million (2012: $499 million), net asset value of $309 million of a subsidiary of the Company (2012: Nil) and time deposits of the Group of $193 million (2012: $186 million) were pledged to secure the general banking facilities granted to the Group to finance operations and for hedging RMB exposure.

CONTINGENT LIABILITIES

As at 31 December 2013, 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 2013 was 3,343 (2012: 4,690). 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 2013, there was no outstanding share option.

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 2013 are set out below:

	Number of empolyees
Nil-$1,000,000	2
$1,000,001-$2,000,000	4
$2,000,001-$2,500,000	1
	7

corporate information

COMPANY NAME
CCT Land Holdings Limited

BOARD OF DIRECTORS

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

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

COMPANY SECRETARY
Tam Ngai Hung, Terry

PRINCIPAL BANKERS
Nanyang Commercial Bank, Limited
Wing Hang Bank Limited

SOLICITORS
Sidley Austin

AUDITORS
Ernst & Young, Certified Public Accountants

FINANCIAL YEAR END
31 December

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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77–79 Gloucester Road
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BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
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Level 22, Hopewell Centre
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Hong Kong

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+852 2102 8138

FAX NUMBER
+852 2102 8100

COMPANY WEBSITE
www.cctland.com

STOCK CODE
261

CORPORATE GOVERNANCE

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

In the opinion of the Directors, the Company has complied with all the Code Provisions under the CG Code throughout the financial year ended 31 December 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 financial year ended 31 December 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 a 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 key management of the Group. On the other hand, the Board will ensure that all 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 2013.

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;

— 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 2013, the Board held 9 meetings.

THE BOARD *(continued)*

Responsibilities, accountabilities and contributions *(continued)*

The Board members have also attended the Shareholders' meetings to answer questions from Shareholders. During the financial year ended 31 December 2013, the Company held two Shareholders' meetings on 22 May 2013 and 8 July 2013 respectively. The attendance of each of the Directors at the Board's meetings (either in person or by phone) and at the Shareholders' meetings is set out as follows:

	Number of Meetings Attended/Held	
Name of the Directors	**Board**	**Shareholders**
Mak Shiu Tong, Clement	9/9	2/2
Cheng Yuk Ching, Flora	9/9	2/2
Tam Ngai Hung, Terry	9/9	2/2
William Donald Putt	9/9	0/2
Chow Siu Ngor	9/9	1/2
Lau Ho Kit, Ivan	9/9	2/2
Chen Li	9/9	0/2

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

The Directors have access to relevant and timely information and, upon reasonable request, may seek independent professional advice in appropriate circumstances, at the Company's expenses. Appropriate insurance cover has been arranged in respect of the legal action against the Directors and the management of the Group. The Board considers that the Group has sufficient and appropriate liability insurance to cover the Directors and the management of the Group against any legal liability arising from their performance of duties.

Board's Composition

As at the date of this Annual Report, the Board consisted of four Executive Directors, namely Mr. Mak Shiu Tong, Clement (also acting as the Chairman and the CEO), Ms. Cheng Yuk Ching, Flora (also acting as the deputy Chairman), Mr. Tam Ngai Hung, Terry and Dr. William Donald Putt and three INEDs, namely Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Chen Li.

All Directors (including INEDs) entered into letters of appointment with the Company during 2012 for a term of three years commencing from 1 April 2012, subject to retirement by rotation and re-election at the AGM of the Company in accordance with the bye-laws of the Company, 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.

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.

THE BOARD *(continued)*

Board's composition *(continued)*

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 for the year ended 31 December 2013 from the three INEDs of the Company in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all INEDs of the Company are independent within the definition of the Listing Rules.

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of a sufficient number of the INEDs, at least an INED with appropriate professional qualifications or accounting or related financial management expertise and the number of INEDs representing at least one-third of the Board throughout the financial year ended 31 December 2013.

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

Directors' continuing professional development

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

According to the records provided by the Directors, a summary of training received by the Directors for the year ended 31 December 2013 is as follows:

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

The training participated by the Directors in 2013 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 CG Code are set out in the section headed "Corporate Governance" above. Mr. Mak is responsible for the leadership of the Board, corporate planning and strategic direction of the Group and takes a leading role in managing the businesses of the Group.

RE-ELECTION AND RETIREMENT OF THE DIRECTORS

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

BOARD COMMITTEES

The Board currently has three committees, namely the Remuneration Committee, the Audit Committee and the Nomination Committee, with clearly defined written terms of reference. The main roles and responsibilities of these three committees, including all authorities delegated to them by the Board, as set out in the terms of reference, are published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cctland.com in the sub-section of "Corporate Governance" under the section of "Investor Information".

Remuneration Committee

The Remuneration Committee was established in 2005 with specific written terms of reference formulated in accordance with the requirements of the Listing Rules. The main responsibilities of the Remuneration Committee include, inter alia, (i) making recommendations to the Board on the policy and structure for the remuneration of the Directors and senior management of the Group; (ii) reviewing the management's remuneration proposals with reference to the Board's corporate goals and objectives; (iii) making recommendations to the Board on the remuneration package of individual Executive Directors and senior management of the Group (adopting the approach described under Code Provision B.1.2 (c) of the CG Code); (iv) reviewing and making recommendations to the Board the fees payable to the INEDs of the Company; and (v) reviewing and making recommendations to the Board the compensation, if any, payable to Executive Directors and senior management in connection with any loss or termination of office or appointment.

The Remuneration Committee consisted of five members who were the three INEDs, namely Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Chen Li, and two Executive Directors, namely Mr. Mak Shiu Tong, Clement and Mr. Tam Ngai Hung, Terry. The Remuneration Committee is currently chaired by Mr. Chow Siu Ngor who is an INED.

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

During the financial year ended 31 December 2013, the Remuneration Committee held two meetings and its main work during 2013 included:

(i) reviewing and recommending the Board in respect of the remuneration policies and structure of the Directors and senior management of the Group;

(ii) reviewing the remuneration packages for the senior management hired during the year;

(iii) reviewing the fees payable to the INEDs of the Company; and

(iv) reviewing and recommending the Board in respect of amendments to the remuneration packages for certain members of the senior management team.

The attendance record of the members at meetings of the Remuneration Committee in 2013 is set out as follows:

Members of the Remuneration Committee	Number of meetings attended/held
Chow Siu Ngor	2/2
Lau Ho Kit, Ivan	2/2
Chen Li	2/2
Mak Shiu Tong, Clement	2/2
Tam Ngai Hung, Terry	2/2

Audit Committee

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

The main responsibilities of the Audit Committee include, inter alia, (i) reviewing the financial statements of the Group's interim and annual reports before submitting them to the Board for approval ; (ii) reviewing and making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and the terms of engagement including the remuneration of the external auditors; (iii) discussing with the external auditors the nature and scope of the audit; (iv) monitoring and assessing the independence and objectivity of the external auditors and the effectiveness of the audit process in accordance with the applicable standards; (v) reviewing and monitoring the financial reporting and the reporting judgment contained in them; (vi) reviewing the financial and internal control function (including the adequacy of resources, and the effectiveness of the financial and internal audit function); and (vii) to review the Group's accounting policies and practices and any changes of them with the management of the Group, and the internal and external auditors of the Company.

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

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

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

During the financial year ended 31 December 2013, the Audit Committee held three meetings and its main work during 2013 included reviewing:

(i) the 2012 annual report, including the Corporate Governance Report, Directors' Report and the Financial Statements, as well as the related results announcement;

(ii) the 2013 interim report and interim results announcement;

(iii) the plans, reports, fees, involvement in non-audit services and terms of engagement of the external auditors;

(iv) the plans, resources and work of the Company's internal auditors; and

(v) the adequacy and effectiveness of the Company's financial reporting system, the system of internal controls in operation, risk management system and associated procedures within the Group.

The attendance record of the members at the meetings of the Audit Committee in 2013 is set out as follows:

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

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; 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.

The Board has adopted a Board Diversity Policy in August 2013 which sets out the approach to achieve diversity on the Board. The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. As from the adoption of the Board Diversity Policy, the Company seeks to achieve Board diversity through a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

During 2013, the Nomination Committee consisted of five members who were the three INEDs, namely Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Chen Li, and two Executive Directors, namely Mr. Mak Shiu Tong, Clement and Mr. Tam Ngai Hung, Terry. The Nomination Committee is currently chaired by Mr. Mak Shiu Tong, Clement.

During the financial year ended 31 December 2013, the Nomination Committee held two meetings and its main work during 2013 included:

(i) reviewing the structure, size and composition of the Board;

(ii) assessing the independence of the INEDs of the Company;

(iii) reviewing the succession planning for the Board; and

(iv) adopting the Board Diversity Policy.

The attendance record of the members at the meetings of the Nomination Committee in 2013 is set out as follows:

Members of the Nomination Committee	Number of meetings attended/held
Chow Siu Ngor	2/2
Lau Ho Kit, Ivan	2/2
Chen Li	2/2
Mak Shiu Tong, Clement	2/2
Tam Ngai Hung, Terry	2/2

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing corporate governance duties which include (i) developing, reviewing and approving the Company's policies and practices on corporate governance; (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.

During the financial year ended 31 December 2013, the Board held two meetings 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 meetings in 2013 is set out as follows:

Directors	Number of meetings attended/held
Mak Shiu Tong, Clement	2/2
Cheng Yuk Ching, Flora	2/2
Tam Ngai Hung, Terry	2/2
William Donald Putt	2/2
Chow Siu Ngor	2/2
Lau Ho Kit, Ivan	2/2
Chen Li	2/2

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company, Ernst & Young, for the year ended 31 December 2013 is set out as follows:

Services rendered	Fees paid/payable HK$'000
Audit services	1,200
Non-audit services:	
Tax compliance services	67
Other services	300
Total	1,567

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 Board also reviews and considers the adequacy of resources, staff qualifications and experience, and training programmes and budget of the Company's accounting and financial reporting function.

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, has been appointed as the company secretary of the Company since 10 May 2012. 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 2013.

SHAREHOLDERS' RIGHTS

Right to convene special general meeting

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

Right to put enquiries to the Board

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

Right to put forward proposals at general meetings

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

INVESTOR RELATIONS

Amendments to the bye-laws of the Company, which deal with the feasibility to use electronic means to communicate with the Shareholders, were approved by the Shareholders at the 2013 AGM held on 22 May 2013. An updated version of the Memorandum of Association and bye-laws of the Company is available on the websites of the Company and the Stock Exchange.

report of the directors

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Subsequent to the assignment of the mainland property business to the Group during the year, the principal activities of the subsidiaries comprise the design and development, manufacture and sale of telecom, electronic and child products and property development. Other than that, there were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The Group's loss for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 40 to 108.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 110. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

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

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES

Neither the Company, nor any of its subsidiaries had 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 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2013, the Company had no reserve available for distribution in accordance with the provisions of the Companies Act 1981 of Bermuda. The Company's share premium account, in the amount to HK$238 million, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$254,000 (2012: HK$144,000).

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total			
	Sales		Purchases	
	2013	2012	**2013**	2012
Largest customer	**27%**	22%		
Five largest customers in aggregate	**57%**	61%		
Largest supplier			**9%**	11%
Five largest suppliers in aggregate			**24%**	28%

CCT Fortis, a controlling shareholder of the Company, had beneficial interests in one (2012: one) of the five largest suppliers of the Group.

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

DIRECTORS

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

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

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

In accordance with the bye-laws of the Company, Ms. Cheng Yuk Ching, Flora and Mr. Tam Ngai Hung, Terry will retire and, being eligible, offer themselves for re-election at the forthcoming AGM of the Company.

All Directors (except the Chairman and the managing Director) are subject to retirement by rotation and re-election at the AGM of the Company in accordance with the bye-laws of the Company. All Directors (including the INEDs) entered into a letter of appointment for a term of three years commencing from 1 April 2012, and their appointment (save for the Chairman and the managing Director) is subject to retirement by rotation and re-election at the AGM of the Company in accordance with the bye-laws of the Company.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 6 to 8 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

During the year, no Director had a service contract with the Company which was 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 SCHEME

At the AGM of each of the Company and CCT Fortis, the ultimate holding company of the Company, held on 27 May 2011, the shareholders of the Company and CCT Fortis approved the adoption of the 2011 Scheme. The 2011 Scheme then became effective on 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).

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. On 17 January 2014, the Company granted a total of 600,000,000 share options under the 2011 Scheme to the eligible participants of the Company to subscribe for the Shares at an exercise price of HK$0.01 each. As at the date of this Annual Report, the total number of Shares available for issue under the 2011 Scheme is 5,941,399,399, which represents approximately 9.08% 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 so long as the Company remains a subsidiary of another company which is listed on the Stock Exchange, also by its listed holding company) and the approval of the Shareholders (and so long as the Company remains a subsidiary of another company which is listed on the Stock Exchange, also to be approved by the shareholders of that listed holding company) at a general meeting with such eligible participant and his/her associates abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

SHARE OPTION SCHEME *(continued)*

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

The offer of a grant of the share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than (i) 10 years from the date of grant of the share options, or (ii) the expiry date of the 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 2013, there was no share option outstanding under the 2011 Scheme. No share option was granted, exercised, cancelled or has lapsed under the 2011 Scheme during the year.

DIRECTORS' INTERESTS

As at 31 December 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 31 December 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)	–	33,026,391,124	33,026,391,124	50.49
Cheng Yuk Ching, Flora	18,000,000	–	18,000,000	0.03
Tam Ngai Hung, Terry	20,000,000	–	20,000,000	0.03
Chen Li	10,000,000	–	10,000,000	0.02

Note: The interest disclosed represents 33,026,391,124 Shares held by CCT Fortis through its indirect wholly-owned subsidiaries. Mr. Mak Shiu Tong, Clement is deemed to be interested in such Shares under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of CCT Fortis through his interest in the shareholding of approximately 50.03% of the total issued share capital in CCT Fortis as at 31 December 2013.

(b) Interests and short positions in the shares and the underlying shares of an associated corporation — CCT Fortis as at 31 December 2013

Long positions in the shares of CCT Fortis:

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 Fortis (%)
Mak Shiu Tong, Clement (Note)	8,475,652	294,775,079	303,250,731	50.03
Tam Ngai Hung, Terry	500,000	–	500,000	0.08
William Donald Putt	591,500	–	591,500	0.10

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

DIRECTORS' INTERESTS *(continued)*

Save as disclosed above, as at 31 December 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 "Share Option Scheme" and "Directors' Interests" above, at no time during the year was the Company, or any of its holding companies, subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 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 31 December 2013:

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

Notes:

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

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

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the two years ended 31 December 2013 and 2012, the Company and certain of its indirect wholly-owned subsidiaries had entered the following connected transactions and continuing connected transactions with CCT Fortis (the Company's ultimate holding company) and certain subsidiaries of CCT Fortis, other than the Group.

		Year ended 31 December	
HK$ million	Notes	**2013**	2012
Fellow subsidiaries:			
Continuing connected transactions:			
Purchase of components	(i)	**112.5**	144.8
Factory rental income	(ii)	**6.0**	6.0
Office rental expenses	(iii)	**1.3**	1.3
Sale of electronic children products	(iv)	**–**	18.5
Ultimate holding company:			
Continuing connected transactions:			
Management information system service fee	(v)	**6.0**	6.0
Connected transactions:			
Acquisition of subsidiaries	(vi)	**–**	67.0
Subscription of new shares	(vii)	**900.0**	–

Notes:

(i) The components were purchased by the Group from a fellow subsidiary which is a wholly-owned subsidiary of CCT Fortis. In respect of the purchase of the components, the Company and CCT Fortis entered into a manufacturing agreement dated 30 October 2009, which expired on 31 December 2012. On 9 October 2012, the Company and CCT Fortis entered into a new manufacturing agreement (the "Component Manufacturing Agreement") to renew the terms and conditions set out in the Component Manufacturing Agreement, under which CCT Fortis agreed to manufacture through CCT Fortis and its subsidiaries excluding the Group (the "CCT Fortis Remaining Group") certain plastic casings, components and any other component products and toolings for the production of telecom and electronic products for the Group.

The purchase prices were determined based on the direct material costs plus a mark-up of no more than 250%.

(ii) The factory rental income was charged to Shine Best Developments Limited ("Shine Best"), an indirect wholly-owned subsidiary of CCT Fortis, by CCT Enterprise Limited ("CCT Ent"), an indirect wholly-owned subsidiary of the Company, for the provision of factory space in Huiyang, Mainland China, at rental determined in accordance with the terms and conditions set out in a tenancy agreement (the "Huiyang Tenancy Agreement") entered into between Shine Best and CCT Ent on 30 September 2011.

(iii) The office rental expenses were charged to the Company, by Goldbay Investments Limited ("Goldbay"), an indirect wholly-owned subsidiary of CCT Fortis, for the provision of office space in Hong Kong, at rental determined in accordance with the terms and conditions set out in the tenancy agreements entered into between the Company and Goldbay on 30 September 2011 (the "Hong Kong Tenancy Agreements").

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(continued)*

Notes: *(continued)*

(iv) The electronic child products were sold by the Group to the then fellow subsidiaries in accordance with a manufacturing agreement ("the Electronic Children Products Manufacturing Agreement") dated 30 September 2011entered into between the Company and CCT Fortis, pursuant to which the Company agreed to design, develop, manufacture and supply through the Company and its subsidiaries certain electronic children products, electronic components and toolings for supply to the CCT Fortis Remaining Group. The selling prices were determined in accordance with the terms and conditions set out in the Electronic Children Products Manufacturing Agreement. These transactions no longer constitute continuing connected transactions for the Company after the child product business was transferred to the Company pursuant to the agreement dated 1 February 2012, details of which are set out in note (vi) below.

(v) The management information system service fee was charged to CCT Fortis by the Company for the provision of general management information system support, network and software consultation and hardware maintenance services. The fee was determined in accordance with the terms and conditions set out in the agreement entered into between CCT Fortis and the Company on 30 September 2011 (the "MIS Agreement").

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

(vii) On 19 April 2013, the Company entered into an agreement with CCT Fortis and CCT Land (China) Holdings Limited (the "Land Company") for the subscription of 99.995% of the new shares of the Land Company and the assignment of the shareholder's loan of HK$664 million in the Land Company at a total consideration of HK$900 million, which was satisfied by a promissory note issued by the Company as deferred payment of the consideration. The promissory note is unsecured, interest-free and repayable on the maturity date with a term of 3 years. The principal activity of the Land Company and its subsidiaries (the "Land Group") is the development of residential and commercial property projects in Mainland China. The Agreement and all the transactions contemplated under the Agreement were approved by the independent shareholders of the Company in a special general meeting held on 8 July 2013 and the subscription of shares was completed on 15 July 2013.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above connected transactions and continuing connected transactions.

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

In relation to the continuing connected transactions of the Group, the INEDs of the Company have reviewed and confirmed that:

(a) the aggregate value of the Component Manufacturing Transactions for the year ended 31 December 2013 as indicated in note (i) above did not exceed the cap amount of HK$300.0 million;

(b) the annual consideration of each of the Administrative Transactions for the year ended 31 December 2013 as indicated in notes (ii), (iii) and (v) above did not exceed the cap amount of HK$8.0 million, HK$1.4 million and HK$10.0 million, respectively;

(c) the Component Manufacturing Transactions and Administrative Transactions were entered into in the usual and ordinary course of businesses of the Group;

(d) the Component Manufacturing Transactions and Administrative Transactions were conducted on normal commercial terms; and

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(continued)*

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 31 December 2013, except for the deviations from Code Provisions A.2.1 and A.4.2 of 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.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

The financial statements for the year ended 31 December 2013 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
25 March 2014

independent auditors' report

EY 安永

To the shareholders of CCT Land Holdings Limited
(formerly known as CCT Tech International Limited)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of CCT Land Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 40 to 108, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, 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 Land Holdings Limited
(formerly known as CCT Tech International Limited)
(Incorporated in Bermuda with limited liability)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, 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
25 March 2014

consolidated statement of profit or loss

Year ended 31 December 2013

HK$ million	Notes	2013	2012
REVENUE	5	**1,193**	1,342
Cost of sales		**(1,127)**	(1,297)
Gross profit		**66**	45
Other income and gains		**56**	43
Selling and distribution expenses		**(27)**	(32)
Administrative expenses		**(71)**	(59)
Other expenses		**(18)**	(4)
Finance costs	7	**(36)**	(17)
LOSS BEFORE TAX	6	**(30)**	(24)
Income tax expense	10	**(1)**	(34)
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	11	**(31)**	(58)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		**(HK0.05 cent)**	(HK0.09 cent)
Diluted		**(HK0.05 cent)**	(HK0.09 cent)

consolidated statement of comprehensive income

Year ended 31 December 2013

HK$ million	2013	2012
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**(31)**	(58)
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:		
Exchange differences on translation of foreign operations	**11**	1
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT	**(20)**	(57)

consolidated statement of financial position

31 December 2013

HK$ million	Notes	2013	2012
ASSETS			
Non-current assets			
Property, plant and equipment	14	**261**	306
Investment property	15	**178**	178
Prepaid land lease payments	16	**76**	78
Goodwill	17	**22**	22
Pledged time deposits	24	**14**	–
Total non-current assets		**551**	584
Current assets			
Inventories	19	**67**	88
Properties under development	20	**141**	–
Completed properties held for sale	21	**818**	–
Trade receivables	22	**244**	306
Prepayments, deposits and other receivables	23	**309**	35
Time deposits with original maturity of more than three months	24	**–**	8
Pledged time deposits	24	**179**	186
Cash and cash equivalents	24	**346**	263
Total current assets		**2,104**	886
Total assets		**2,655**	1,470
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital	31	**654**	654
Reserves	33(a)	**(183)**	(163)
Total equity		**471**	491
Non-current liabilities			
Interest-bearing bank and other borrowings	27	**95**	82
Deferred tax liabilities	29	**103**	6
Promissory notes	30	**960**	67
Total non-current liabilities		**1,158**	155
Current liabilities			
Trade and bills payables	25	**401**	309
Tax payable		**8**	3
Other payables and accruals	26	**110**	115
Interest-bearing bank and other borrowings	27	**507**	397
Total current liabilities		**1,026**	824
Total liabilities		**2,184**	979
Total equity and liabilities		**2,655**	1,470
Net current assets		**1,078**	62
Total assets less current liabilities		**1,629**	646

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

consolidated statement of changes in equity

Year ended 31 December 2013

	Attributable to owners of the parent						
HK$ million	Issued capital	Share premium account	Capital reserve	Share option reserve	Exchange fluctuation reserve	Accumulated losses	Total
At 1 January 2012	654	238	733	6	1	(1,084)	548
Loss for the year	–	–	–	–	–	(58)	(58)
Other comprehensive income for the year: Exchange differences on translation of foreign operations	–	–	–	–	1	–	1
Total comprehensive loss for the year	–	–	–	–	1	(58)	(57)
Transfer of share option reserve upon expiry of share options	–	–	–	(6)	–	6	–
At 31 December 2012 and 1 January 2013	**654**	**238***	**733***	**–***	**2***	**(1,136)***	**491**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(31)**	**(31)**
Other comprehensive income for the year: Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**11**	**–**	**11**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**11**	**(31)**	**(20)**
At 31 December 2013	**654**	**238***	**733***	**–***	**13***	**(1,167)***	**471**

* These reserve accounts comprise the consolidated deficits of HK$183 million (2012: HK$163 million) in the consolidated statement of financial position.

consolidated statement of cash flows

Year ended 31 December 2013

HK$ million	Notes	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(30)**	(24)
Adjustments for:			
Finance costs	7	**36**	17
Interest income	5	**(4)**	(5)
Depreciation	6	**43**	43
Amortisation of prepaid land lease payments	6	**2**	2
Impairment of trade receivables	6	**5**	–
Loss/(gain) on disposal of items of property, plant and equipment	6	**2**	(8)
Provision for slow-moving and obsolete inventories	6	**2**	9
Gain on bargain purchase	6	**(29)**	(10)
		27	24
Decrease in inventories		**19**	36
Increase in properties under development		**(117)**	–
Decrease in completed properties held for sale		**86**	–
Decrease in trade receivables		**104**	17
Decrease in prepayments, deposits and other receivables		**33**	5
Decrease in trade and bills payables, receipts in advance, other payables and accruals		**(129)**	(186)
Cash generated from/(used in) operations		**23**	(104)
Interest received		**4**	5
Interest paid		**(24)**	(15)
Tax reserve certificates purchased during the year		**–**	(8)
Hong Kong profits tax refunded		**2**	2
Mainland China tax paid		**(5)**	–
Net cash flows used in operating activities		**–**	(120)
CASH FLOWS FROM INVESTING ACTIVITIES			
Subscription of shares in/acquisition of subsidiaries	34	**69**	20
Purchases of items of property, plant and equipment		**(2)**	(7)
Proceeds from disposal of items of property, plant and equipment		**3**	11
(Increase)/decrease in pledged time deposits		**(7)**	114
Decrease in time deposits with original maturity of more than three months		**8**	–
Net cash flows from investing activities		**71**	138

HK$ million	Note	2013	2012
Net cash flows from investing activities		**71**	138
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**182**	140
New trust receipts loans, net		**78**	18
Repayment of bank loans		**(313)**	(234)
Issuance of a promissory note		**57**	–
Net cash flows from/(used in) financing activities		**4**	(76)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**75**	(58)
Cash and cash equivalents at beginning of year		**263**	320
Effect of foreign exchange rate changes, net		**8**	1
CASH AND CASH EQUIVALENTS AT END OF YEAR		**346**	263
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**248**	168
Non-pledged time deposits with original maturity of less than three months when acquired		**98**	95
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**346**	263

statement of financial position

31 December 2013

HK$ million	Notes	2013	2012
ASSETS			
Non-current assets			
Investments in subsidiaries	18	**1,396**	557
Current assets			
Prepayments, deposits and other receivables	23	**1**	1
Cash and cash equivalents	24	**1**	3
Total current assets		**2**	4
Total assets		**1,398**	561
EQUITY AND LIABILITIES			
Issued capital	31	**654**	654
Reserves	33(b)	**(218)**	(163)
Total equity		**436**	491
Non-current liabilities			
Promissory notes	30	**960**	67
Total non-current liabilities		**960**	67
Current liabilities			
Other payables and accruals	26	**2**	3
Total current liabilities		**2**	3
Total liabilities		**962**	70
Total equity and liabilities		**1,398**	561
Net current assets		**–**	1
Total assets less current liabilities		**1,396**	558

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

1. CORPORATE INFORMATION

During the year, the Group was principally involved in the following principal activities:

- manufacture and sale of telecom, electronic and child products; and
- development and sale of properties

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2013. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 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*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
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

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 12, HKFRS 13, amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1 and HKAS 36 and *Annual Improvements 2009–2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

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

(b) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries are included in note 18 to the financial statements.

(c) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

(d) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and fair value disclosures of financial instruments are included in notes 15 and 41 to the financial statements, respectively.

(e) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(f) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

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

(g) *Annual Improvements 2009–2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements:* Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements. In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation:* Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

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 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010–2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvements 2011–2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

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 (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment 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.

Fair value measurement

The Group measures its investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties 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 of disposal, 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 statement of profit or loss 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 statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss 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.

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

Buildings	2%—6%
Plant and machinery	10%—20%
Tools, moulds and equipment	10%—33%
Furniture and office equipment	10%—20%
Motor vehicles	20%

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

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

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment property

Investment property is interest 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 property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is 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 an investment property are included in the statement of profit or loss in the year in which they arise.

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

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.

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 statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the statement of profit or loss 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 statement of profit or loss 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.

Financial assets

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of profit or loss) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred assets to the extent of the Group's continuing involvement. 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.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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 bills payable, other payables, accruals, promissory notes and interest-bearing bank 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 statement of profit or loss 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 statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Financial guarantee contracts

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

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

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

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

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

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

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

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 operates 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 32 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 in employee benefit expense. 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 statement of profit or loss 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 statement of profit or loss 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 statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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 measured. 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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss 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 statement of profit or loss.

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.

Any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Research and development costs

All research costs are charged to the profit or loss 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.

Cash and cash equivalents

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

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits with original maturity of three months or less, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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) 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;

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

(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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

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

Judgements *(continued)*

Classification between investment property and owner-occupied property

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. More details are given in note 17 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal 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.

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

Estimation uncertainty *(continued)*

Estimation of fair value of investment property

The fair value of the Group's investment property is assessed by management based on the property valuation performed by independent qualified valuers on the basis of direct comparison approach. Under the direct comparison approach, fair value is estimated by making reference to the recent transactions for the similar premises in the proximity.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. There are no deferred tax assets relating to recognised tax losses at 31 December 2013 (2012: Nil). The amount of unrecognised tax losses at 31 December 2013 was HK$408 million (2012: HK$380 million). Further details are contained in note 29 to the financial statements.

Valuation of properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. The estimated net realisable value is the estimated selling price less selling expenses and the estimated cost of completion (if any), which are estimated based on the best available information.

Land appreciation taxes

Land appreciation tax in the People's Republic of China (the "PRC") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures.

The subsidiaries of the Group engaging in the property development business in Mainland China are subject to land appreciation taxes. However, the implementation of these taxes varies amongst various cities in Mainland China and the Group has not finalised its land appreciation tax returns from some of its completed property development projects with local tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the statement of profit or loss and the provision for land appreciation taxes in the period in which such determination is made.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has two reporting segments as follows:

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

(b) the property development segment which is engaged in the development and sale of properties in Mainland China.

Management monitors the results of the Group's 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 corporate and other unallocated assets as these assets are managed on a group basis.

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

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

HK$ million	Telecom, electronic and child products 2013	Telecom, electronic and child products 2012	Property development 2013	Property development 2012	Reconciliations 2013	Reconciliations 2012	Group total 2013	Group total 2012
Segment revenue:								
Sales to external customers	**1,067**	1,342	**126**	–	**–**	–	**1,193**	1,342
Other revenue	**26**	25	**1**	–	**–**	–	**27**	25
	1,093	1,367	**127**	–	**–**	–	**1,220**	1,367
Operating (loss)/profit	**(21)**	(23)	**3**	–	**–**	–	**(18)**	(23)
(Loss)/gain on disposal of items of property, plant and equipment	**(2)**	8	**–**	–	**–**	–	**(2)**	8
Gain on bargain purchase	**–**	10	**29**	–	**–**	–	**29**	10
Finance costs	**(15)**	(17)	**(21)***	–	**–**	–	**(36)**	(17)
Reconciled items:								
Corporate and other unallocated expenses	**–**	–	**–**	–	**(3)**	(2)	**(3)**	(2)
(Loss)/profit before tax	**(38)**	(22)	**11**	–	**(3)**	(2)	**(30)**	(24)
Income tax expense					**(1)**	(34)	**(1)**	(34)
Loss for the year					**(4)**	(36)	**(31)**	(58)
Other segment information:								
Interest income	**4**	5	**–**	–	**–**	–	**4**	5
Expenditure for non-current assets	**2**	8	**–**	–	**–**	–	**2**	8
Depreciation and amortisation	**(45)**	(45)	**–**	–	**–**	–	**(45)**	(45)
Other material non-cash items:								
Impairment of trade receivables	**(1)**	–	**(4)**	–	**–**	–	**(5)**	–
Provision for slow-moving and obsolete inventories	**(2)**	(9)	**–**	–	**–**	–	**(2)**	(9)
(Loss)/gain on disposal of items of property, plant and equipment	**(2)**	8	**–**	–	**–**	–	**(2)**	8

* Included a non-cash interest of discounted imputed amount of HK$12 million of a promissory note arising from passage of time.

4. OPERATING SEGMENT INFORMATION *(continued)*

HK$ million	Telecom, electronic and child products 2013	Telecom, electronic and child products 2012	Property development 2013	Property development 2012	Reconciliations 2013	Reconciliations 2012	Group total 2013	Group total 2012
Segment assets	**1,303**	1,466	**1,350**	–	**–**	–	**2,653**	1,466
Reconciled items:								
Corporate and other unallocated assets	**–**	–	**–**	–	**2**	4	**2**	4
Total assets	**1,303**	1,466	**1,350**	–	**2**	4	**2,655**	1,470
Segment liabilities	**1,249**	970	**824**	–	**–**	–	**2,073**	970
Reconciled items:								
Corporate and other unallocated liabilities	**–**	–	**–**	–	**111**	9	**111**	9
Total liabilities	**1,249**	970	**824**	–	**111**	9	**2,184**	979

Geographical information

(a) *Revenue from external customers*

HK$ million	Group 2013	Group 2012
Mainland China	**220**	191
Europe	**622**	710
Asia Pacific and others	**180**	209
North America	**171**	232
	1,193	1,342

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 2013	Group 2012
Hong Kong	**29**	35
Mainland China	**508**	549
	537	584

The non-current asset information is based on the locations of the assets and excludes financial instruments.

4. OPERATING SEGMENT INFORMATION *(continued)*

Information about major customers

For the year ended 31 December 2013, revenue from each of the three major customers of the telecom, electronic and child products segment was HK$317 million, HK$139 million and HK$119 million, respectively, representing 27%, 12% and 10% of the Group's total revenue, respectively.

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

5. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and interest income, and gross proceeds (net of business tax) from the sale of properties during the year.

Revenue from the following activities has been included in turnover:

	Group	
HK$ million	**2013**	2012
Manufacture and sale of telecom, electronic and child products	**1,063**	1,337
Sale of properties	**126**	–
Bank interest income	**4**	5
	1,193	1,342

6. LOSS BEFORE TAX

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

HK$ million	Notes	Group 2013	2012
Cost of inventories sold		**1,018**	1,288
Cost of properties sold		**107**	–
Depreciation	14	**43**	43
Amortisation of prepaid land lease payments	16	**2**	2
Minimum lease payments under operating leases in respect of land and buildings		**2**	3
Gain on bargain purchase**	34	**(29)**	(10)
Research and development costs:			
Current year expenditure		**32**	38
Auditors' remuneration		**1**	1
Employee benefit expense (excluding directors' and chief executive's remuneration — note 8):			
Wages and salaries		**200**	258
Pension scheme contributions***		**1**	1
		201	259
Impairment of trade receivables*	22	**5**	–
Provision for slow-moving and obsolete inventories		**2**	9
Loss on disposal of items of property, plant and equipment, net*		**2**	–
Gain on disposal of items of property, plant and equipment, net**		**–**	(8)
Foreign exchange differences, net		**(2)**	3
Gross rental income**	39(a)(ii)	**(6)**	(6)

* Included in "Other expenses" on the face of the consolidated statement of profit or loss.

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

*** 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:

	Group	
HK$ million	**2013**	2012
Interest on bank loans wholly repayable within five years	**22**	15
Interest on promissory notes	**2**	2
Total interest expense on financial liabilities not at fair value through profit or loss	**24**	17
Interest of discounted amount of promissory note arising from passage of time	**12**	–
	36	17

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	Group	
HK$ million	**2013**	2012
Fees:		
Executive directors and chief executive	**–**	–
Independent non-executive directors	**1**	1
	1	1
Executive directors' and chief executive's other emoluments:		
Salaries, allowances and benefits in kind	**5**	5
Pension scheme contributions	**–**	–
	5	5
	6	6

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
2013	
Chow Siu Ngor	**240**
Lau Ho Kit, Ivan	**240**
Chen Li	**240**
	720
2012	
Chow Siu Ngor	240
Lau Ho Kit, Ivan	240
Chen Li	240
	720

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

(b) Executive directors and chief executive

HK$ million	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
2013			
Mak Shiu Tong, Clement ("Mr. Mak") — chief executive	**3**	**–**	**3**
Tam Ngai Hung, Terry	**1**	**–**	**1**
Cheng Yuk Ching, Flora	**1**	**–**	**1**
William Donald Putt	**–**	**–**	**–**
	5	**–**	**5**
2012			
Mr. Mak — chief executive	3	–	3
Tam Ngai Hung, Terry	1	–	1
Cheng Yuk Ching, Flora	1	–	1
William Donald Putt	–	–	–
	5	–	5

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2012: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2012: three) directors (one (2012: 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 (2012: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Group	
HK$ million	**2013**	2012
Salaries, allowances and benefits in kind	**3**	3

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	
	2013	2012
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**–**	–
	2	2

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

HK$ million	**2013**	2012
Group:		
Current — Hong Kong		
Underprovision in prior years	**–**	43
Current — Mainland China		
Charge of the Mainland China income tax for the year	**2**	–
Overprovision in prior years	**–**	(9)
Mainland China land appreciation tax	**3**	–
Deferred (note 29)	**(4)**	–
Total tax charge for the year	**1**	34

10. INCOME TAX EXPENSE *(continued)*

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

Group — 2013

HK$ million	Hong Kong	%	The PRC, excluding Hong Kong	%	Total	%
Loss before tax	**(2.6)**		**(27.0)**		**(29.6)**	
Tax at the statutory tax rate	**(0.4)**	**16.5**	**(6.8)**	**25.0**	**(7.2)**	**24.3**
Income not subject to tax	**(5.3)**	**203.0**	**(0.6)**	**2.2**	**(5.9)**	**19.9**
Expenses not deductible for tax	**4.0**	**(154.1)**	**0.8**	**(2.9)**	**4.8**	**(16.2)**
Tax losses not recognised	**1.3**	**(50.0)**	**5.0**	**(18.5)**	**6.3**	**(21.3)**
Adjustments in respect of current tax of previous periods	**0.2**	**(7.7)**	**0.2**	**(0.7)**	**0.4**	**(1.4)**
Land appreciation taxes	**–**	**–**	**2.8**	**(10.3)**	**2.8**	**(9.4)**
Tax charge at the Group's effective rate	**(0.2)**	**7.7**	**1.4**	**(5.2)**	**1.2**	**(4.1)**

Group — 2012

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

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

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

The consolidated loss attributable to owners of the parent for the year ended 31 December 2013 included a loss of HK$55 million (2012: HK$55 million), which included an impairment loss of HK$38 million (2012: HK$50 million) for certain balances due from subsidiaries, which has been dealt with in the financial statements of the Company (note 33(b)).

12. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2013 (2012: Nil).

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

The calculation of the basic and diluted loss per share amounts for the year is based on the loss for the year attributable to ordinary equity holders of the parent of HK$31 million (2012: HK$58 million), and the weighted average number of 65,413,993,990 (2012: 65,413,993,990) ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2013 in respect of a dilution as the Group did not have any potential diluted ordinary shares during the year ended 31 December 2013.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2012 in respect of a dilution as the impact of the outstanding share options had an anti-dilutive effect on the basic loss per share amounts presented.

On 17 January 2014, a total of 600,000,000 share options were granted by the Company to certain of the directors of the Company and CCT Fortis in respect of their services to the Group. Please refer to note 32 for further details.

14. PROPERTY, PLANT AND EQUIPMENT

Group

HK$ million	Buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
31 December 2013							
At 1 January 2013:							
Cost	457	241	160	93	14	3	968
Accumulated depreciation	(216)	(198)	(153)	(86)	(9)	–	(662)
Net carrying amount	241	43	7	7	5	3	306
At 1 January 2013, net of accumulated depreciation	241	43	7	7	5	3	306
Additions	1	–	–	–	1	–	2
Subscription of shares in subsidiaries (note 34(a))	–	–	–	–	1	–	1
Disposal	–	(3)	–	–	(2)	–	(5)
Depreciation provided during the year	(26)	(12)	(1)	(2)	(2)	–	(43)
At 31 December 2013, net of accumulated depreciation	216	28	6	5	3	3	261
At 31 December 2013:							
Cost	446	205	153	92	13	3	912
Accumulated depreciation	(230)	(177)	(147)	(87)	(10)	–	(651)
Net carrying amount	216	28	6	5	3	3	261

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

Group

HK$ million	Buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
31 December 2012							
At 1 January 2012:							
Cost	418	292	170	94	12	9	995
Accumulated depreciation	(197)	(241)	(163)	(86)	(8)	–	(695)
Net carrying amount	221	51	7	8	4	9	300
At 1 January 2012, net of accumulated depreciation	221	51	7	8	4	9	300
Additions	6	–	1	1	–	–	8
Acquisition of a subsidiary (note 34(b))	33	5	2	1	3	–	44
Disposal	(2)	–	–	(1)	–	–	(3)
Transfer	6	–	–	–	–	(6)	–
Depreciation provided during the year	(23)	(13)	(3)	(2)	(2)	–	(43)
At 31 December 2012, net of accumulated depreciation	241	43	7	7	5	3	306
At 31 December 2012:							
Cost	457	241	160	93	14	3	968
Accumulated depreciation	(216)	(198)	(153)	(86)	(9)	–	(662)
Net carrying amount	241	43	7	7	5	3	306

The net carrying amount of the Group's fixed assets held under finance leases included in the total amount of motor vehicles at 31 December 2012 was HK$3 million.

At 31 December 2013, the Group's buildings with a net carrying amount of approximately HK$216 million (2012: HK$241 million) were pledged to secure certain general banking facilities granted to the Group (note 27(a)(i)).

15. INVESTMENT PROPERTY

HK$ million	Group 2013	2012
Carrying amount at 1 January and 31 December	**178**	178

The Group's investment property is situated in the Mainland China and is held under medium term lease.

The Group's investment property consists of an industrial property in the Mainland China. The directors of the Company have determined that the investment property belongs to industrial assets, based on nature, characteristics and risks of the property. The Group's investment property was revalued on 31 December 2013 based on valuations performed by Grant Sherman Appraisal Limited, independent professionally qualified valuers. Each year, the Group's directors decide to appoint which external valuer to be responsible for the external valuations of the Group's property. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's directors have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

The investment property is leased to an indirectly wholly-owned subsidiary of CCT Fortis under operating leases, further summary details of which are included in note 37(a) and note 39(a)(ii) to the financial statements.

At 31 December 2013, the Group's investment property was pledged to secure certain general banking facilities granted to the Group (note 27(a)(ii)).

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

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

15. INVESTMENT PROPERTY *(continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment property:

	Fair value measurement as at 31 December 2013 using			
HK$ million	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:				
Industrial property	–	–	178	178

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Below is a summary of the valuation technique used and the key input to the valuation of investment property:

	Valuation technique	Significant unobservable input	Weighted average (per s.q.m.)
Industrial property	Direct comparison method	Average unit rate (per s.q.m.)	HK$2,780

The Group has determined that the highest and best use of the investment property at the measurement date would be the current use.

The fair value of the investment property is determined by using the direct comparison approach. Under the direct comparison approach, fair value is estimated by making reference to the recent transactions for similar premises in the proximity.

A significant increase/(decrease) in the average unit rate would result in a significant increase/(decrease) in the fair value of the investment property.

16. PREPAID LAND LEASE PAYMENTS

	Group	
HK$ million	**2013**	2012
Carrying amount at 1 January	**80**	68
Acquisition of a subsidiary (note 34(b))	**–**	14
	80	82
Recognised during the year	**(2)**	(2)
Carrying amount at 31 December	**78**	80
Current portion included in prepayments, deposits and other receivables	**(2)**	(2)
Non-current portion	**76**	78

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

At 31 December 2013 and 2012, the Group's leasehold land was pledged as security for the general banking facilities granted to the Group (note 27(a)(iii)).

17. GOODWILL

	Group	
HK$ million	**2013**	2012
At 1 January and 31 December:		
Cost	**23**	23
Accumulated impairment	**(1)**	(1)
Net carrying amount	**22**	22

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to cash-generating unit for the telecom, electronic and child product business for impairment testing. The recoverable amount of the cash-generating unit of the telecom, electronic and child product business is determined based on value in use calculations using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections of the telecom, electronic and child products business is 13.0% (2012: 11.5%). The cash flow projections of the telecom, electronic and child products business beyond the five-year period of financial budgets were extrapolated using a growth rate of 3.0% (2012: 3.0%), which did not exceed the long term average growth rate of the industry.

17. GOODWILL *(continued)*

Impairment testing of goodwill *(continued)*

Assumptions were used in the value in use calculation of the telecom, electronic and child products business cash-generating unit for 31 December 2013 and 31 December 2012. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Sales growth rate	—	The sales growth rates on certain product types of the Company based on management's past experience, the Company's historical trend and market expectation.
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 budget 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	**2013**	2012
Unlisted shares, at cost	**256**	256
Loans to subsidiaries	**1,372**	495
	1,628	751
Impairment*	**(232)**	(194)
	1,396	557

* An impairment was recognised for balances due from subsidiaries with an aggregate carrying amount of HK$232 million (2012: HK$194 million) which are considered to be not recoverable as the subsidiaries were loss-making. In the current year, an additional impairment loss of HK$38 million (2012: HK$50 million) was recognised.

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

In the opinion of the directors, these advances are considered as quasi-equity loans to the subsidiaries.

18. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
CCT Land (Anshan) Property Development Company Limited*	PRC/Mainland China	RMB200,000,000 Registered^	–	100	Property development
CCT Land Development (Anshan) Company Limited*	PRC/Mainland China	HK$380,000,000 Registered^	–	100	Property development
CCT Marketing Limited	British Virgin Islands/Hong Kong	US$1 Ordinary	–	100	Trading of telecom products
CCT Tech (HK) Limited	Hong Kong	HK$2,600,000 Ordinary	–	100	Sourcing of telecom products, raw materials and components
CCT Tech Advanced Products Limited*	Hong Kong	HK$2 Ordinary	–	100	Research and development on telecom and electronic products
Huiyang CCT Telecommunications Products Co., Ltd.*	PRC/Mainland China	HK$120,000,000 Registered^	–	100	Manufacture of telecom products
Wiltec Industries (HK) Limited*	British Virgin Islands/ Hong Kong	US$2 Ordinary	–	100	Sale of child products

^ Registered as wholly-foreign-owned enterprises under the People's Republic of China (the "PRC") law.
* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. INVENTORIES

HK$ million	Group 2013	2012
Raw materials	**14**	17
Work in progress	**11**	16
Finished goods	**42**	55
	67	88

20. PROPERTIES UNDER DEVELOPMENT

HK$ million	Group 2013	2012
Properties under development expected to be completed within normal operating cycle, included under current assets and recoverable:		
Within one year	**141**	–

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

21. 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 2013, all of the Group's completed properties held for sale with an aggregate net carrying amount of approximately HK$818 million were pledged to secure general banking facilities granted to the Group (note 27(a)(iv)).

22. TRADE RECEIVABLES

HK$ million	Group 2013	2012
Trade receivables	**250**	307
Impairment	**(6)**	(1)
	244	306

22. TRADE RECEIVABLES *(continued)*

The Group's trading terms with its customers of telecom, electronic and child products operation 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. In respect of the Group's property development business, trade receivables are settled based on the terms of the sales and purchase agreements of properties. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group has certain concentration of credit risk as 23% (2012: 36%) and 59% (2012: 78%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. The Group does not hold any collateral and other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	Group			
	2013		2012	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**77**	**32**	95	31
31 to 60 days	**70**	**29**	84	27
61 to 90 days	**50**	**20**	76	25
Over 90 days	**47**	**19**	51	17
	244	**100**	306	100

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

	Group	
HK$ million	**2013**	2012
At 1 January	**1**	2
Impairment losses recognised (note 6)	**5**	–
Amount written off as uncollectible	**–**	(1)
At 31 December	**6**	1

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$6 million (2012: HK$1 million) with a carrying amount before provision of HK$6 million (2012: HK$7 million). In 2012, management considered only a portion of the impaired trade receivables is not expected to be recovered.

22. TRADE RECEIVABLES *(continued)*

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

HK$ million	Group 2013	2012
Neither past due nor impaired	**224**	266
Past due but not impaired — within 6 months	**20**	34
	244	300

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

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

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
HK$ million	2013	2012	2013	2012
Prepayments	**288**	4	**1**	1
Deposits and other receivables	**21**	31	**–**	–
	309	35	**1**	1

As at 31 December 2013, included in prepayments is a prepayment for the acquisition of land use rights in Mainland China amounting to approximately HK$283 million in relation to the Group's property development business.

In 2012, included in the other receivables was a receivable of HK$11 million due from Neptune Holding Limited ("Neptune"), a wholly-owned subsidiary of CCT Fortis, which was unsecured, interest-free and was repaid during the year.

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.

24. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
HK$ million	**2013**	2012	**2013**	2012
Cash and bank balances	**248**	168	**1**	3
Time deposits	**291**	289	**–**	–
	539	457	**1**	3
Less: Pledged time deposits (note 27):				
Pledged for long term bank loans	**(14)**	–	**–**	–
Pledged for short term bank loans and bank facilities	**(179)**	(186)	**–**	–
Time deposits with original maturity of more than three months	**–**	(8)	**–**	–
Cash and cash equivalents	**346**	263	**1**	3

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$260 million (2012: HK$189 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

25. 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			
	2013		2012	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**120**	**30**	94	31
31 to 60 days	**78**	**19**	72	23
61 to 90 days	**43**	**11**	63	20
Over 90 days	**160**	**40**	80	26
	401	**100**	309	100

Included in the trade and bills payables are trade payables of HK$70 million (2012: HK$9 million) due to Neptune, a wholly-owned subsidiary of CCT Fortis, which are unsecured, interest-free and repayable within 90 days from the invoice date.

26. OTHER PAYABLES AND ACCRUALS

HK$ million	Notes	Group 2013	Group 2012	Company 2013	Company 2012
Other payables	(a)	**39**	30	**–**	–
Accruals	(b)	**71**	85	**2**	3
		110	115	**2**	3

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

Notes:

(a) Included in other payables was a payable of HK$5 million (2012: Nil) due to Neptune which is unsecured, interest-free and has no fixed repayment terms.

(b) Included in accruals were interest payables of promissory notes (note 30) of HK$2 million (2012: HK$2 million) due to CCT Fortis, which are unsecured, interest-free and repayable within the first five business days from the end of the reporting period.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2013 Effective interest rate (%)	2013 Maturity	2013 HK$ million	2012 Effective interest rate (%)	2012 Maturity	2012 HK$ million
Current						
Finance lease payables (note 28)	**–**	**–**	**–**	4.83–5.25	2013	1
Bank loans — secured	**1.70–9.23**	**2014**	**507**	1.71–7.05	2013	396
			507			397
Non-current						
Finance lease payables (note 28)	**–**	**–**	**–**	4.83	2014–2015	1
Bank loans — secured	**5.25–6.55**	**2015–2017**	**95**	2.31–7.05	2014–2017	81
			95			82
			602			479

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

	Group	
HK$ million	**2013**	2012
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**507**	396
In the second year	**41**	21
In the third to fifth years, inclusive	**54**	60
	602	477
Other borrowings repayable:		
Within one year	**–**	1
In the second year	**–**	1
	–	2
	602	479

Notes:

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

(i) the pledge of the Group's buildings situated in Hong Kong and Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$216 million (2012: HK$241 million) (note 14);

(ii) the pledge of the Group's investment property situated in Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$178 million (2012: HK$178 million) (note 15);

(iii) the pledge of the Group's leasehold land situated in Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$78 million (2012: HK$80 million) (note 16);

(iv) the pledge 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$818 million (note 21);

(v) the pledge of certain of the Group's time deposits amounting to HK$122 million (2012: HK$115 million) (note 24); and

(vi) the pledge of the equity interests of a subsidiary of the Company with a net asset value of HK$309 million.

In addition, the Company's ultimate holding company has guaranteed certain of the Group's bank borrowings up to HK$157 million (2012: HK$157 million) as at the end of the reporting period.

(b) The Group's trading line bank facilities amounting to HK$325 million (2012: HK$325 million), of which HK$99 million (2012: HK$158 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 (2012: HK$71 million) (note 24).

(c) The Group's bank and other borrowings with carrying amounts of HK$117 million (2012: HK$132 million), HK$299 million (2012: HK$296 million) and HK$186 million (2012: HK$51 million) are denominated in Hong Kong dollars, United States dollars ("US$") and RMB, respectively.

28. FINANCE LEASE PAYABLES

The Group leased certain of its motor vehicles for business use. These leases were classified as finance leases in the prior 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	Present value of minimum lease payments 2012
Amounts payable:		
Within one year	1	1
In the second year	1	1
Total minimum finance lease payments	2	2
Future finance charges	–	
Total net finance lease payables	2	
Portion classified as current liabilities (note 27)	(1)	
Non-current portion (note 27)	1	

29. DEFERRED TAX

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

Deferred tax liabilities

Group

HK$ million	Fair value adjustments arising from business combination	Depreciation allowance in excess of related depreciation	Total
Gross deferred tax liabilities at 1 January 2012	–	1	1
Arising from acquisition of subsidiaries (note 34(b))	5	–	5
Gross deferred tax liabilities at 31 December 2012 and 1 January 2013	**5**	**1**	**6**
Arising from subscription of shares of subsidiaries (note 34(a))	**101**	**–**	**101**
Deferred tax credited to statement of profit or loss during the year (note 10)	**(4)**	**–**	**(4)**
Gross deferred tax liabilities at 31 December 2013	**102**	**1**	**103**

The Group has tax losses arising in Hong Kong of HK$200 million (2012: HK$192 million) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$208 million (2012: HK$188 million) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

At 31 December 2013, 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 were approximately HK$50 million (2012: Nil).

30. PROMISSORY NOTES

HK$ million	Notes	Group and Company 2013	2012
First Note	(a)	**67**	67
Second Note	(b)	**836**	–
Third Note	(c)	**57**	–
		960	67

Notes:

(a) On 28 March 2012, the Company issued a promissory note with face value of HK$67 million (the "First Note") in favour of CCT Fortis. The First Note carries interest at a rate of 3% per annum payable annually. The outstanding principal amount plus any accrued interest will be repayable on the maturity date falling on the fifth anniversary of the date of the First Note, i.e.,28 March 2017. During the year ended 31 December 2013, interest expense of HK$2 million has been accrued for the First Note (2012: HK$2 million).

(b) On 15 July 2013, the Company issued a promissory note with face value of HK$900 million (the "Second Note") in favour of Jade Assets Company Limited, a wholly-owned subsidiary of CCT Fortis. The Second Note is interest-free and the outstanding principal amount will be repayable on the maturity date falling on the third anniversary of the date of the Second Note, i.e.,15 July 2016.

(c) On 27 December 2013, the Company issued a promissory note with face value of HK$57 million (the "Third Note") in favour of CCT Fortis. The Third Note carries interest at a rate of 3% per annum payable annually. The outstanding principal amount plus any accrued interest will be repayable on the maturity date falling on the third anniversary of the date of the Third Note, i.e., 27 December 2016.

31. SHARE CAPITAL

Shares

HK$ million	Company 2013	2012
Authorised:		
120,000,000,000 (2012: 120,000,000,000) ordinary shares of HK$0.01 each	**1,200**	1,200
Issued and fully paid:		
65,413,993,990 (2012: 65,413,993,990) ordinary shares of HK$0.01 each	**654**	654

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

Share options

Details of the Company's share option scheme and the share options issued under the schemes are included in note 32 to the financial statements.

32. SHARE OPTION SCHEME

At the annual general meeting ("AGM") of each of the Company and CCT Fortis, the ultimate holding company of the Company, held on 27 May 2011, the shareholders of the Company and CCT Fortis approved the adoption of the 2011 share option scheme (the "2011 Scheme"). The 2011 Scheme then became effective on 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 (the "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 of directors (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. On 17 January 2014, the Company granted a total of 600,000,000 share options under the 2011 Scheme to the eligible participants of the Company to subscribe for the Shares at an exercise price of HK$0.01 each. As at the date of this Annual Report, the total number of Shares available for issue under the 2011 Scheme is 5,941,399,399, which represents approximately 9.08% of the total issued share capital of the Company as at the date of this Annual Report.

32. SHARE OPTION SCHEME *(continued)*

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 so long as the Company remains a subsidiary of another company which is listed on the Stock Exchange, also by its listed holding company) and the approval of the Shareholders (and so long as the Company remains a subsidiary of another company which is listed on the Stock Exchange, also to be approved by the shareholders of that listed holding company) at a general meeting with such eligible participant and his/her associates abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

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

The offer of a grant of the share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than (i) 10 years from the date of grant of the share options, or (ii) the expiry date of the 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.

32. SHARE OPTION SCHEME *(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 2013, there was no share option outstanding under the 2011 Scheme. No share option was granted, exercised, cancelled or has lapsed under the 2011 Scheme during the year.

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 43 of the financial statements.

(b) Company

HK$ million	Special reserve	Share premium account	Share option reserve	Accumulated losses	Total
At 1 January 2012	(56)	238	6	(296)	(108)
Loss for the year and total comprehensive loss for the year	–	–	–	(55)	(55)
Transfer of share option reserve upon expiry of share options	–	–	(6)	6	–
At 31 December 2012 and 1 January 2013	**(56)**	**238**	**–**	**(345)**	**(163)**
Loss for the year and total comprehensive loss for the year	**–**	**–**	**–**	**(55)**	**(55)**
At 31 December 2013	**(56)**	**238**	**–**	**(400)**	**(218)**

34. BUSINESS COMBINATION

(a) Subscription of shares of the Land Group

On 19 April 2013, the Company entered into an agreement with CCT Fortis for the subscription of 99.995% of the new shares of CCT Land (China) Holdings Limited (the "Land Company") and the assignment of shareholder's loan in the Land Company from CCT Fortis. After the completion of the subscription and assignment on 15 July 2013, the Land Company and its subsidiaries (the "Land Group") have become subsidiaries of the Company. The Land Group is engaged in the development and sale of properties. The restructuring transaction was accounted for under HKFRS 3 (Revised) and made as part of the Group's strategy to diversify and broaden its revenue sources and improve its profitability. The consideration for the subscription and assignment of shareholder's loan was in the form of the Second Note in the amount of approximately HK$900 million. Details of the Second Note are disclosed in note 30 to the financial statements.

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

HK$ million	Notes	Fair value recognised
Property, plant and equipment	14	**1**
Properties under development		**483**
Completed properties held for sale		**445**
Trade receivables		**47**
Prepayment for acquisition of land		**280**
Prepayments, deposits and other receivables		**24**
Cash and cash equivalents		**69**
Trade payables		**(155)**
Receipts in advance, other payables and accruals		**(61)**
Tax payable		**(3)**
Interest-bearing bank and other borrowings		**(176)**
Deferred tax liabilities#	29	**(101)**
Total identifiable net assets at fair value		**853**
Gain on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss	6	**(29)**
Satisfied by the Second Note*	30	**824**

\# Deferred tax liabilities were calculated based on the fair value adjustments of the identifiable assets as at the date of the completion on the applicable tax rate in the Mainland China.

* The consideration of the Second Note of HK$824 million represented the fair value of the Second Note as at the date of completion, which was the present value of the Second Note.

Gain on bargain purchase of HK$29 million was recognised upon completion of the subscription of shares of the Land Group. The gain on bargain purchase on subscription was mainly resulted from the fair value upward of certain identifiable assets of the Land Group on the date of completion.

34. BUSINESS COMBINATION *(continued)*

(a) Subscription of shares of the Land Group *(continued)*

The gross contractual amount and fair value of the trade receivables and prepayments, deposits and other receivables as at the date of completion amounted to HK$47 million and HK$24 million, respectively.

An analysis of the cash flows in respect of the subscription of shares of the Land Group is as follows:

	HK$ million
Cash consideration	**–**
Cash and bank balances acquired	**69**
Net inflow of cash and cash equivalents included in cash flows from investing activities	**69**

Since the completion of the subscription, the Land Group contributed a revenue of HK$126 million to the Group's turnover and a loss of HK$5 million to the consolidated loss for the year ended 31 December 2013.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year ended 31 December 2013 would have been HK$1,228 million and HK$36 million, respectively.

(b) Acquisition of the WIIL Group

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

34. BUSINESS COMBINATION *(continued)*

(b) Acquisition of the WIIL Group *(continued)*

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

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

Gain on bargain purchase of HK$10 million was recognised upon completion of the acquisition of the WIIL Group. The gain on bargain purchase on acquisition was mainly resulted from the fair value upward of certain identifiable assets of the WIIL Group on the date of completion.

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

34. BUSINESS COMBINATION *(continued)*

(b) Acquisition of the WIIL Group *(continued)*

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

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

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

Had the combination taken place at the beginning of 2012, the revenue of the Group and the loss of the Group for the year ended 31 December 2012 would have been HK$1,387 million and HK$60 million, respectively.

35. CONTINGENT LIABILITIES

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

	Company	
HK$ million	**2013**	2012
Corporate guarantees given to banks in connection with facilities granted to subsidiaries	**650**	653

As at 31 December 2013, 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$378 million (2012: HK$492 million).

36. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by certain assets of the Group are included in note 27 to the financial statements.

37. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 31 December 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
HK$ million	**2013**	2012
Within one year	**2**	2

(b) As lessee

The Group and the Company lease certain of their office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At 31 December 2013, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
HK$ million	**2013**	2012	**2013**	2012
Within one year	**1**	1	**–**	–
In the second to fifth years, inclusive	**1**	–	**–**	–
	2	1	**–**	–

38. COMMITMENTS

In addition to the operating lease commitments detailed in note 37(b) above, the Group had the following commitments at the end of the reporting period:

	Group	
HK$ million	**2013**	2012
Contracted, but not provided for:		
Building	**2**	2

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

39. RELATED PARTY TRANSACTIONS

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

HK$ million	Notes	**2013**	2012
Fellow subsidiaries:			
Continuing connected transactions:			
Purchase of components	(i)	**112.5**	144.8
Factory rental income	(ii)	**6.0**	6.0
Office rental expenses	(iii)	**1.3**	1.3
Sale of electronic children products	(iv)	**–**	18.5
Ultimate holding company:			
Continuing connected transaction:			
Management information system service fee	(v)	**6.0**	6.0
Connected transactions:			
Acquisition of the WIIL Group	(vi)	**–**	67.0
Subscription of shares of the Land Group	(vii)	**900.0**	–
Exempted connected transactions:			
Issuance of promissory note	(viii)	**57.0**	–

39. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes:

(i) The components were purchased by the Group from a fellow subsidiary which is a wholly-owned subsidiary of CCT Fortis. In respect of the purchase of the components, the Company and CCT Fortis entered into a manufacturing agreement dated 30 October 2009, which expired on 31 December 2012. On 9 October 2012, the Company and CCT Fortis entered into a new manufacturing agreement (the "Component Manufacturing Agreement") to renew the terms and conditions set out in the Component Manufacturing Agreement, pursuant to which CCT Fortis agrees to manufacture through the CCT Fortis Remaining Group certain plastic casings, components and any other component products and toolings for the production of telecom and electronic products for the Group. The purchase prices of plastic casings, components and any other component products were determined based on the direct material costs plus a mark-up of no more than 250%. The tooling charges for the production of telecom and electronic products for the Group were determined based on the total costs plus a mark-up of no more than 50%.

(ii) The factory rental income was charged to Shine Best Developments Limited ("Shine Best"), an indirect wholly-owned subsidiary of CCT Fortis, by CCT Enterprise Limited ("CCT Ent"), an indirect wholly-owned subsidiary of the Company, for the provision of factory space in Huiyang, Mainland China, at rental determined in accordance with the terms and conditions set out in a tenancy agreement entered into between Shine Best and CCT Ent on 30 September 2011.

(iii) The office rental expenses were charged to the Company by Goldbay Investments Limited ("Goldbay"), an indirect wholly-owned subsidiary of CCT Fortis, for the provision of office space in Hong Kong, at rental determined in accordance with the terms and conditions set out in the tenancy agreements entered into between the Company and Goldbay on 30 September 2011.

(iv) The electronic child products were sold by the Group to the then fellow subsidiaries in accordance with a manufacturing agreement ("the Electronic Children Products Manufacturing Agreement") dated 30 September 2011 entered into between the Company and CCT Fortis, pursuant to which the Company agreed to design, develop, manufacture and supply through the Company and its subsidiaries certain electronic children products, electronic components and toolings for supply to the CCT Fortis Remaining Group. The selling prices were determined in accordance with the terms and conditions set out in the Electronic Children Products Manufacturing Agreement. These transactions no longer constitute continuing connected transactions for the Company after the child products business was transferred to the Company pursuant to the agreement dated 1 February 2012. Details of which are set out in note (vi) below.

(v) The management information system service fee was charged to CCT Fortis by the Company for the provision of general management information system support, network and software consultation and hardware maintenance services. The fee was determined in accordance with the terms and conditions set out in the agreement entered into between CCT Fortis and the Company on 30 September 2011.

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

(vii) On 19 April 2013, the Company entered into an agreement with CCT Fortis and the Land Company for the subscription of 99.995% of the new shares of the Land Company and the assignment of the shareholder's loan of HK$664 million in the Land Company at a total consideration of HK$900 million, which was satisfied by the Second Note issued by the Company as deferred payment of the consideration. The Second Note is unsecured, interest-free and repayable on the maturity date of the Second Note, which falls on the third anniversary date of the Second Note. Details of the transaction are set out in note 34(a) to the financial statements.

The above related party transactions constitute connected transactions and continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above connected transactions and continuing connected transactions.

(viii) On 23 December 2013, the Company entered into a loan agreement with CCT Fortis for a loan of HK$57 million which was satisfied by the Third Note issued by the Company. The Third Note has a term of three years from the date of issue and carries interest at 3% per annum payable annually. This connected transaction was fully exempted under Rule 14A.65(4) of the Listing Rules.

(b) Outstanding balances with related parties:

Details of the Group's balances with its holding companies and fellow subsidiaries at the end of the reporting period are disclosed in notes 23, 25, 26 and 30 to the financial statements.

39. RELATED PARTY TRANSACTIONS *(continued)*

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

	Group	
HK$ million	**2013**	2012
Short term employee benefits	**12**	11

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

(d) The Company's ultimate holding company has guaranteed certain bank borrowings made to the Group up to HK$157 million (2012: HK$157 million) as at the end of the reporting period, as further detailed in note 27(a) to the financial statements.

40. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group and the Company as at 31 December 2013 and 2012, are loans and receivables, and financial liabilities at amortised cost, respectively.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's and the Company's financial instruments reasonably approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, time deposits, the current portion of interest-bearing bank and other borrowings, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of promissory notes and the non-current portions of interest-bearing bank and other borrowings and pledged time deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The carrying amounts of promissory notes and the non-current portions of interest-bearing bank and other borrowings and pledged time deposits approximate to their fair values. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2013 was assessed to be insignificant.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk, and will consider hedging significant interest rate risk should the need arise.

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
2013		
HK$	**100**	**1**
HK$	**(100)**	**(1)**
RMB	**100**	**2**
RMB	**(100)**	**(2)**
US$	**100**	**3**
US$	**(100)**	**(3)**
2012		
HK$	100	1
HK$	(100)	(1)
RMB	100	1
RMB	(100)	(1)
US$	100	3
US$	(100)	(3)

42. 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 2.51% (2012: 2.89%) in the exchange rate between the Renminbi and the Hong Kong dollar would result in an increase/(decrease) on the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) by HK$5 million (2012: HK$4 million) in 2013.

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 financial assets, which comprise bank balances, deposits, trade and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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

There is no significant concentration of credit risk in relation to the Group's financial assets, other than trade receivables. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 22 to the financial statements.

Liquidity risk

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

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

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

Liquidity risk *(continued)*

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

As at 31 December 2013

HK$ million	Group Within one year or on demand	In the second year	In the third to fifth years	Total
Trade and bills payables	**401**	**–**	**–**	**401**
Other payables and accruals	**108**	**–**	**–**	**108**
Interest-bearing bank and other borrowings	**534**	**46**	**58**	**638**
Promissory notes	**4**	**4**	**1,030**	**1,038**
	1,047	**50**	**1,088**	**2,185**

As at 31 December 2012

HK$ million	Group Within one year or on demand	In the second year	In the third to fifth years	Total
Trade and bills payables	309	–	–	309
Other payables and accruals	113	–	–	113
Interest-bearing bank and other borrowings	409	26	63	498
Promissory note	2	2	73	77
	833	28	136	997

42. 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.

As at 31 December 2013

	Company			
HK$ million	**Within one year or on demand**	**In the second year**	**In the third to fifth years**	**Total**
Guarantees given to banks in connection with banking facilities utilised by subsidiaries (note 35)	**378**	**–**	**–**	**378**
Promissory notes	**4**	**4**	**1,030**	**1,038**
	382	**4**	**1,030**	**1,416**

As at 31 December 2012

	Company			
HK$ million	Within one year or on demand	In the second year	In the third to fifth years	Total
Guarantees given to banks in connection with banking facilities granted to subsidiaries (note 35)	492	–	–	492
Other payables and accruals	1	–	–	1
Promissory note	2	2	73	77
	495	2	73	570

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

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2012.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total capital plus total borrowings. The Group includes interest-bearing bank and other borrowings in the total borrowings. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods are as follows:

	Group	
HK$ million	**2013**	2012
Interest-bearing bank and other borrowings	**602**	479
Total borrowings	**602**	479
Total capital	**471**	491
Total capital and borrowings	**1,073**	970
Gearing ratio	**56.1%**	49.4%

43. EVENT AFTER THE REPORTING PERIOD

On 17 January 2014, 600,000,000 share options were granted to certain directors of the Company and CCT Fortis, as further detailed in note 32 to the financial statements.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2014.

other information

PARTICULARS OF PROPERTIES UNDER DEVELOPMENT AS AT 31 DECEMBER 2013

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
Evian Villa Phase II	No. 37 Qian Ye Street, Tiedong District, Anshan City Liaoning Province, China	Residential, commercial and car parks	34,000	65,000	Under construction	100%

PARTICULARS OF COMPLETED PROPERTIES HELD FOR SALE AS AT 31 DECEMBER 2013

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	7,000	21,000	Completed	100%
Landmark City Phase III	No. 253 Jiu Dao Road, Tiexi District, Anshan City Liaoning Province, China	Residential, commercial and car parks	30,000	89,000	Completed	100%
Evian Villa Phase I	No. 37 Qian Ye Street, Tiedong District, Anshan City Liaoning Province, China	Residential and car parks	30,000	46,000	Completed	100%

PARTICULARS OF VACANT LAND AS AT 31 DECEMBER 2013

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
Evian Garden	A piece of land located at north of Yueling Road, Gaoxin District, Anshan City Liaoning Province China	Residential, commercial and car parks	83,000	276,000	Planning	100%

five year financial summary

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

RESULTS

	Year ended 31 December				
HK$ million	**2013**	2012	2011	2010	2009
REVENUE	**1,193**	1,342	1,553	1,573	1,446
Cost of sales	**(1,127)**	(1,297)	(1,506)	(1,465)	(1,330)
Gross profit	**66**	45	47	108	116
Other income and gains	**56**	43	28	57	23
Selling and distribution expenses	**(27)**	(32)	(57)	(49)	(24)
Administrative expenses	**(71)**	(59)	(102)	(103)	(111)
Other expenses	**(18)**	(4)	(69)	(7)	(18)
Finance costs, net	**(36)**	(17)	(11)	(8)	(3)
LOSS BEFORE TAX	**(30)**	(24)	(164)	(2)	(17)
Income tax expense	**(1)**	(34)	(1)	(3)	(2)
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**(31)**	(58)	(165)	(5)	(19)

ASSETS AND LIABILITIES

	As at 31 December				
HK$ million	**2013**	2012	2011	2010	2009
TOTAL ASSETS	**2,655**	1,470	1,595	1,698	1,513
TOTAL LIABILITIES	**(2,184)**	(979)	(1,047)	(985)	(795)
	471	491	548	713	718

glossary of terms

GENERAL TERMS

"AGM"	Annual general meeting
"Audit Committee"	The audit committee of the Company
"Board"	The board of Directors
"CCT Fortis"	CCT Fortis Holdings Limited, a company listed on the main board of the Stock Exchange and the ultimate holding company of the Company
"CCT Fortis Remaining Group"	CCT Fortis and its subsidiaries other than the Group
"CEO"	The chief executive officer of the Company
"CG Code"	The Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	The chairman of the Company
"CMS"	Contract manufacturing service
"Company"	CCT Land 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 the PRC
"HK$" or "$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"INED(s)"	Independent non-executive director(s)
"Invested Entity"	Any entity in which any member of the Group holds any equity interest
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Mainland China"	The mainland of the PRC
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules
"N/A"	Not applicable
"2011 Scheme"	The share option scheme conditionally adopted by the Company on 27 May 2011 which took effect on 30 May 2011

“Nomination Committee”	The nomination committee of the Company
“ODM”	Original design manufacturing
“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
“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$0.01 each in the share capital of the Company
“Shareholder(s)”	Holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US”	The United States of America
“US$”	United States dollar(s), the lawful currency of the US
“%”	Per cent.

FINANCIAL TERMS

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