CCT FORTIS

中 建 富 通 集 團 有 限 公 司

Stock Code : 138

2013

CCT FORTIS

contents

chairman's letter

On behalf of the Board of Company, I am pleased to report the annual results of the Group for the year ended 31 December 2013.

2013 was an exciting year for CCT, marked by our success to reposition and reshape the Group and our efforts to capture new business opportunities. As a result of these initiatives, a stronger CCT has emerged and the Company has changed its name from CCT Telecom to CCT Fortis to reflect that the Company has entered into a new era. The Board is very pleased to report that the Group was able to return to profit in 2013. Net profit attributable to owners of the parent was $232 million in 2013, compared with a loss of $31 million in 2012. The Group's revenue in the year was approximately $1,805 million, representing a year-on-year increase of approximately 16.9%. This exciting recovery in earning performance was primarily led by the overwhelming success of sale of the shop units at MaxiBase, located at the Basement of City Garden, North Point and the overall improvement in results of our main business units. The "Review of Operations" below gives further details of our performance in 2013.

PROPOSED FINAL DIVIDEND

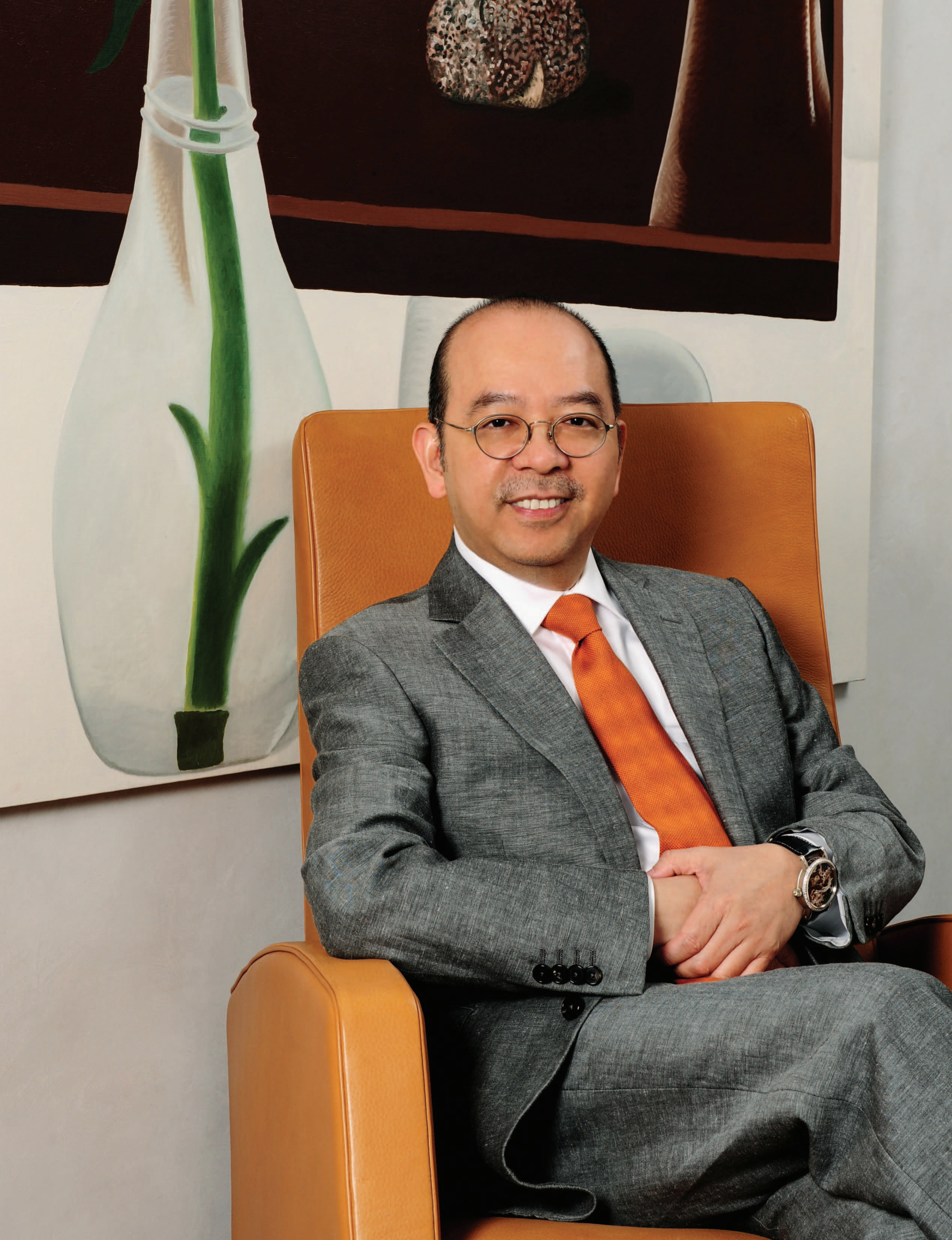
The Board recommended the payment of a final dividend of HK$0.035 per share for the year 2013 to the shareholders whose names appear on the register of members of the Company on Thursday, 29 May 2014, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company. The proposed final dividend will be payable from the Company's distributable reserve and will be paid on or around Thursday, 12 June 2014 following the shareholders' approval at the forthcoming annual general meeting of the Company. Taking into account the HK$0.030 per share interim dividend paid in October 2013 and the HK$0.100 per share special interim dividend declared in December 2013 and paid in January 2014, the total dividend per share amounted to HK$0.165 for the financial year 2013.

REVIEW OF OPERATIONS

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

Property development and trading in Hong Kong

The Group acquired the retail property located at the Basement of Maximall, City Garden, North Point, Hong Kong in 2012 (which was subsequently renamed as "**MaxiBase**") with the original intention of holding it as investment property producing rental income. Since acquisition, the rental yield and value of the property have risen because of its convenient access to public transport (including the MTR stations) and its close proximity to cluster of large housing estates and highly developed commercial areas in the nearby regions. There is currently scarce supply of retail mall of such a large scale similar to the scale of the property in the North Point district. Capturing this business opportunity, CCT decided to redesign the property by sub-dividing the property into over 300 shop units and to enhance its value by proposing creative layout and designs, quality renovation and upgrading. In July 2013, CCT offered the shop units for sale to public. This project was met with tremendous success as all the shop units offered for sale have been sold out within a short period of time, amid a sluggish secondary property market which has been dampened by the various cooling measures introduced by the Hong Kong government earlier in the year. In terms of results, the project contributed significant operating profit of $246 million during the year. Furthermore, the success of this project marked an important milestone for CCT, as the Group has set a strong foothold into the property development sector in Hong Kong. We believe we can capitalize our strengths in this new business area, which opens a new platform for the Group to grow.



Property investment and holding

The property market activities in Hong Kong, especially in the secondary market, have slowed down significantly following the launch of various government measures to regulate and cool the market in the year. However, these unfavourable policies have not deterred us from expansion. Our holdings of investment properties already include luxury houses, office properties and mass residential properties. To expand our property holdings, we also acquired additional investment properties in 2013, which include four shops located on Ground Floor and First Floor of Gramercy, No. 38 Caine Road, Mid-Levels, Hong Kong. Gramercy is a newly constructed composite building consisting of multi-storey luxury residential building and the 2-storey shopping space which we acquired. The building is adjacent to Soho district and the Central-Mid-Levels escalator. Soon after completion of the purchase, we have leased the shops to quality tenants selling foods, beverage and restaurant operators, at a good rental yield to us. In 2013, this business unit reported increase in rental income and fair value gains of its investment property holdings. The sustained outstanding performance of this business unit demonstrates our excellence in vision and insight in selecting properties and perfect timing of our investment. In 2013, the property investment division reported a net operating profit of $100 million, primarily attributable to the unrealised revaluation gain of $124 million of our investment properties held.

Property development in Mainland China

The Group's mainland property developments are located in Anshan, Liaoning Province, China, where the residential market is predominately underpinned by end-user demand. We have developed and launched several successful projects in the city, which have been well received by homebuyers. The high quality of our Anshan projects in terms of materials, landscaping, layouts and designs has earned us strong reputation in the Anshan property sector. We will continue our pursuit of project quality and service excellence. As a result, CCT Land China has established a solid foundation and a strong reputation in the region. In 2013, we continued to roll out new project, which was the Landmark City Phase III. This project consists of eight blocks of residential buildings, car parks and community facilities with a total saleable gross floor area of approximately 108,000 square meter. The launch of the 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. During 2013, our Anshan developments continued to deliver satisfactory performance. Contract sales were $161 million, up 15.8% from previous year, while an operating profit of $10 million was recorded in 2013.

On 19 April 2013, the Company entered into a contract with CCT Land, a non wholly-owned listed subsidiary of the Company, under which CCT Land subscribed for new shares in the holding company of the Anshan development companies. After the subscription, the Anshan property companies have become almost wholly-owned subsidiaries of CCT Land. Upon completion of the restructuring transactions during the year, the mainland property development business has been carried on by the CCT Land Group but its results will continue to be consolidated into the accounts of the Company. Details of the transactions have been set out in the Company's announcement dated 24 April 2013 and its circular dated 14 June 2013.

Telecom Product Business

The Telecom Product Business is engaged by CCT Land Group. CCT Land was previously named as "CCT Tech International Limited". The name change was made in 2013, following the intra-group restructuring transaction outlined in the section above, to reflect a refresh corporate identity and a broadened business focus of CCT Land. After the name change, the CCT Land Group will continue to be engaged in the Telecom Product Business under the former business name of CCT Tech.

Turnover of the Telecom Product Business dropped by 23.1% to $1,067 million in 2013. 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 of CCT Tech 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 unit but rather we strive for enhancing our competitive position and target for improving our bottom-line profitability. This strategy has proven to be right as the performance and financial position of CCT Tech has been improving.

CCT Tech's cordless phone products continued to sell well in 2013. The launch of new design phones 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 the cost rise and as a result, gross profit of the Telecom Product Business increased to $47 million in 2013 from $45 million in 2012, despite a reduction in turnover during the year.

Manufacturing of plastic components

This business segment of the Group produces plastic components and supplies most of the components produced to CCT Tech for manufacture of telecom and child products.

In 2013, turnover of the component business was $130 million, a decrease of 24.9% from the last corresponding year, in line with the drop in turnover of the Telecom Product Business. During the year, the component business encountered similar difficulty as CCT Tech as shortage of labour and rising labour costs remained a major problem to operations. In 2013, this segment reported operating loss $35 million, same as previous year. The net loss after tax of the segment was $32 million, reduced from $48 million in 2012.

Securities business

In view of the volatility of the stock market, the Group has scaled down its securities business since 2012. At the year end, our existing investment portfolio mainly consisted of low-risk bonds of approximately $53 million. These bonds are denominated in RMB and carry interest at fixed rate. An equivalent amount of Hong Kong dollar loan has been borrowed against security of the RMB bonds. The arrangement was entered into for the purpose of hedging appreciation of RMB against Hong Kong dollar. In 2013, this business unit recorded an operating profit of $2 million, which was derived from the interest income received from the RMB bonds and the exchange gain on those bonds recognised during the year.

OUTLOOK

Looking ahead to 2014, developed countries are likely to achieve modest economic recovery while the developing economies can expect to see their growth stabilise. 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 stabilise this year.

In 2014, CCT will continue to pursue several strategic objectives which are: (1) to strengthen the Group's financial resources; (2) to further reposition and reform the Group's manufacturing business units; (3) to seek expansions in our main business units including the Hong Kong property development and trading business, property investment, and mainland property developments; and (4) to capture new business opportunities. We will continue to capitalise our competitive edges in each of our main 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.

Despite the policy headwinds launched by the Hong Kong government, low mortgage interest rates, weakness in Hong Kong dollar, reasonable repayment affordability, continued income growth and scarcity of land supply at least in the short term, will continue to support demand of good quality properties in Hong Kong. We believe price of properties will go up further in the longer term. We believe that the newly established Hong Kong property development business has good prospects and will open a new avenue for the Group to grow. We also believe we have a business niche and insight in this sector and will place more resources to grow this business. We will explore opportunities to acquire new projects which we consider to have good development or gain potentials. However, we would be selective and would exercise care in deciding new acquisition of property projects. In November 2013 and in February 2014, the Group entered into provisional sale and purchase agreements to acquire three retail properties at a total price of $373 million. Two of the properties are located at 8 Russell Street, which is the centre of the prime shopping and tourist areas in Causeway Bay. The other property is located in Kennedy Town, Sai Wan, facing the waterfront of the Western District and near a future MTR station of the West Island Line. The West Island Line is expected to open at end of this year and it will rapidly gentrify Kennedy Town and the Western District. The acquisitions will be completed this year. We believe the properties have good potentials to appreciate in value and may be successful projects of the Group in the current year.

Rental yields of the commercial buildings and shops are expected to increase modestly in 2014. The low interest rate environment, weakness in Hong Kong dollar and inflation back the demand in the local property market that benefits the Group's investment properties. Our rental properties consist of wide range of different types of properties, ranging from luxury houses, mass residential properties, retail shops and office properties. We will continue to build up our rental property portfolio. We expect the investment properties will deliver significant recurrent rental income in the future and will generate further value appreciation in the long term.

The Group will continue to be engaged in the mainland property development business through CCT Land Group. 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 promotions 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 the Mainland China and our strong project team. We expect the mainland property business will become one of the key drivers for growth of CCT Land in the future.

We expect shortage of labour will continue to be the major challenge to the CCT Tech Group 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 CCT Tech 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.

To pursue our strategy of capturing new business opportunities, the Group has established and started in a new venture of investment and trading in classic cars earlier this year. We realize that classic cars have been a very good performer in terms of value appreciation. These cars have outperformed collectibles such as gold, wine, stamps and coins over the last 10 years. We also notice that the demand for vintage cars is rising and record price has been set for classic cars sold at auction. We will place resources to grow this new business sector. We believe this business has huge potentials to grow and will open a new avenue for revenue and profitability growth of the Group in the future.

APPRECIATION

On behalf of the Board, I want to thank the directors, the management and all our employees for their strong commitment, 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, a substantial Shareholder, has been the Chairman, the CEO and the Executive Director since January 1994. Mr. Mak is a member of the Remuneration Committee and the chairman and a member of the Nomination Committee. He is responsible for the corporate planning and overall strategic direction of the Group and takes a leading role in managing the businesses of the Group. He has over 37 years of experience in the electronics manufacturing and distribution industry, and substantial experience in property investment and development and financial investment businesses. In his many years in the businesses, he has demonstrated a keen understanding in the diversified businesses in which the Group is engaged. Mr. Mak is also the chairman, the chief executive officer and an executive director of the Company's subsidiary CCT Land, whose shares are listed on the main board of the Stock Exchange, and a director of certain subsidiaries of the Company and CCT Land. Mr. Mak holds a Diploma in Electrical Engineering.

Mr. TAM Ngai Hung, Terry, aged 60, has been the Executive Director and the Group Finance Director since March 2001. He has been appointed as the Deputy Chairman of the Company since December 2005 and as the Company Secretary of the Company since May 2012. He is a member of the Remuneration Committee and the Nomination Committee. Mr. Tam is mainly responsible for the corporate finance, accounting and company secretarial functions of the Group. He has more than 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 Land 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 Land. Mr. Tam is a fellow of the Association of Chartered Certified Accountants and an associate of both the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Secretaries and Administrators.

Ms. CHENG Yuk Ching, Flora, aged 60, has been the Executive Director since February 1998. Ms. Cheng assists the CEO in overseeing the day-to-day management of the principal businesses of the Group. Ms. Cheng has over 34 years of experience in the electronics industry, and substantial experience in property investment and development business. She held senior positions in various well-known electronics companies before she joined the Company. Ms. Cheng is also an executive director of CCT Land whose shares are listed on the main board of the Stock Exchange, and a director of certain subsidiaries of the Company and CCT Land. Ms. Cheng holds a Diploma in Business Administration.

Dr. William Donald PUTT, aged 76, has been the Executive Director since January 1997. Dr. Putt is responsible for overseas business development and advising the Chairman in strategic direction of the overseas business of the Group. Dr. Putt has over 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 Land whose shares are listed on the main board of the Stock Exchange. Dr. Putt also serves on the boards of several foundations and non-profit organisations in the US and is on the Leadership Council for the Public Service Center at the Massachusetts Institute of Technology. Dr. Putt holds PhD in Management from the Massachusetts Institute of Technology in the US.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TAM King Ching, Kenny, aged 64, has been an INED of the Company since December 1999. Mr. Tam is the chairman and a member of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee. Mr. Tam also acts as an INED of six other companies listed on the main board of the Stock Exchange, namely, BeijingWest Industries International Limited, Kingmaker Footwear Holdings Limited, Shougang Concord Grand (Group) Limited, Starlite Holdings Limited, Van Shung Chong Holdings Limited and West China Cement Limited. Mr. Tam serves as a member of the Restructuring and Insolvency Faculty Executive Committee, the Insolvency SD Vetting Committee and the Small and Medium Practitioners Leadership Panel in the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") . He is also a Past President of The Society of Chinese Accountants and Auditors. Mr. Tam is a practising Certified Public Accountant in Hong Kong. He holds a Bachelor's Degree in Commerce and is a fellow of the HKICPA and a member of the Institute of Chartered Accountants of Ontario, Canada.

Mr. CHEN Li, aged 49, has been an INED of the Company since February 2008. Mr. Chen is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Chen is also an INED of CCT Land 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.

Mr. CHOW Siu Ngor, aged 58, has been an INED of the Company since March 2013. Mr. Chow is the chairman and a member of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee. He is also an INED of CCT Land 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.

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 CCT Land. He heads the finance and accounting department of the CCT Land Group. He is also a director of certain subsidiaries of CCT Land. 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.

Ms. CHAN Sau Chiu, Jess, aged 39, has worked in the Group since February 2001. She is the head of the finance and accounting department of the Company. She is also a director of certain subsidiaries of CCT Land Holdings. Ms. Chan graduated from The Hong Kong University of Science and Technology with a Bachelor of Business Administration in Accounting. Ms. Chan is a Chartered Financial Analyst and is an associate of the Hong Kong Institute of Certified Public Accountants.

Mr. LEUNG Ho Yin, Henry, aged 43, rejoined the Group in March 2013. Mr. Leung currently holds the position of General Counsel of the Group. He is responsible for advising on all legal matters of the 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	**1,805**	1,544	16.9%
Gross profit	**387**	81	377.8%
Profit/(loss) before tax	**264**	(5)	N/A
Income tax expense	**(63)**	(62)	1.6%
Profit/(loss) after tax	**201**	(67)	N/A
Profit/(loss) attributable to:			
Owners of the parent	**232**	(31)	N/A
Non-controlling interests	**(31)**	(36)	(13.9%)
Profit/(loss) for the year	**201**	(67)	N/A
Earnings/(loss) per share	**$0.38**	($0.05)	N/A
Dividends per share	**$0.165**	$0.065	153.8%
Other comprehensive income, net of tax	**18**	8	125.0%

Discussion on Financial Results and Other Comprehensive Income

The Group's turnover was $1,805 million for the year ended 31 December 2013, an increase of 16.9% as compared to $1,544 million for the last corresponding year. During the year, gross profit soared to $387 million, up 377.8% as compared to last corresponding year. The Group was able to return to profit and delivered net profit attributable to owners of the parent of $232 million, as compared to the net loss attributable to owners of the parent of $31 million in 2012. The improvement in results was largely driven by our remarkable success of the sale of shop units at MaxiBase and the fair value gains of our investment properties, offset by losses of the manufacturing business and other corporate items.

Other comprehensive income of $18 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		% increase/
$ million	**Amount**	**Relative %**	Amount	Relative %	(decrease)
Property development and trading in Hong Kong	**554**	**30.7%**	–	0.0%	N/A
Property investment and holding	**7**	**0.4%**	5	0.3%	40.0%
Property development in Mainland China	**161**	**8.9%**	139	9.0%	15.8%
Telecom Product Business	**1,067**	**59.1%**	1,388	89.9%	(23.1%)
Component business	**130**	**7.2%**	173	11.2%	(24.9%)
Securities business	**2**	**0.1%**	13	0.8%	(84.6%)
Elimination of Intersegment transactions	**(116)**	**(6.4%)**	(174)	(11.2%)	(33.3%)
Total	**1,805**	**100.0%**	1,544	100.0%	16.9%

	Operating profit/(loss)		
			% increase/
$ million	**2013**	2012	(decrease)
Property development and trading in Hong Kong	**246**	–	N/A
Property investment and holding	**100**	134	(25.4%)
Property development in Mainland China	**10**	15	(33.3%)
Telecom Product Business	**(18)**	(25)	(28.0%)
Component business	**(35)**	(35)	–
Securities business	**2**	13	(84.6%)
Total	**305**	102	199.0%

Marked by the success of the sale of shop units at MaxiBase, the Hong Kong property development and trading business concluded contracted sales of shop units of $682 million and recorded net turnover of $554 million in 2013. It is exciting that the project achieved an operating profit of $246 million in the year.

The property investment and holding business continued to perform in 2013. This division recognised an operating profit of $100 million in 2013, while an operating profit of $134 million was recorded in 2012. Both years' solid result was mainly driven by unrealised fair value gains arising from revaluation of the Group's investment properties.

Despite the slower residential property market in Anshan, the China property development business was able to deliver satisfactory results in 2013. The turnover in 2013 increased by 15.8% to $161 million as compared to $139 million in previous year, while operating profit of $10 million was recorded in 2013. Previous year's operating profit was $15 million. The decrease in operating profit was due to continuing and additional tightening measures imposed by the Chinese leaders on mainland property market during the year.

The Telecom Product Business was able to narrow its operating loss from $25 million in 2012 to $18 million in 2013, despite a decrease in turnover in the year. This notable favourable variance was mainly caused by productivity gains and cost savings achieved during the year.

The component business reported revenue of $130 million, down 24.9%, in line with the decrease in sales of the Telecom Product Business to which it supplied most of its component products. Despite an increasingly difficult operating environment, this business segment incurred an operating loss of $35 million, same as previous year. The net loss after tax of this segment was $32 million, down 33.3% from $48 million in last corresponding year.

The Group's securities business delivered an operating profit of $2 million in 2013, mainly represented interest income and exchange gain derived from the RMB bonds as compared to the operating profit of $13 million reported last corresponding year which was derived mainly from the divestment of its share portfolio in that year.

ANALYSIS BY GEOGRAPHICAL SEGMENT

	Turnover				
	2013		2012		% increase/
$ million	**Amount**	**Relative %**	Amount	Relative %	(decrease)
Asia Pacific and others	**1,012**	**56.1%**	571	37.0%	77.2%
Europe	**621**	**34.4%**	712	46.1%	(12.8%)
North America	**172**	**9.5%**	261	16.9%	(34.1%)
Total	**1,805**	**100.0%**	1,544	100.0%	16.9%

Due to the inclusion of revenue from sale of shop units at MaxiBase in 2013, Asia Pacific and other regions has overtaken Europe as the Group's largest market, in terms of turnover, reporting turnover of $1,012 million, an increase of 77.2% over that recorded in the previous year. Sales to Europe, however, dropped by 12.8% to $621 million in the year, primarily led by uncertainties persisted in the euro countries and weaker consumer demand in the region. Turnover from the North American market decreased by 34.1% to $172 million in 2013, which was caused by slow recovery of US economy and absence of sale of phones to the market after the GE licensed business was terminated.

HIGHLIGHTS ON SIGNIFICANT MOVEMENT OF FINANCIAL POSITION

$ million	2013	2012	% increase/ (decrease)
NON-CURRENT ASSETS			
Property, plant and equipment	**597**	772	(22.7%)
Investment properties	**881**	745	18.3%
Goodwill	**55**	87	(36.8%)
Held-to-maturity debt securities	**–**	51	N/A
Pledged time deposits	**65**	–	N/A
Other receivables	**71**	–	N/A
CURRENT ASSETS			
Inventories	**78**	102	(23.5%)
Properties under development	**117**	248	(52.8%)
Completed properties held for sale	**712**	356	100.0%
Trade receivables	**268**	349	(23.2%)
Prepayment, deposits and other receivables	**331**	243	36.2%
Held-to-maturity debt securities	**53**	–	N/A
Pledged time deposits	**235**	186	26.3%
Cash and cash equivalents	**643**	459	40.1%
CURRENT LIABILITIES			
Current interest-bearing bank and other borrowings	**811**	507	60.0%
EQUITY AND NON-CURRENT LIABILITIES			
Non-current interest-bearing bank and other borrowings	**452**	522	(13.4%)
Non-controlling interests	**164**	253	(35.2%)
Equity attributable to owners of the parent	**2,032**	1,833	10.9%

Discussion on Financial Position

As at 31 December 2013, balance of property, plant and equipment was $597 million, a decrease of 22.7%. This decrease was mainly attributable to the disposal of certain items of property, plant and equipment and the depreciation charge during the year.

Balance of the investment properties at end of 2013 was $881 million, $136 million or 18.3% higher than at the beginning of the year. The increase represented the combined effect of: (i) unrealised fair value gains arising from the revaluation of the investment properties at year end; (ii) the acquisition of the retail shops at Gramercy, No. 38 Caine Road, Mid-Level, Hong Kong; and (iii) net of reclassification of the carrying value of those shop units at MaxiBase from investment properties grouped under non-current assets to stock of properties under current assets, which were sold and charged to profit or loss during the year.

Goodwill decreased by $32 million as at 31 December 2013. The change was attributable to the disposal of the medical product business during the year.

Held-to-maturity debt securities represented the two-year RMB bonds bought in early 2012 as an arrangement to hedge against RMB appreciation risk and was categorized under non-current assets in 2012. The bonds have been pledged to a bank to secure equivalent amount of Hong Kong dollar loan facility. As at 31 December 2013, the fair value of the bonds was reclassified and regrouped under current assets as the bonds would be matured within one-year time.

Other receivables of $71 million classified under non-current assets represented the non-current portion of loan receivables consisting of (i) deferred consideration for the disposal of the medical product business; (ii) the mortgage loan receivables due from certain purchasers of the Maxibase shop units who/which obtained loans from the Group to finance part of their purchase costs; and (iii) other loan receivable.

Inventory decreased 23.5% in the year under review, caused by decrease in sales of the manufacturing business and improvement in inventory control. The inventory turnover period for the year maintained at a reasonable low level of 31.0 days (2012: 34.9 days).

Balance of the properties under development was $117 million, down 52.8% during the year. The decrease represented reclassification of costs of the Landmark City Phase III from the properties under development account to the completed properties held for sale account as the project was completed during the year.

As at 31 December 2013, completed properties held for sale amounted to $712 million, representing the costs of the unsold completed property units in Anshan. The account balance increased by 100.0%. This change was mainly due to the completion of Landmark City Phase III and reclassification of development and construction costs of this project to completed property held for sale account during the year.

Trade receivables amounted to $268 million at current balance sheet date, down 23.2% from $349 million at last balance sheet date, in line with the drop in revenue of the Telecom Product Business.

Prepayment, deposits and other receivables at 2013 year end was $331 million, up 36.2% from balance of $243 million at end of 2012. The account balance at end of 2012 and 2013 included prepayment of $197 million related to a contracted acquisition of the land use right of a piece of land site in Anshan. The increase of the account balance during 2013 was primarily due to the (i) prepayment of cost of the sub-division and partitioning works at MaxiBase, (ii) current portion of other receivables grouped under the non-current assets.

Pledged time deposits, classified under non-current assets and current assets, increased from $186 million at 2012 balance sheet date to $300 million at end of 2013, due to increase in pledged deposits to secure additional banking facilities. Of the pledged deposits, a total amount of $215 million (equivalent to RMB168 million) were denominated in RMB which were pledged to a banker to secure equivalent amount of Hong Kong dollar loans. Such arrangements were entered into for the purpose of hedging RMB appreciation risk as the Group can 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 increased by 40.1% to $643 million as at 31 December 2013. The net increase was due to receipt of the net sale proceeds of MaxiBase shop units, deducting funds used in the operations and development of the Group's businesses and payments of the dividend during the year.

The aggregate amount of the current and non-current interest-bearing bank and other borrowings increased from $1,029 million as at 31 December 2012 to $1,263 million as at 31 December 2013, up 22.7%. The net increase represented additional mortgage loans, working-capital loans and other bank borrowings, less repayment of some of the bank loans during the year.

During the year, decrease in the non-controlling interests, mainly represented share of non-controlling shareholders' over the difference between fair value of consideration and net book value of the Anshan property business assigned to CCT Land and the share of CCT Land's non-controlling shareholders in the loss of the CCT Land Group for the financial year of 2013.

Equity attributable to owners of the parent at end of the year stood at $2,032 million, an increase of 10.9% compared to $1,833 million at beginning of the year. This change was attributable mainly to the combined effect of the net profit for the year and the dividend paid during the year.

CAPITAL STRUCTURE AND GEARING RATIO

	2013		2012	
$ million	**Amount**	**Relative %**	Amount	Relative %
Bank borrowings	**1,263**	**38.3%**	1,027	35.9%
Finance lease payable	**–**	**0.0%**	2	0.1%
Total borrowings	**1,263**	**38.3%**	1,029	36.0%
Equity	**2,032**	**61.7%**	1,833	64.0%
Total capital employed	**3,295**	**100.0%**	2,862	100.0%

The Group's gearing ratio was 38.3% as at 31 December 2013 (2012: 36.0%). The slight increase in the gearing ratio was caused by the net increase of the bank borrowings during the year.

Outstanding bank borrowings amounted to $1,263 million at 31 December 2013 (2012: $1,027 million). Approximately 64.2% of these bank borrowings were arranged on a short-term basis to fund the manufacturing business and investment of the Group and were repayable within one year. The remaining 35.8% of the bank borrowings were of long-term nature, primarily representing mortgage loans on properties held by the Group. Out of the Group's bank borrowings, bank loans of $1,015 million (2012: $879 million) were borrowed to finance ordinary businesses and investment of the Group and the balance of $248 million (2012: $148 million) represented Hong Kong dollar loans which were fully secured by equivalent amount of RMB deposits and bonds for hedging against RMB appreciation exposure.

As at 31 December 2013, the maturity profile of the bank and other borrowings of the Group falling due within one year, in the second to the fifth year and beyond five years amounted to $811 million, $218 million and $234 million, respectively (2012: $507 million, $263 million and $259 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

LIQUIDITY AND FINANCIAL RESOURCES

$ million	**2013**	2012
Current assets	**2,439**	1,961
Current liabilities	**1,530**	1,106
Current ratio	**159.4%**	177.3%

The Group's current ratio as at 31 December 2013 was 159.4% (2012: 177.3%), reflecting a healthy financial position of the Group.

As at 31 December 2013, the Group's cash balance was $943 million (2012: $653 million), which included pledged deposits of $300 million (2012: $186 million) to secure general banking facilities and for RMB hedging arrangement. Almost all of the Group's cash was placed on deposits with licensed banks in Hong Kong. In view of the Group's current cash position and the banking facilities available, the Group continued to maintain a sound financial position and has sufficient resources to finance its operations and its future expansion plan.

CAPITAL COMMITMENTS

As at 31 December 2013, capital commitment of the Group amounted to $2 million (2012: $207 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

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

SIGNIFICANT INVESTMENT

Save as disclosed in the other section of the financial review, the Group did not hold any significant investment as at 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 $2,160 million (2012: $1,564 million), net asset value of $309 million of a subsidiary of the Company (2012: Nil) and time deposits of the Group of $300 million (2012: $186 million) were pledged to secure the general banking facilities granted to the Group 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 4,438 (2012: 5,971). The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitive remuneration package to employees. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. At 31 December 2013, there were no outstanding share options issued by the Company.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the senior management of the Group by band and the respective number of employees for the year ended 31 December 2013 are set out below:

	Number of employees
Nil–$1,000,000	3
$1,000,001–$2,000,000	4
$2,000,001–$2,500,000	1
	8

corporate information

COMPANY NAME

CCT Fortis Holdings Limited

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Tam Ngai Hung, Terry

PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited
Wing Hang Bank Limited

SOLICITORS

Sidley Austin

AUDITORS

Ernst & Young, Certified Public Accountants

FINANCIAL YEAR END

31 December

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F., Fortis Tower
77–79 Gloucester Road
Hong Kong

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

TELEPHONE NUMBER

+852 2102 8138

FAX NUMBER

+852 2102 8100

COMPANY WEBSITE

www.cct-fortis.com

STOCK CODE

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CORPORATE GOVERNANCE

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

In the opinion of the Directors, the Company has complied with all the Code Provisions under 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.

Code Provision A.5.1

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

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

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 (except the late Mr. Lau), 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;

THE BOARD *(continued)*

Responsibilities, accountabilities and contributions *(continued)*

— 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 20 meetings.

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 three Shareholders' meetings on 22 May 2013, 8 July 2013 and 9 September 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	20/20	3/3
Tam Ngai Hung, Terry	20/20	3/3
Cheng Yuk Ching, Flora	20/20	3/3
William Donald Putt	20/20	0/3
Tam King Ching, Kenny	18/20	2/3
Chen Li	20/20	0/3
Chow Siu Ngor	17/18	2/3
Mr. Lau Ho Man, Edward (the "**late Mr. Lau**")	1/1	0/0

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

THE BOARD *(continued)*

Responsibilities, accountabilities and contributions *(continued)*

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

Board's composition

During most of the time in 2013, the Board consisted of four Executive Directors and three INEDs. During the period from 1 January 2013 to 12 January 2013, members of the Board consisted of four Executive Directors, namely Mr. Mak Shiu Tong, Clement (also acting as the Chairman and the CEO), Mr. Tam Ngai Hung, Terry (also acting as the deputy Chairman), Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt, and three INEDs, namely Mr. Tam King Ching, Kenny, Mr. Chen Li and the late Mr. Lau who passed away on 12 January 2013. Mr. Chow Siu Ngor who is also an INED of CCT Land, has been appointed as INED of the Company for a term of three years with effect from 8 March 2013 to replace the late Mr. Lau. The Board has maintained a balance of skills and experience appropriate of the requirements, promotion and development of the businesses of the Group. The biographies of the Directors are set out in the section headed "Directors and Senior Management" in this Annual Report, which demonstrate a diversity of skills, expertise, experience and qualifications.

All Directors (except Mr. Chow Siu Ngor) entered into letters of appointment with the Company during 2012 for a term of three years commencing from 1 April 2012, subject to retirement by rotation and re-election at the AGM of the Company in accordance with the bye-laws of the Company, provided that the Chairman and the managing Director (who is currently assumed by Mr. Mak Shiu Tong, Clement) shall not be subject to retirement by rotation or not be taken into account in determining the number of Directors to retire in each year. Mr. Chow Siu Ngor also entered into a letter of appointment with the Company on 8 March 2013 for a term of three years commencing from that date, subject to retirement by rotation and re-election at the AGM of the Company in accordance with the bye-laws of the Company.

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

The Company has received annual confirmation of independence for the year ended 31 December 2013 from Mr. Tam King Ching, Kenny, Mr. Chen Li and Mr. Chow Siu Ngor in accordance with Rule 3.13 of the Listing Rules. The Board has assessed the independence of all INEDs and concluded that all INEDs of the Company are independent within the definition of the Listing Rules.

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of a sufficient number of the INEDs, at least an INED with appropriate professional qualifications or accounting or related financial management expertise and the number of INEDs representing at least one-third of the Board throughout the financial year ended 31 December 2013. The Company did not comply with Rule 3.10 (1) of the Listing Rules in relation to appointment of a minimum number of independent non-executive directors after the death of the late Mr. Lau on 12 January 2013 but has complied with Rule 3.10(1) after the appointment of Mr. Chow Siu Ngor as an INED on 8 March 2013.

None of the members of the Board has (and neither the late Mr. Lau had) any financial, business, family or other material/relevant relationships with each other.

Directors' continuing professional development

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

According to the records provided by the Directors, a summary of training received by the Directors for the year ended 31 December 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	✓	
Tam Ngai Hung, Terry	✓	✓
Cheng Yuk Ching, Flora	✓	
William Donald Putt	✓	
Tam King Ching, Kenny	✓	✓
Chen Li	✓	
Chow Siu Ngor	✓	✓

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

BOARD COMMITTEES

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

During most of the time in 2013, the Remuneration Committee consisted of five members who were the three INEDs and two Executive Directors. During the period from 1 January 2013 to 12 January 2013, members of the Remuneration Committee consisted of three INEDs, namely Mr. Tam King Ching, Kenny, Mr. Chen Li and the late Mr. Lau (also acted as chairman of the Remuneration Committee), and two Executive Directors, namely Mr. Mak Shiu Tong, Clement and Mr. Tam Ngai Hung, Terry. On 12 January 2013, Mr. Tam King Ching, Kenny was re-designated as chairman of the Remuneration Committee to replace the late Mr. Lau. Since that date, the Remuneration Committee consisted of only the two INEDs and two Executive Directors until 8 March 2013 when Mr. Chow Siu Ngor was appointed as a member of the Remuneration Committee (and he was also appointed as the INED and members of other Board committees) to replace the late Mr. Lau. At the same time, Mr. Chow Siu Ngor was also designated as the chairman of the Remuneration Committee to replace Mr. Tam King Ching, Kenny.

During the financial year ended 31 December 2013, the Remuneration Committee held three 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;

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

(v) reviewing and recommending the Board to approve the proposed discretionary bonus for Executive Directors.

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

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	3/3
Tam King Ching, Kenny	3/3
Chen Li	3/3
Mak Shiu Tong, Clement	3/3
Tam Ngai Hung, Terry	3/3
The late Mr. Lau	0/0

Audit Committee

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

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

During most of the time in 2013, the Audit Committee consisted of three members who were the three INEDs of the Company. During the period from 1 January 2013 to 12 January 2013, members of the Audit Committee consisted of Mr. Tam King Ching, Kenny (also acted as chairman of the Audit Committee), Mr. Chen Li and the late Mr. Lau, of whom Mr. Tam is and the late Mr. Lau was a qualified accountant. After 12 January 2013, the Audit Committee consisted of only the remaining two INEDs until 8 March 2013 when Mr. Chow Siu Ngor was appointed as a member of the Audit Committee to replace the late Mr. Lau.

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

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

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

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
Tam King Ching, Kenny	3/3
Chen Li	3/3
Chow Siu Ngor	2/2
The late Mr. Lau	1/1

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.

BOARD COMMITTEES *(continued)*

Nomination Committee *(continued)*

During most of the time in 2013, the Nomination Committee consisted of five members who were the three INEDs and two Executive Directors. During the period from 1 January 2013 to 12 January 2013, members of the Nomination Committee consisted of three INEDs, namely Mr. Tam King Ching, Kenny, Mr. Chen Li and the late Mr. Lau, and two Executive Directors, namely Mr. Mak Shiu Tong, Clement (also acted as chairman of the Nomination Committee) and Mr. Tam Ngai Hung, Terry. After 12 January 2013, the Nomination Committee only consisted of two INEDs and two Executive Directors until 8 March 2013 when Mr. Chow Siu Ngor was appointed as a member of the Nomination Committee to replace the late Mr. Lau.

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

(i) nominating Mr. Chow Siu Ngor as an INED of the Company to replace the late Mr. Lau;

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

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

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

(v) 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
Tam King Ching, Kenny	3/3
Chen Li	3/3
Mak Shiu Tong, Clement	3/3
Tam Ngai Hung, Terry	3/3
The late Mr. Lau	0/0

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.

CORPORATE GOVERNANCE FUNCTIONS *(continued)*

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
Tam Ngai Hung, Terry	2/2
Cheng Yuk Ching, Flora	2/2
William Donald Putt	2/2
Tam King Ching, Kenny	2/2
Chen Li	2/2
Chow Siu Ngor	2/2
The late Mr. Lau	0/0

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	3,500
Non-audit services:	
Tax compliance services	1,641
Other services	1,500
Total	6,641

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 and Deputy Chairman, 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 holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Right to put enquiries to the Board

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

SHAREHOLDERS' RIGHTS *(continued)*

Right to put forward proposals at general meetings

Pursuant to Article 88 of the Company's Bye-laws, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a nomination notice signed by such Shareholder(s) individually or collectively holding not less than one-tenth of the then total paid up capital of the Company as at the date of the nomination notice carrying the right of attending and voting at the general meeting of the Company for which such nomination notice is given of his intention to propose such person(s) for election and also a notice signed by each person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the number of candidates to be nominated by the qualified Shareholder individually or the group of qualified Shareholders collectively for election at any general meeting shall be limited to three (3), subject to the maximum number of Directors of the Company, if any, and provided that the minimum length of the period during which such notices are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notices shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

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. The principal activities of the subsidiaries comprise the development and trading of properties in Hong Kong, property investment and holding, the property development business in Mainland China, the manufacture and sale of telecom, electronic and child products, the manufacture and sale of plastic components and the securities business. Other than the newly established property development and trading business in Hong Kong, there were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit 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 46 to 132.

An interim dividend of HK$0.030 per ordinary share was paid on 26 September 2013.

A special interim dividend of HK$0.100 per ordinary share was declared in 24 December 2013 and paid on 10 January 2014.

The Directors recommend the payment of a final dividend of HK$0.035 (2012: HK$0.035) per ordinary share in respect of the year to shareholders whose names appear on the register of members of the Company on 29 May 2014 subject to the approval of the shareholders of the Company at the forthcoming AGM. This recommendation has been incorporated in the financial statements as an allocation of distributable reserve within the equity section of the statement of financial position.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 134. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES

Neither the Company, nor any of its subsidiaries 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 37(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2013, the Company's reserve available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda, amounted to $1,107 million, of which $21 million has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of $12 million, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totally $1 million (2012: $2 million).

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	**18%**	20%		
Five largest customers in aggregate	**38%**	55%		
Five largest suppliers in aggregate			**<30%**	<30%

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

DIRECTORS

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

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

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

In accordance to the bye-laws of the Company, Ms. Cheng Yuk Ching, Flora and Mr. Tam King Ching, Kenny 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 least once every three years at the AGM of the Company in accordance with the bye-laws of the Company. All Directors (except Mr. Chow Siu Ngor) entered into a letter of appointment for a term of three years commencing from 1 April 2012, and their appointment (save for the Chairman and the managing Director) is subject to retirement by rotation and re-election at the AGM of the Company in accordance with the bye-laws of the Company. Mr. Chow Siu Ngor entered into a letter of appointment with the Company on 8 March 2013, for a term of three years from that date, subject to the retirement by rotation and re-election as stated above.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

During the year, no Director had a service contract with the Company which 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 SCHEMES OF THE GROUP

Share option scheme of the Company

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

The purpose of the 2011 Scheme is to enable the Company to grant share options to the eligible participants, as incentives and/or rewards for their contribution to the Group and/or any Invested Entity or the holding company of the Company (if applicable). Eligible participants of the 2011 Scheme include:

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

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

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

Pursuant to the 2011 Scheme, the maximum number of Shares which may be issued upon exercise of all share options to be granted under the 2011 Scheme and any other share option scheme(s) of the Company must not exceed 10% of the total number of Shares in issue as at the date of adoption of the 2011 Scheme. Shares which would have been issuable pursuant to the share options which have lapsed or cancelled in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit. Notwithstanding the foregoing, Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2011 Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the total number of the Shares in issue from time to time. No share option shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded. As at the date of this Annual Report, the total number of Shares available for issue under the 2011 Scheme is 60,614,490, which represents 10% of the total issued share capital of the Company as at the date of this Annual Report.

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

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share option scheme of the Company *(continued)*

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

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

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

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

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

(iii) the nominal value of a Share.

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

As at 31 December 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.

Share option scheme of CCT Land

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

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share option scheme of CCT Land *(continued)*

The purpose of the CCT Land 2011 Scheme is to enable CCT Land to grant share options to the eligible participants, as incentives and/or rewards for their contribution to the CCT Land Group and/or any CCT Land Invested Entity or the holding company of CCT Land (if applicable). Eligible participants of the CCT Land 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 CCT Land Group, any CCT Land Invested Entity or the holding company of CCT Land (if applicable);

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

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

Pursuant to the CCT Land 2011 Scheme, the maximum number of shares which may be issued upon exercise of all share options to be granted under the CCT Land 2011 Scheme and any other share option scheme(s) of CCT Land must not exceed 10% of the total number of the shares of CCT Land in issue as at the adoption date of CCT Land 2011 Scheme. Shares of CCT Land which would have been issuable pursuant to the share options which have lapsed or cancelled in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit. Notwithstanding the foregoing, shares of CCT Land which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the CCT Land 2011 Scheme and any other share option scheme(s) of CCT Land at any time shall not exceed 30% of the total number of the shares of CCT Land in issue from time to time. No share option shall be granted under any scheme(s) of CCT Land or any of its subsidiaries if this will result in the 30% limit being exceeded. On 17 January 2014, CCT Land granted a total of 600,000,000 share options under the CCT Land 2011 Scheme to the eligible participants of CCT Land to subscribe for shares of CCT Land at an exercise price of HK$0.01 each. As at the date of this Annual Report, the total number of shares of CCT Land available for issue under the CCT Land 2011 Scheme is 5,941,399,399, which represents approximately 9.08% of the total issued share capital of CCT Land as at the date of this Annual Report.

The total number of shares of CCT Land issued and which may fall to be issued upon exercise of the share options granted under the CCT Land 2011 Scheme and any other share option scheme(s) of CCT Land (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the total number of shares of CCT Land in issue as at the date of grant. Any further grant of the share options in excess of this 1% limit shall be subject to the issue of a circular by CCT Land (and so long as CCT Land remains a subsidiary of another company which is listed on the Stock Exchange, also by its listed holding company) and the approval of the shareholders of CCT Land (and so long as CCT Land 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 SCHEMES OF THE GROUP *(continued)*

Share option scheme of CCT Land *(continued)*

Share options granted to a director, chief executive or substantial shareholder of CCT Land, or to any of their respective associates, are subject to the approval in advance by the INEDs of CCT Land (and so long as CCT Land remains a subsidiary of another company which is listed on the Stock Exchange, also to be approved by the INEDs of that listed holding company), excluding the INED(s) of CCT Land and its listed holding company who is/are the grantee(s) of the share options. In addition, any share option granted to a substantial shareholder or an INED of CCT Land, or to any of their respective associates, in excess of 0.1% of the total number of shares of CCT Land in issue as at the date of grant or with an aggregate value (based on the closing price of the shares of CCT Land as at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to the issue of a circular by CCT Land (and so long as CCT Land remains a subsidiary of another company which is listed on the Stock Exchange, also by its listed holding company) and the approval of the shareholders of CCT Land (and so long as CCT Land 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 of directors of CCT Land, and commences on a specified date and ends on a date which is not later than (i) 10 years from the date of grant of the share options, or (ii) the expiry date of the CCT Land 2011 Scheme, whichever is earlier. There is no specific requirement under the CCT Land 2011 Scheme that a share option must be held for any minimum period before it can be exercised, but the terms of the CCT Land 2011 Scheme provide that the board of directors of CCT Land has the discretion to impose a minimum period at the time of grant of any particular share option.

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

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

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

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

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

As at 31 December 2013, there was no share option outstanding under the CCT Land 2011 Scheme. No share option was granted, exercised, cancelled or has lapsed under the CCT Land 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)	8,475,652	294,775,079	303,250,731	50.03
Tam Ngai Hung, Terry	500,000	–	500,000	0.08
William Donald Putt	591,500	–	591,500	0.10

Note: Of the shareholding in which Mr. Mak Shiu Tong, Clement was interested, an aggregate of 294,775,079 Shares were 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 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)*

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

Long positions in the shares of CCT Land:

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

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

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

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

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, A.4.2 and A.5.1 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.

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

Mr. Tam King Ching, Kenny was appointed as an INED of BeijingWest Industries International Limited (a company listed on the Main Board of the Stock Exchange) on 27 January 2014.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENT AFTER THE REPORTING PERIOD

Details of the significant event after the reporting period of the Group are set out in note 47 to the financial statements.

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 Fortis Holdings Limited
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We have audited the consolidated financial statements of CCT Fortis Holdings Limited (the "Company") (formerly known as CCT Telecom Holdings Limited) and its subsidiaries (together, the "Group") set out on pages 46 to 132, 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 Fortis Holdings Limited
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit 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	**1,805**	1,544
Cost of sales		**(1,418)**	(1,463)
Gross profit		**387**	81
Other income and gains	5	**183**	232
Selling and distribution costs		**(72)**	(37)
Administrative expenses		**(149)**	(146)
Other expenses		**(47)**	(113)
Finance costs	7	**(38)**	(22)
PROFIT/(LOSS) BEFORE TAX	6	**264**	(5)
Income tax expense	10	**(63)**	(62)
PROFIT/(LOSS) FOR THE YEAR		**201**	(67)
Attributable to:			
Owners of the parent	11	**232**	(31)
Non-controlling interests		**(31)**	(36)
		201	(67)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		**HK$0.38**	(HK$0.05)
Diluted		**HK$0.38**	(HK$0.05)

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

consolidated statement of comprehensive income

Year ended 31 December 2013

HK$ million	Note	2013	2012
PROFIT/(LOSS) FOR THE YEAR		**201**	(67)
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:			
Exchange differences on translation of foreign operations		**18**	8
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**219**	(59)
Attributable to:			
Owners of the parent	11	**244**	(23)
Non-controlling interests		**(25)**	(36)
		219	(59)

consolidated statement of financial position

31 December 2013

HK$ million	Notes	2013	2012
ASSETS			
Non-current assets			
Property, plant and equipment	14	**597**	772
Investment properties	15	**881**	745
Prepayments for acquisition of investment properties		**–**	23
Prepaid land lease payments	16	**95**	97
Goodwill	17	**55**	87
Available-for-sale investments	19	**13**	18
Held-to-maturity debt securities	20	**–**	51
Other receivables	25	**71**	–
Deferred tax assets	34	**1**	1
Pledged time deposits	27	**65**	–
Total non-current assets		**1,778**	1,794
Current assets			
Inventories	21	**78**	102
Properties under development	22	**117**	248
Completed properties held for sale	23	**712**	356
Trade receivables	24	**268**	349
Prepayments, deposits and other receivables	25	**331**	243
Financial assets at fair value through profit or loss	26	**2**	10
Held-to-maturity debt securities	20	**53**	–
Pledged time deposits	27	**235**	186
Time deposits with original maturity of more than three months	27	**–**	8
Cash and cash equivalents	27	**643**	459
Total current assets		**2,439**	1,961
Total assets		**4,217**	3,755
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital	35	**61**	61
Reserves	37(a)	**1,950**	1,751
Proposed final dividend	12	**21**	21
		2,032	1,833
Non-controlling interests		**164**	253
Total equity		**2,196**	2,086
Non-current liabilities			
Derivative financial instrument	31	**–**	14
Interest-bearing bank and other borrowings	32	**452**	522
Deferred tax liabilities	34	**39**	27
Total non-current liabilities		**491**	563

HK$ million	Notes	2013	2012
Current liabilities			
Trade and bills payables	28	**350**	360
Tax payable		**69**	34
Other payables and accruals	29	**253**	203
Receipts in advance	30	**47**	2
Interest-bearing bank and other borrowings	32	**811**	507
Total current liabilities		**1,530**	1,106
Total liabilities		**2,021**	1,669
Total equity and liabilities		**4,217**	3,755
Net current assets		**909**	855
Total assets less current liabilities		**2,687**	2,649

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	Note	Issued capital	Share premium account	Capital reserve (note 37(a))	Distributable reserve	Investment revaluation reserve	Share option reserve	Exchange fluctuation reserve	Capital redemption reserve	Accumulated losses	Proposed final dividend	Total	Non-controlling interests	Total equity
At 1 January 2012		61	12	745	1,240	2	3	96	24	(304)	21	1,900	284	2,184
Loss for the year		–	–	–	–	–	–	–	–	(31)	–	(31)	(36)	(67)
Other comprehensive income for the year: Exchange differences on translation of foreign operations		–	–	–	–	–	–	8	–	–	–	8	–	8
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	8	–	(31)	–	(23)	(36)	(59)
Dilution of interest over certain subsidiaries without loss of control		–	–	–	(5)	–	–	–	–	–	–	(5)	5	–
Transfer of share option reserve upon expiry of share options		–	–	–	–	–	(3)	–	–	3	–	–	–	–
2011 final dividend paid		–	–	–	–	–	–	–	–	–	(21)	(21)	–	(21)
2012 interim dividend	12	–	–	–	(18)	–	–	–	–	–	–	(18)	–	(18)
Proposed 2012 final dividend	12	–	–	–	(21)	–	–	–	–	–	21	–	–	–
At 31 December 2012		61	12*	745*	1,196*	2*	–*	104*	24*	(332)*	21	1,833	253	2,086
At 1 January 2013		**61**	**12**	**745**	**1,196**	**2**	**–**	**104**	**24**	**(332)**	**21**	**1,833**	**253**	**2,086**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**232**	**–**	**232**	**(31)**	**201**
Other comprehensive income for the year: Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**–**	**–**	**12**	**–**	**–**	**–**	**12**	**6**	**18**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**–**	**–**	**–**	**12**	**–**	**232**	**–**	**244**	**(25)**	**219**
Disposal of subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9)**	**(9)**
Dilution of interest over certain subsidiaries without loss of control		**–**	**–**	**–**	**5**	**–**	**–**	**(38)**	**–**	**88**	**–**	**55**	**(55)**	**–**
2012 final dividend paid		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(21)**	**(21)**	**–**	**(21)**
2013 interim dividend	12	**–**	**–**	**–**	**(18)**	**–**	**–**	**–**	**–**	**–**	**–**	**(18)**	**–**	**(18)**
2013 special dividend	12	**–**	**–**	**–**	**(61)**	**–**	**–**	**–**	**–**	**–**	**–**	**(61)**	**–**	**(61)**
Proposed 2013 final dividend	12	**–**	**–**	**–**	**(21)**	**–**	**–**	**–**	**–**	**–**	**21**	**–**	**–**	**–**
At 31 December 2013		**61**	**12***	**745***	**1,101***	**2***	**–***	**78***	**24***	**(12)***	**21**	**2,032**	**164**	**2,196**

* These reserve accounts comprise the consolidated reserves of HK$1,950 million (2012: HK$1,751 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			
Profit/(loss) before tax		**264**	(5)
Adjustments for:			
Finance costs	7	**38**	22
Interest income	5	**(7)**	(7)
Depreciation	6	**64**	71
Amortisation of prepaid land lease payments	6	**3**	3
Impairment of trade receivables	6	**5**	–
Impairment of items of property, plant and equipment	6	**–**	46
Gain on disposal of subsidiaries	5	**(33)**	–
Loss/(gain) on disposal of items of property, plant and equipment	6	**25**	(47)
Fair value gain on investment properties	6	**(124)**	(138)
Fair value gain on investment property classified as held for sale	6	**–**	(28)
Provision for slow-moving and obsolete inventories	6	**2**	9
Fair value loss on financial assets at fair value through profit or loss	6	**1**	–
Impairment loss on available-for-sale investments	6	**5**	59
		243	(15)
Decrease in inventories		**22**	45
Decrease in stock of properties		**227**	–
Decrease in trade receivables		**76**	26
Increase in properties under development		**(328)**	(56)
Decrease in completed properties held for sale		**103**	81
Increase in prepayments, deposits and other receivables		**(97)**	(1)
Increase/(decrease) in trade and bills payables, and other payables and accruals		**22**	(251)
Increase/(decrease) in receipts in advance		**45**	(1)
Cash generated from/(used) in operations		**313**	(172)
Interest received		**7**	7
Interest paid		**(38)**	(22)
Hong Kong profits tax refunded/(paid)		**2**	(6)
Mainland China tax paid		**(13)**	(6)
Net cash flows from/(used) in operating activities		**271**	(199)

HK$ million	Notes	2013	2012
Net cash flows from/(used) in operating activities		**271**	(199)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(3)**	(12)
Proceeds from disposal of items of property, plant and equipment		**84**	59
Additions to investment properties		**(216)**	(176)
Addition to investment property classified as held for sale		**–**	(2)
Disposal of subsidiaries	38	**4**	12
Proceeds from disposal of available-for-sale investments		**–**	2
Net proceeds from disposal of financial assets at fair value through profit or loss		**7**	125
Increase in held-to-maturity debt securities		**(2)**	(51)
(Increase)/decrease in pledged time deposits		**(114)**	114
Decrease in time deposits with original maturity of more than three months		**8**	–
Increase in prepayments for acquisition of investment properties		**–**	(23)
Increase in prepayments, deposits and other receivables		**(63)**	–
Net cash flows (used in)/from investing activities		**(295)**	48
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**593**	271
New trust receipts loans, net		**79**	34
Repayment of bank loans		**(436)**	(236)
Capital element of finance lease rental payments		**(2)**	(1)
Dividends paid		**(39)**	(39)
Net cash flows from financing activities		**195**	29
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**171**	(122)
Cash and cash equivalents at beginning of year		**459**	573
Effect of foreign exchange rate changes, net		**13**	8
CASH AND CASH EQUIVALENTS AT END OF YEAR		**643**	459
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**545**	285
Non-pledged time deposits with original maturity of less than three months when acquired	27	**98**	174
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**643**	459

statement of financial position

31 December 2013

HK$ million	Notes	2013	2012
ASSETS			
Non-current assets			
Property, plant and equipment	14	**1**	1
Investments in subsidiaries	18	**1,164**	971
Total non-current assets		**1,165**	972
Current assets			
Due from subsidiaries	18	**399**	282
Prepayments, deposits and other receivables	25	**1**	1
Cash and cash equivalents	27	**172**	71
Total current assets		**572**	354
Total assets		**1,737**	1,326
EQUITY AND LIABILITIES			
Issued capital	35	**61**	61
Reserves	37(b)	**1,122**	1,240
Proposed final dividend	12	**21**	21
Total equity		**1,204**	1,322
Current liabilities			
Other payables and accruals	29	**63**	4
Due to subsidiaries	18	**470**	–
Total current liabilities		**533**	4
Total liabilities		**533**	4
Total equity and liabilities		**1,737**	1,326
Net current assets		**39**	350
Total assets less current liabilities		**1,204**	1,322

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

notes to financial statements

31 December 2013

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands with limited liability and continued as an exempted company under the laws of Bermuda after the change of domicile from the Cayman Islands to Bermuda effective on 9 December 2005. The name of the Company was changed from CCT Telecom Holdings Limited to CCT Fortis Holdings Limited 中建富通集團有限公司 during the year.

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments, certain available-for-sale investments and financial assets at fair value through profit or loss, which have been measured at fair value. 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 Company and its subsidiaries 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.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, 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 and HKFRS 12, HKAS 1, 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.

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

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.

(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 financial instruments are included in notes 15 and 45 to the financial statements.

(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 consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

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

(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.

(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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subsidiaries *(continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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 and derivative financial instruments 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.

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, deferred tax assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

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.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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:

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

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

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

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

Investment properties

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

Gains or losses arising from changes in the fair values of investment properties 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.

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

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.

Stock of properties

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

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. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Intangible assets (other than goodwill)

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

Research and development costs

All research costs are charged to the statement of 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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as either financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policy set out for “Revenue recognition” below.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Loans and receivables

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

Held-to-maturity investments

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

Available-for-sale financial investments

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments (continued)

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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

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 financial position) 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 asset to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

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

Assets carried at cost

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

Available-for-sale financial investments

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments (continued)

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings, 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 other payables, accruals, derivative financial instruments and interest-bearing and other borrowings.

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the 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.

Derecognition of financial liabilities

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial liabilities *(continued)*

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.

Derivative financial instruments

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

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

Inventories

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

Income tax

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

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

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

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

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

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

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

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

Share-based payments

The Company and CCT Land Holdings Limited ("CCT Land"), a non-wholly-owned subsidiary of the Company, each 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").

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

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 36 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits *(continued)*

Pension schemes (continued)

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.

Foreign currencies

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

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

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

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

Revenue recognition

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

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

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

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

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

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

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

Dividends

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Classification between investment properties and owner-occupied properties

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

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

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

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

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

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

Revenue recognition from the sale of properties

Revenue from the sale of properties is recognised when the significant risks and rewards of ownership of the properties are transferred to the buyers, where judgement is made by the Group when assessing the terms and conditions of the respective agreements.

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2013 was HK$55 million (2012: HK$87 million). Further 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. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs 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.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2013 was HK$1 million (2012: HK$1 million). The amount of unrecognised tax losses at 31 December 2013 was HK$1,090 million (2012: HK$1,011 million). Further details are contained in note 34 to the financial statements.

Impairment of available-for-sale investments

The Group classifies certain financial assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assessment about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. During the year ended 31 December 2013, impairment losses of HK$5 million (2012: HK$59 million) have been recognised for available-for-sale investments. The carrying amount of available-for-sale investments was HK$13 million (2012: HK$18 million) at the end of the reporting period.

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

Estimation uncertainty *(continued)*

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2013 was HK$881 million (2012: HK$745 million). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

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

(b) the property investment and holding segment which is the investment and holding of properties;

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

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

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

(f) the securities business segment which is the trading in securities and the holding of securities and treasury products.

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

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

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

4. OPERATING SEGMENT INFORMATION *(continued)*

HK$ million	Property development and trading in Hong Kong 2013	2012	Property investment and holding 2013	2012	Property development in Mainland China 2013	2012	Telecom, electronic and child products 2013	2012	Components 2013	2012	Securities business 2013	2012	Reconciliations 2013	2012	Group total 2013	2012
Segment revenue:																
Sales to external customers	**554**	–	**3**	1	**161**	139	**1,067**	1,363	**18**	28	**2**	13	**–**	–	**1,805**	1,544
Other revenue	**1**	–	**–**	–	**2**	–	**14**	13	**3**	6	**–**	–	**1**	–	**21**	19
Intersegment revenue	**–**	–	**4**	4	**–**	–	**–**	25	**112**	145	**–**	–	**(116)**	(174)	**–**	–
	555	–	**7**	5	**163**	139	**1,081**	1,401	**133**	179	**2**	13	**(115)**	(174)	**1,826**	1,563
Operating profit/(loss)	**246**	–	**100**	134	**10**	15	**(18)**	(25)	**(35)**	(35)	**2**	13	**–**	–	**305**	102
Finance costs	**(2)**	–	**(10)**	(5)	**(10)**	–	**(14)**	(16)	**(1)**	–	**(1)**	(1)	**–**	–	**(38)**	(22)
Reconciled items:																
Corporate and other unallocated expenses	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(6)**	(27)	**(6)**	(27)
Gain on disposal of subsidiaries	**–**	–	**27**	–	**–**	–	**–**	–	**–**	–	**–**	–	**6**	–	**33**	–
Loss/(gain) on disposal of items of property, plant and equipment	**–**	–	**(23)**	35	**–**	–	**(2)**	8	**–**	4	**–**	–	**–**	–	**(25)**	47
Impairment loss on available-for-sale investments	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(5)**	(59)	**(5)**	(59)
Impairment of items of property, plant and equipment	**–**	–	**–**	(46)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(46)
Profit/(loss) before tax	**244**	–	**94**	118	**–**	15	**(34)**	(33)	**(36)**	(31)	**1**	12	**(5)**	(86)	**264**	(5)
Income tax expense													**(63)**	(62)	**(63)**	(62)
Profit/(loss) for the year													**(68)**	(148)	**201**	(67)
Other segment information:																
Interest income	**–**	–	**–**	–	**–**	–	**5**	6	**2**	1	**–**	–	**–**	–	**7**	7
Expenditure for non-current assets	**–**	–	**239**	185	**–**	–	**2**	8	**1**	1	**–**	–	**–**	3	**242**	197
Depreciation	**–**	–	**(8)**	(12)	**(1)**	–	**(40)**	(43)	**(14)**	(15)	**–**	–	**(1)**	(1)	**(64)**	(71)
Amortisation	**–**	–	**–**	–	**–**	–	**(3)**	(3)	**–**	–	**–**	–	**–**	–	**(3)**	(3)
Other material non-cash items:																
Impairment of trade receivables	**–**	–	**–**	–	**(4)**	–	**(1)**	–	**–**	–	**–**	–	**–**	–	**(5)**	–
Provision for slow-moving and obsolete inventories	**–**	–	**–**	–	**–**	–	**(2)**	(9)	**–**	–	**–**	–	**–**	–	**(2)**	(9)
Fair value gains on investment properties and investment property classified as held for sale	**–**	–	**124**	166	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**124**	166
Fair value loss on financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(1)**	–	**–**	–	**(1)**	–
Impairment of items of property, plant and equipment	**–**	–	**–**	(46)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(46)
Segment assets	**172**	–	**1,173**	1,145	**1,187**	856	**1,174**	1,362	**232**	150	**67**	61	**(72)**	(20)	**3,933**	3,554
Reconciled items:																
Corporate and other unallocated assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**284**	201	**284**	201
Total assets	**172**	–	**1,173**	1,145	**1,187**	856	**1,174**	1,362	**232**	150	**67**	61	**212**	181	**4,217**	3,755
Segment liabilities	**110**	–	**511**	471	**272**	116	**839**	902	**141**	52	**48**	48	**(72)**	(20)	**1,849**	1,569
Reconciled items:																
Corporate and other unallocated liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**172**	100	**172**	100
Total liabilities	**110**	–	**511**	471	**272**	116	**839**	902	**141**	52	**48**	48	**100**	80	**2,021**	1,669

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) *Revenue from external customers*

HK$ million	2013	2012
Asia Pacific and others	**1,012**	571
Europe	**621**	712
North America	**172**	261
	1,805	1,544

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	2013	2012
Hong Kong	**1,188**	1,084
Mainland China	**440**	640
	1,628	1,724

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

Information about major customers

For the year ended 31 December 2013, revenue from one major customer of the telecom, electronic and child products segment was HK$317 million representing 18% of the Group's total revenue.

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$304 million and HK$185 million, respectively, representing 20% and 12% of the Group's total revenue, respectively.

5. REVENUE, OTHER INCOME AND GAINS

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

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

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

	Group	
HK$ million	**2013**	2012
Revenue		
Manufacture and sale of telecom, electronic and child products	**1,078**	1,384
Realised gain from sale of securities investment, net	**2**	13
Sale of properties	**715**	139
Rental income from investment properties	**3**	1
Bank interest income	**7**	7
	1,805	1,544
Other income and gains		
Fair value gain on investment properties	**124**	138
Fair value gain on investment property classified as held for sale	**–**	28
Foreign exchange gains, net	**5**	–
Gain on disposal of subsidiaries	**33**	–
Gain on disposal of items of property, plant and equipment, net	**–**	47
Others	**21**	19
	183	232

6. PROFIT/(LOSS) BEFORE TAX

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

HK$ million	Notes	Group 2013	2012
Cost of inventories sold		**1,060**	1,348
Cost of properties sold		**356**	106
Depreciation	14	**64**	71
Amortisation of prepaid land lease payments	16	**3**	3
Minimum lease payments under operating leases in respect of land and buildings		**10**	12
Research and development costs		**32**	40
Auditors' remuneration		**4**	4
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8))			
Wages and salaries		**202**	349
Pension scheme contributions****		**2**	6
		204	355
Impairment of trade receivables*	24	**5**	–
Provision for slow-moving and obsolete inventories		**2**	9
Foreign exchange differences, net**/***		**(5)**	2
Fair value gain on investment properties**	15	**(124)**	(138)
Fair value gain on investment property classified as held for sale**	5	**–**	(28)
Fair value loss on financial assets at fair value through profit or loss*		**1**	–
Impairment loss on available-for-sale investments*		**5**	59
Impairment of items of property, plant and equipment*	14	**–**	46
Gain on disposal of subsidiaries**	38	**(33)**	–
Loss/(gain) on disposal of items of property, plant and equipment, net*/**		**25**	(47)
Gross rental income from investment properties	5	**(3)**	(1)

* 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.

*** Included in "Administrative expenses" 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:

HK$ million	Group 2013	2012
Interest on bank loans wholly repayable within five years	**28**	17
Interest on bank loans wholly repayable beyond five years	**10**	5
Total interest expense on financial liabilities not at fair value through profit or loss	**38**	22

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

HK$ million	Group 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	**19**	19
Discretionary bonuses	**5**	1
Pension scheme contributions	**1**	1
	25	21
	26	22

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

(a) Independent non-executive directors

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

	Fees
	HK$'000
2013	
Tam King Ching, Kenny	**240**
Lau Ho Man, Edward*	**20**
Chen Li	**240**
Chow Siu Ngor**	**240**
	740
2012	
Tam King Ching, Kenny	240
Lau Ho Man, Edward	240
Chen Li	240
	720

* Passed away on 12 January 2013
** Appointed on 8 March 2013

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

(b) Executive directors and the chief executive

HK$ million	Salaries, allowances and benefits in kind	Discretionary bonuses	Tax allowances	Pension scheme contributions	Total remuneration
2013					
Mak Shiu Tong, Clement ("Mr. Mak")					
— chief executive	**9**	**3**	**2**	**1**	**15**
Tam Ngai Hung, Terry	**4**	**1**	**–**	**–**	**5**
Cheng Yuk Ching, Flora	**4**	**1**	**–**	**–**	**5**
William Donald Putt	**–**	**–**	**–**	**–**	**–**
	17	**5**	**2**	**1**	**25**

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

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

HK$ million	Salaries, allowances and benefits in kind	Discretionary bonuses	Tax allowances	Pension scheme contributions	Total remuneration
2012					
Mak Shiu Tong, Clement					
— chief executive	9	1	2	1	13
Tam Ngai Hung, Terry	4	–	–	–	4
Cheng Yuk Ching, Flora	4	–	–	–	4
William Donald Putt	–	–	–	–	–
	17	1	2	1	21

With effect from 1 July 2011, quarters have been provided to Mr. Mak free of charge and at the same time his remuneration receivable from the Company has been reduced by HK$200,000 per month. The amount of Mr. Mak's remuneration for 2013 and 2012 has included the estimated value of the housing benefit provided to him for the periods.

There were no arrangement under which a director or the chief executive waived or agreed to waive any remunerations 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 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

9. FIVE HIGHEST PAID EMPLOYEES *(continued)*

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

	Number of employees	
	2013	2012
HK$1,000,001 — HK$1,500,000	**1**	1
HK$2,000,001 — HK$2,500,000	**1**	1
	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.

	Group	
HK$ million	**2013**	2012
Group:		
Current — Hong Kong		
Charge for the year	**54**	–
(Overprovision)/underprovision in prior years	**(8)**	59
Current — Elsewhere		
Charge of the Mainland China income tax for the year	**2**	5
Overprovision in prior years	**–**	(9)
Mainland China land appreciation tax	**3**	3
Deferred (note 34)	**12**	4
Total tax charge for the year	**63**	62

10. INCOME TAX EXPENSE *(continued)*

A reconciliation of the tax expense applicable to profit/(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	%	Mainland China	%	Total	%
Profit/(loss) before tax	285.9		(22.3)		263.6	
Tax at the statutory or appropriate tax rate	47.2	16.5	(5.6)	25.0	41.6	15.8
Adjustments in respect of current tax of previous periods	(8.4)	(2.9)	–	–	(8.4)	(3.2)
Income not subject to tax	(10.6)	(3.7)	(8.2)	36.8	(18.8)	(7.1)
Expenses not deductible for tax	16.8	5.9	6.9	(30.9)	23.7	9.0
Tax losses not recognised	15.5	5.4	9.4	(42.1)	24.9	9.5
Tax losses utilised from previous periods	(2.5)	(0.9)	–	–	(2.5)	(1.0)
Land appreciation tax	–	–	2.7	(12.1)	2.7	1.0
Tax charge at the Group's effective rate	58.0	20.3	5.2	(23.3)	63.2	24.0

Group — 2012

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

10. INCOME TAX EXPENSE *(continued)*

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$59 million as a full and final settlement of the whole case for the years of assessment 2001/2002 to 2010/2011. This amount has been charged to the consolidated 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$59 million were issued by the IRD, which was settled in February 2013 by the tax reserve certificates in aggregate of HK$59 million purchased by the Group in the past few years. The tax reserve certificates were used to offset with the tax settlement payable in the consolidated statement of financial position of the Company as at 31 December 2012.

11. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit/(loss) attributable to owners of the parent for the year included a loss of HK$18 million (2012: HK$144 million), which included an impairment loss of HK$26 million (2012: HK$146 million) for certain balances due from subsidiaries, which has been dealt with in the financial statements of the Company (note 37(b)).

12. DIVIDENDS

HK$ million	**2013**	2012
Paid interim — HK$0.030 (2012: HK$0.030) per ordinary share	**18**	18
Special interim — HK$0.100 (2012: Nil) per ordinary share	**61**	–
Proposed final — HK$0.035 (2012: HK$0.035) per ordinary share	**21**	21
Total	**100**	39

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

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic and diluted earnings/(loss) per share for the year is based on the profit for the year attributable to ordinary equity holders of the parent of HK$232 million (2012: loss of HK$31 million), and the weighted average number of 606,144,907 (2012: 606,144,907) ordinary shares in issue during the year.

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

On 17 January 2014, a total of 600,000,000 share options were granted by CCT Land which is a non wholly-owned subsidiary of the Company. Please refer to note 47 for further details.

14. PROPERTY, PLANT AND EQUIPMENT

Group

HK$ million	Leasehold land and buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
31 December 2013							
At 31 December 2012 and 1 January 2013:							
Cost	1,347	389	187	138	21	4	2,086
Accumulated depreciation and impairment	(694)	(322)	(175)	(110)	(13)	–	(1,314)
Net carrying amount	653	67	12	28	8	4	772
At 1 January 2013, net of accumulated depreciation and impairment	653	67	12	28	8	4	772
Additions	1	1	–	–	1	–	3
Disposals	(104)	(3)	–	–	(2)	–	(109)
Disposals of subsidiaries (note 38)	–	–	(4)	(1)	–	–	(5)
Depreciation provided during the year	(40)	(17)	(2)	(3)	(2)	–	(64)
Transfer	1	–	–	–	–	(1)	–
At 31 December 2013, net of accumulated depreciation and impairment	511	48	6	24	5	3	597
At 31 December 2013:							
Cost	923	353	175	136	18	3	1,608
Accumulated depreciation and impairment	(412)	(305)	(169)	(112)	(13)	–	(1,011)
Net carrying amount	511	48	6	24	5	3	597

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

Group

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

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

Company

HK$ million	Furniture and office equipment
31 December 2013	
At 31 December 2012 and 1 January 2013:	
Cost	**2**
Accumulated depreciation	**(1)**
Net carrying amount	**1**
At 1 January 2013, net of accumulated depreciation	**1**
Depreciation provided during the year	**–**
At 31 December 2013, net of accumulated depreciation	**1**
At 31 December 2013:	
Cost	**2**
Accumulated depreciation	**(1)**
Net carrying amount	**1**
31 December 2012	
At 1 January 2012:	
Cost	5
Accumulated depreciation	(3)
Net carrying amount	2
At 1 January 2012, net of accumulated depreciation	2
Depreciation provided during the year	(1)
At 31 December 2012, net of accumulated depreciation	1
At 31 December 2012:	
Cost	2
Accumulated depreciation	(1)
Net carrying amount	1

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

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

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

HK$ million	Hong Kong	Elsewhere	Total
31 December 2013			
Medium term leases	**7**	**251**	**258**
Long term leases	**253**	**–**	**253**
	260	**251**	**511**
31 December 2012			
Medium term leases	8	388	396
Long term leases	257	–	257
	265	388	653

At 31 December 2013, certain of the Group's leasehold land and buildings with an aggregate net carrying amount of approximately HK$511 million (2012: HK$548 million) were pledged to secure general banking facilities granted to the Group (note 32(b)(ii)).

As at 31 December 2012, impairment of HK$46 million was recognised for a plant during the year because certain production facilities of the Group were under utilised (note 6). The impairment loss is determined based on the difference between the carrying amount of the plant and its recoverable amount which is estimated using the income approach.

15. INVESTMENT PROPERTIES

	Group	
HK$ million	**2013**	2012
Carrying amount at 1 January	**745**	254
Additions	**239**	176
Transfer from investment property classified as held for sale	**–**	177
Transfer to stock of properties	**(227)**	–
Fair value gain on investment properties	**124**	138
Carrying amount at 31 December	**881**	745

15. INVESTMENT PROPERTIES *(continued)*

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

HK$ million	2013	2012
Medium term leases	**9**	7
Long term leases	**872**	738
	881	745

The Group's investment properties consist of six commercial and four residential properties in Hong Kong. The directors of the Company have determined that the investment properties consist of two classes of assets, i.e., commercial and residential, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2013 based on valuations performed by Grant Sherman Appraisal Limited and Jones Lang LaSalle 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 properties. 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.

At 31 December 2013, the Group's investment properties with an aggregate carrying amount of HK$787 million (2012: HK$745 million) were pledged to secure general banking facilities granted to the Group (note 32(b)(i)).

Further particulars of the Group's investment properties at 31 December 2013 are as follows:

Location	Lot number	Use	Tenure	Attributable interest of the Group
House No. 37, Carpark 50 & 51, 56 Repulse Bay Road, Hong Kong	359/16,363th parts of Rural Building Lot No. 172	Residential	Long term lease	100%
House No. 7, Rosecliff, No. 20 Tai Tam Road, Hong Kong	2,310/26,070th parts of Rural Building Lot No. 147	Residential	Long term lease	100%
32nd Floor, Carpark 5, 6 & 11 Fortis Tower 77-79 Gloucester Road, Hong Kong	103/3,100th parts of Inland Lot No. 2782	Commercial	Long term lease	100%

15. INVESTMENT PROPERTIES *(continued)*

Location	Lot number	Use	Tenure	Attributable interest of the Group
Shop Nos. 297A, 297B, 297C, 297D, 298, 299, 300 and 301 which will be stratified from Unit Nos. 1-45 (inclusive) on the portion of the Basement of the podium of Blocks 1, 2 and 3, City Garden, Hong Kong	1,135/100,180th shares of Inland Lot No. 8580	Commercial	Long term lease	100%
Flat C on 17/F, No.37 Broadway Mei Foo Sun Chuen Kowloon, Hong Kong	1/2,030th parts of Kowloon Inland Lot No. 5087	Residential	Medium term lease	100%
Flat G on 31/F, Block 6 Jubilee Garden, Nos. 2-18 Lok King Street, Shatin, Hong Kong	580/2,000,000th parts of Sha Tin Town Lot No. 87	Residential	Medium term lease	100%
Shop A on ground floor, Gramercy, No. 38 Caine Road, Hong Kong	2,150/89,772th of section A of Inland Lot No. 150	Commercial	Long term lease	100%
Shop B on ground floor, Gramercy, No. 38 Caine Road, Hong Kong	945/89,772th of section A of Inland Lot No. 150	Commercial	Long term lease	100%
Shop A on first floor, Gramercy, No. 38 Caine Road, Hong Kong	2,504/89,772th of section A of Inland Lot No. 150	Commercial	Long term lease	100%
Shop B on first floor, Gramercy, No. 38 Caine Road, Hong Kong	853/89,772th of section A of Inland Lot No. 150	Commercial	Long term lease	100%

15. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

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

HK$ million	Fair value measurement as at 31 December 2013 using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:				
Commercial properties	–	–	485	485
Residential properties	–	–	396	396
	–	–	881	881

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.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

HK$ million	Commercial properties	Residential properties
Carrying amount at 1 January 2013	360	385
Additions (from acquisition)	239	–
Transfer to stock of properties	(227)	–
Net gain from a fair value adjustment recognised in other income and gains in statement of profit or loss	113	11
Carrying amount at 31 December 2013	485	396

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range
Commercial properties	Market comparison method	Adopted unit rate (per sq. ft.)	HK$10,800 to HK$48,000
Residential properties	Market comparison method	Adopted unit rate (per sq. ft.)	HK$8,500 to HK$51,500

Under the market comparison method, fair value is estimated using the unit rate of comparable transactions of similar properties and adjusted for the uniqueness of each property multiplied by the gross floor area of each property.

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

16. PREPAID LAND LEASE PAYMENTS

	Group	
HK$ million	**2013**	2012
Carrying amount at 1 January	**100**	103
Recognised during the year	**(3)**	(3)
Carrying amount at 31 December	**97**	100
Current portion included in prepayments, deposits and other receivables	**(2)**	(3)
Non-current portion	**95**	97

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

At 31 December 2013, the Group's leasehold land with an aggregate net carrying amount of approximately HK$97 million (2012: HK$100 million) were pledged to secure general banking facilities granted to the Group (note 32(b)(iii)).

17. GOODWILL

Group

HK$ million	
At 1 January 2012 and 31 December 2012 and 1 January 2013:	
Cost	140
Accumulated impairment	(53)
Net carrying amount	87
Cost at 1 January 2013, net of accumulated impairment	**87**
Disposal of subsidiaries (note 38)	**(32)**
At 31 December 2013	**55**
At 31 December 2013:	
Cost	**108**
Accumulated impairment	**(53)**
Net carrying amount	**55**

17. GOODWILL *(continued)*

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 respective periods 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.

In 2012, goodwill acquired through business combinations has been allocated to cash-generating unit for the medical device product business for impairment testing. The recoverable amount of the cash-generating unit of the medical device product business is determined based on value in use calculations using cash flow projections based on financial budgets covering an eight-year period approved by senior management. The discount rate applied to the cash flow projections of the medical device product business is 30.8%. The cash flow projections of the medical device product business beyond the respective periods of financial budgets were extrapolated using a growth rate of 3.0%, which did not exceed the long term average growth rate of the industry.

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

The carrying amount of goodwill as at 31 December 2013 and 2012 is as follows:

HK$ million	**2013**	2012
Telecom, electronic and child products business	**55**	55
Medical device product business	**–**	32
	55	87

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

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is average gross margins achieved in the year immediately before the 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/BALANCES WITH SUBSIDIARIES

	Company	
HK$ million	**2013**	2012
Unlisted shares, at cost	**1**	1
Due from subsidiaries	**2,848**	2,512
	2,849	2,513
Impairment*	**(1,286)**	(1,260)
	1,563	1,253
Less: Portion of amounts due from subsidiaries classified as current assets	**(399)**	(282)
	1,164	971

* An impairment was recognised for certain balances due from subsidiaries with a carrying amount of HK$1,286 million (2012: HK$1,260 million) which are considered to be not recoverable as the subsidiaries were loss-making. An additional impairment loss of HK$26 million (2012: HK$146 million) was recognised during the year.

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

(a) Amounts due from subsidiaries of HK$336 million (2012: HK$268 million), net of impairment of nil (2012: nil), are unsecured and repayable on demand, and bear annual interest at 2% (2012: 2%) above the Hong Kong dollar prime rate as determined by The Hongkong and Shanghai Banking Corporation Limited.

(b) An amount due from subsidiaries of HK$63 million (2012: HK$14 million), net of impairment of HK$612 million (2012: HK$607 million), was unsecured, interest-free and repayable on demand.

(c) An amount due from a subsidiary of HK$70 million (2012: HK$70 million), net of impairment of nil (2012: nil), is unsecured and repayable in 3 years (2012: 4 years), and bears annual interest at 3% (2012: 3%).

(d) An amount due from a subsidiary of HK$57 million (2012: nil), net of impairment of nil, is unsecured and repayable in 3 years, and bears annual interest at 3%.

In the opinion of the directors, the balances with the subsidiaries included in investments in subsidiaries, are considered as quasi-equity loans to the subsidiaries.

18. INVESTMENTS IN SUBSIDIARIES/BALANCES WITH 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 Direct	Indirect	Principal activities
Canford Holdings Limited#	Hong Kong	HK$2 Ordinary	–	100	Property investment
Charter Base Development Limited#	Hong Kong	HK$1 Ordinary	–	100	Property investment
CCT Marketing Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	–	50.49	Trading of telecom products
CCT Tech (HK) Limited	Hong Kong	HK$2,600,000 Ordinary	–	50.49	Sourcing of telecom products, raw materials and components
CCT Land Holdings Limited ("CCT Land")@	Bermuda/ Hong Kong	HK$654,139,940 Ordinary	–	50.49	Investment holding
CCT Telecom Securities Limited#	Hong Kong	HK$1 Ordinary	–	100	Securities business
Goldbay Investments Limited#	Hong Kong	HK$2 Ordinary	–	100	Property investment
Goldbay Property (China) Limited#	Hong Kong	HK$1 Ordinary	–	100	Property development and trading
Goldbay Capital Limited#	Hong Kong	HK$1 Ordinary	–	100	Property investment
Goldbay Development Limited#	Hong Kong	HK$1 Ordinary	–	100	Property investment
Goldbay Property (HK) Limited#	Hong Kong	HK$1 Ordinary	–	100	Property investment
Goldbay Strategy Limited#	Hong Kong	HK$1 Ordinary	–	100	Property investment
Neptune Holding Limited#	Hong Kong	HK$10,000,000 Non-voting* class 'A' shares HK$1,000,000 Voting class 'B' shares	–	100	Trading of plastic casings and parts

18. INVESTMENTS IN SUBSIDIARIES/BALANCES WITH SUBSIDIARIES *(continued)*

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

* The non-voting shares carry no rights to dividends and no rights to vote at general meetings.
@ Listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").
^ Registered as wholly-foreign-owned enterprises under the People's Republic of China (the "PRC").
\# 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.

18. INVESTMENTS IN SUBSIDIARIES/BALANCES WITH SUBSIDIARIES *(continued)*

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2013	2012
Percentage of equity interest held by non-controlling interests:		
CCT Land Holdings Limited	**49.51%**	49.51%

HK$ million	2013	2012
Profit/(loss) for the year allocated to non-controlling interests:		
CCT Land Holdings Limited	**(29)**	(34)
Accumulated balances of non-controlling interests at the reporting dates:		
CCT Land Holdings Limited	**164**	246

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	CCT Land Holdings Limited	
HK$ million	2013	2012
Revenue	**1,193**	1,342
Total expenses	**(116)**	(95)
Loss for the year	**(31)**	(58)
Total comprehensive loss for the year	**(20)**	(57)
Current assets	**2,104**	886
Non-current assets	**551**	584
Current liabilities	**(1,026)**	(824)
Non-current liabilities	**(1,158)**	(155)
Net cash flows used in operating activities	**–**	(120)
Net cash flows from investing activities	**71**	138
Net cash flows from/(used in) financing activities	**4**	(76)
Net increase/(decrease) in cash and cash equivalents	**75**	(58)

19. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
HK$ million	**2013**	2012
Listed equity investment in Hong Kong, at fair value	**8**	13
Other assets, at fair value	**5**	5
	13	18

The above unlisted investment and other assets consist of investments in equity securities and club debentures which were designated as available-for-sale investments and have no fixed maturity date or coupon rate.

Included in the Group's available-for-sale investments as at 31 December 2013 is a listed equity investment of 8.63% of the issued share capital of Merdeka Resources Holdings Limited which is listed on the Growth Enterprise Market of the Stock Exchange.

There was a decline in the market value of the listed equity investment during the year. The directors consider that such a decline indicated that the listed equity investment had been impaired and an impairment loss of HK$5 million (2012: HK$59 million) for the year was recognised in the consolidated statement of profit or loss for the year.

20. HELD-TO-MATURITY DEBT SECURITIES

	Group	
HK$ million	**2013**	2012
Non-current assets		
Unlisted bonds, at amortised cost	**–**	51
Current assets		
Unlisted bonds, at amortised cost	**53**	–

The held-to-maturity debt securities represented RMB denominated bonds. At 31 December 2013, the held-to-maturity debt securities with an aggregate carrying amount of approximately HK$53 million (2012: HK$51 million) were pledged to secure general banking securities granted to the Group (note 32(b)(iv)).

21. INVENTORIES

HK$ million	Group 2013	2012
Raw materials	**20**	25
Work in progress	**15**	19
Finished goods	**43**	58
	78	102

22. PROPERTIES UNDER DEVELOPMENT

HK$ million	Group 2013	2012
Properties under development expected to be completed:		
Within normal operating cycle and recoverable within one year included under current assets	**117**	248

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

23. COMPLETED PROPERTIES HELD FOR SALE

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

At 31 December 2013, certain of the Group's completed properties held for sale with an aggregate net carrying amount of approximately HK$712 million (2012: HK$120 million) were pledged to secure general banking facilities granted to the Group (note 32(b)(v)).

24. TRADE RECEIVABLES

HK$ million	Group 2013	2012
Trade receivables	**276**	354
Impairment	**(8)**	(5)
	268	349

24. TRADE RECEIVABLES *(continued)*

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two months, extending up to three months for major customers. Each customer has a maximum credit limit. 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 had a certain concentration of credit risk as 21% (2012: 30%) and 54% (2012: 62%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	Group			
	2013		2012	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**94**	**35**	126	36
31 to 60 days	**73**	**27**	86	25
61 to 90 days	**52**	**20**	78	22
Over 90 days	**49**	**18**	59	17
	268	**100**	349	100

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

	Group	
HK$ million	**2013**	2012
At 1 January	**5**	6
Impairment losses recognised (note 6)	**5**	–
Amount written off as uncollectible	**(2)**	(1)
At 31 December	**8**	5

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$8 million (2012: HK$5 million) with a carrying amount before provision of HK$10 million (2012: HK$5 million). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

24. TRADE RECEIVABLES *(continued)*

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

	Group	
HK$ million	**2013**	2012
Neither past due nor impaired	**247**	306
Past due but not impaired — within 6 months	**19**	43
	266	349

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

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

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
HK$ million	**2013**	2012	**2013**	2012
Prepayments	**217**	200	**–**	–
Deposits and other receivables	**185**	43	**1**	1
	402	243	**1**	1
Current portion	**(331)**	(243)	**(1)**	(1)
Non-current portion	**71**	–	**–**	–

The above balance as at 31 December 2013 included prepayments for the acquisition of land use rights in Mainland China amounting to approximately HK$197 million (2012: HK$192 million) in relation to the Group's property development business.

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

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
HK$ million	**2013**	2012
Listed equity investments in Hong Kong, at market value	**2**	–
Fund investments, at fair value	**–**	10
	2	10

The above equity investments and fund investments at 31 December 2013 and 2012 were classified as held for trading.

The market value of the Group's equity investments at the date of approval of these financial statements was approximately HK$2 million.

27. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
HK$ million	**2013**	2012	**2013**	2012
Cash and bank balances	**545**	285	**172**	6
Time deposits	**398**	368	**–**	65
	943	653	**172**	71
Less: Time deposits pledged for bank facilities (note 32(a) and note 32(b)(vi))	**(300)**	(186)	**–**	–
Time deposits with original maturity of more than three months when acquired	**–**	(8)	**–**	–
Cash and cash equivalents	**643**	459	**172**	71

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$368 million (2012: HK$284 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

28. 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	**125**	**36**	93	26
31 to 60 days	**72**	**20**	64	18
61 to 90 days	**34**	**10**	52	14
Over 90 days	**119**	**34**	151	42
	350	**100**	360	100

29. OTHER PAYABLES AND ACCRUALS

	Group		Company	
HK$ million	**2013**	2012	**2013**	2012
Other payables	**173**	106	**62**	–
Accruals	**80**	97	**1**	4
	253	203	**63**	4

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

30. RECEIPTS IN ADVANCE

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

31. DERIVATIVE FINANCIAL INSTRUMENT

On 3 August 2011, the Group granted to the seller a call option over the acquisition of 16% equity interest in InnoMed Scientific International Limited and its subsidiaries (the "InnoMed Group") at a cash consideration of HK$14 million (US$1.8 million) payable by the seller on 5 August 2013. The consideration receivable was classified as a current asset in the consolidated statement of financial position as at 31 December 2012.

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

On 24 September 2013, the Group entered into an agreement to sell its 51% equity interest in the InnoMed Group. The Group and the holder of the call option entered into a termination agreement to terminate the call option granted on 3 August 2011.

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2013			2012		
	Effective interest rate (%)	Maturity	HK$ million	Effective interest rate (%)	Maturity	HK$ million
Current						
Finance lease payable (note 33)	–	–	–	4.83-5.25	2013	1
Bank loans — unsecured	3.50	2014	5	3.50	2013	7
Bank loans — secured	1.21-8.00	2014	806	1.28-8.00	2013	499
			811			507
Non-current						
Finance lease payable (note 33)	–	–	–	4.83-5.25	2014-2016	1
Bank loans — secured	1.21-9.23	2015-2033	452	1.28-7.05	2014-2032	521
			452			522
			1,263			1,029

	Group	
HK$ million	2013	2012
Analysed into:		
Bank loans repayable:		
Within one year or on demand	811	506
In the second year	75	63
In the third to fifth years, inclusive	143	199
Beyond five years	234	259
	1,263	1,027
Other borrowings repayable:		
Within one year or on demand	–	1
In the second year	–	1
In the third to fifth years, inclusive	–	–
	–	2
	1,263	1,029

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

(a) 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 27).

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

(i) pledge of the Group's investment properties situated in Hong Kong, which had an aggregate carrying amount at the end of the reporting period of approximately HK$787 million (2012: HK$745 million) (note 15);

(ii) pledge of certain of the Group's leasehold land and buildings situated in Hong Kong and Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$511 million (2012: HK$548 million) (note 14);

(iii) pledge of the Group's leasehold land situated in Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$97 million (2012: HK$100 million) (note 16);

(iv) pledge of certain of the Group's held-to-maturity debt securities, which had a carrying amount at the end of the reporting period of approximately HK$53 million (2012: HK$51 million) (note 20);

(v) pledge of certain of the Group's completed properties held for sale situated in Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$712 million (2012: HK$120 million) (note 23);

(vi) pledge of certain of the Group's time deposits amounting to HK$229 million (2012: HK$115 million) (note 27); and

(vii) pledge of the Group's equity interests of a subsidiary with a net asset value of HK$309 million.

(c) The Group's bank and other borrowings with carrying amounts of HK$777 million (2012: HK$619 million), HK$299 million (2012: HK$296 million) and HK$187 million (2012: HK$114 million) are denominated in Hong Kong dollars, United States dollars ("US$") and RMB, respectively.

33. FINANCE LEASE PAYABLES

The Group leased certain of its motor vehicles for business use. At 31 December 2012, these leases were classified as finance leases and had remaining leases ranging from one to two years. 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 32)	(1)	
Non-current portion (note 32)	1	

34. DEFERRED TAX

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

Deferred tax liabilities

Group

HK$ million	Depreciation allowance in excess of related depreciation	Revaluation of properties	Total
Gross deferred tax liabilities at 1 January 2012	2	21	23
Deferred tax charged to the statement of profit or loss during the year (note 10)	–	4	4
Gross deferred tax liabilities at 31 December 2012 and 1 January 2013	**2**	**25**	**27**
Deferred tax charged to the statement of profit or loss during the year (note 10)	**–**	**12**	**12**
Gross deferred tax liabilities at 31 December 2013	**2**	**37**	**39**

Deferred tax assets

Group

HK$ million	Losses available for offsetting against future taxable profits
Gross deferred tax assets at 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	1

The Group and the Company have tax losses arising in Hong Kong of HK$1,090 million (2012: HK$1,011 million) and HK$209 million (2012: HK$219 million), respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

34. DEFERRED TAX *(continued)*

At 31 December 2013, no deferred tax was 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 as at 31 December 2013 (2012: HK$64 million).

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

35. SHARE CAPITAL

Shares

	Company	
HK$ million	**2013**	2012
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200**	200
Issued and fully paid:		
606,144,907 ordinary shares of HK$0.10 each	**61**	61

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

Share options

Details of the Group's share option schemes and the share options issued under the scheme are included in note 36 to the financial statements.

36. SHARE OPTION SCHEMES OF THE GROUP

Share option scheme of the Company

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

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

Share option scheme of the Company *(continued)*

The purpose of the 2011 Scheme is to enable the Company to grant share options to the eligible participants, as incentives and/or rewards for their contribution to the Group and/or any invested entity of the Company ("Invested Entity") or the holding company of the Company (if applicable). Eligible participants of the 2011 Scheme include:

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

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

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

Pursuant to the 2011 Scheme, the maximum number of Shares which may be issued upon exercise of all share options to be granted under the 2011 Scheme and any other share option scheme(s) of the Company must not exceed 10% of the total number of Shares in issue as at the date of adoption of the 2011 Scheme. Shares which would have been issuable pursuant to the share options which have lapsed or cancelled in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit. Notwithstanding the foregoing, Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2011 Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the total number of the Shares in issue from time to time. No share option shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded. As at the date of this Annual Report, the total number of Shares available for issue under the 2011 Scheme is 60,614,490, which represents 10% of the total issued share capital of the Company as at the date of this Annual Report.

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

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

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

Share option scheme of the Company *(continued)*

The offer of a grant of the share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, 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.

Share option scheme of CCT Land

At the annual general meeting of CCT Land and the Company held on 27 May 2011, the respective shareholders of CCT Land and the Company approved the adoption of the share option scheme adopted by CCT Land and the Company on 27 May 2011 ("CCT Land 2011 Scheme"). The CCT Land 2011 Scheme has become effective since 30 May 2011, the date on which the Listing Committee of the Stock Exchange granted approval for the listing of, and permission to deal in, any shares of CCT Land on the Stock Exchange, which may fall to be allotted and issued by CCT Land pursuant to the exercise of the share options in accordance with the terms and conditions of the CCT Land 2011 Scheme. Unless otherwise cancelled or amended, the CCT Land 2011 Scheme will be valid for a period of 10 years from the date of its adoption.

The purpose of the CCT Land 2011 Scheme is to enable CCT Land to grant share options to the eligible participants, as incentives and/or rewards for their contribution to the CCT Land Group and/or any invested entity of CCT Land ("CCT Land Invested Entity") or the holding company of CCT land (if applicable). Eligible participants of the CCT Land 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 CCT Land Group, any CCT Land Invested Entity or the holding company of CCT Land (if applicable);

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

Share option scheme of CCT Land *(continued)*

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

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

Pursuant to the CCT Land 2011 Scheme, the maximum number of shares which may be issued upon exercise of all share options to be granted under the CCT Land 2011 Scheme and any other share option scheme(s) of CCT Land must not exceed 10% of the total number of the shares of CCT Land in issue as at the adoption date of CCT Land 2011 Scheme. Shares of CCT Land which would have been issuable pursuant to the share options which have lapsed or cancelled in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit. Notwithstanding the foregoing, shares of CCT Land which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the CCT Land 2011 Scheme and any other share option scheme(s) of CCT Land at any time shall not exceed 30% of the total number of the shares of CCT Land in issue from time to time. No share option shall be granted under any scheme(s) of CCT Land or any of its subsidiaries if this will result in the 30% limit being exceeded. On 17 January 2014, CCT Land granted a total of 600,000,000 share options under the CCT Land 2011 Scheme to the eligible participants of CCT Land to subscribe for shares of CCT Land at an exercise price of HK$0.01 each. As at the date of this Annual Report, the total number of shares of CCT Land available for issue under the CCT Land 2011 Scheme is 5,941,399,399, which represents approximately 9.08% of the total issued share capital of CCT Land as at the date of this Annual Report.

The total number of shares of CCT Land issued and which may fall to be issued upon exercise of the share options granted under the CCT Land 2011 Scheme and any other share option scheme(s) of CCT Land (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the total number of shares of CCT Land in issue as at the date of grant. Any further grant of the share options in excess of this 1% limit shall be subject to the issue of a circular by CCT Land (and so long as CCT Land remains a subsidiary of another company which is listed on the Stock Exchange, also by its listed holding company) and the approval of the shareholders of CCT Land (and so long as CCT Land remains a subsidiary of another company which is listed on the Stock Exchange, also to be approved by the shareholders of that listed holding company) at a general meeting with such eligible participant and his/her associates abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

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

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

Share option scheme of CCT Land *(continued)*

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

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

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

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

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

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

As at 31 December 2013, there was no share option outstanding under the CCT Land 2011 Scheme. No share option was granted, exercised, cancelled or has lapsed under the CCT Land 2011 Scheme during the year.

37. 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 50 of the financial statements.

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

37. RESERVES *(continued)*

(b) Company

HK$ million	Notes	Capital redemption reserve	Share premium account	Capital reserve*	Distributable reserve	Accumulated losses	Total
At 1 January 2012		24	12	741	1,240	(594)	1,423
Total comprehensive loss for the year	11	–	–	–	–	(144)	(144)
2012 interim dividend	12	–	–	–	(18)	–	(18)
Proposed 2012 final dividend	12	–	–	–	(21)	–	(21)
At 31 December 2012 and 1 January 2013		**24**	**12**	**741**	**1,201**	**(738)**	**1,240**
Total comprehensive loss for the year	11	**–**	**–**	**–**	**–**	**(18)**	**(18)**
2013 interim dividend	12	**–**	**–**	**–**	**(18)**	**–**	**(18)**
2013 special interim dividend	12	**–**	**–**	**–**	**(61)**	**–**	**(61)**
Proposed 2013 final dividend	12	**–**	**–**	**–**	**(21)**	**–**	**(21)**
At 31 December 2013		**24**	**12**	**741**	**1,101**	**(756)**	**1,122**

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

38. DISPOSAL OF SUBSIDIARIES

HK$ million	Notes	2013	2012
Net assets/(liabilities) disposed of:			
Property, plant and equipment	14	**5**	–
Prepayments, deposits and other receivables		**18**	–
Cash and bank balances		**14**	–
Accruals and other payables		**(43)**	–
Tax payable		**(5)**	–
Goodwill	17	**32**	–
Derivative financial instruments		**(14)**	–
Non-controlling interests		**(9)**	–
Non-current assets held for sale		**–**	20
		(2)	20
Gain on disposal of subsidiaries	6	**33**	–
		31	20
Satisfied by:			
Cash		**18**	12
Other receivables		**13**	–
Deposit received in 2011		**–**	8
		31	20

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

HK$ million	2013	2012
Cash consideration	**18**	12
Cash and bank balances disposed of	**(14)**	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**4**	12

39. 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	**1,078**	994

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$817 million (2012: HK$644 million).

40. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group are included in note 32 to the financial statements.

41. OPERATING LEASE ARRANGEMENTS

As lessee

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

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

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

41. OPERATING LEASE ARRANGEMENTS *(continued)*

As lessee *(continued)*

As at 31 December 2012, the Group had total future minimum lease payments under non-cancellable operating leases with an initial lease term of fifty to fifty-one years in respect of the land on which certain of the Group's factories are situated which was transferred to an independent third party during the current year, falling due as follows:

	Group	
HK$ million	**2013**	2012
Within one year	**–**	3
In the second to fifth years, inclusive	**–**	12
Beyond five years	**–**	127
	–	142

42. COMMITMENTS

In addition to the operating lease commitments detailed in note 41 above, the Group had the following commitments at the end of the reporting period:

Capital commitments

	Group	
HK$ million	**2013**	2012
Contracted, but not provided for:		
Building	**2**	2
Investment properties	**–**	205
	2	207

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

43. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

HK$ million	**2013**	2012
Short term employee benefits	**34**	29

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

44. FINANCIAL INSTRUMENTS BY CATEGORY

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

2013

HK$ million	Group				
Financial assets	**Financial assets at fair value through profit or loss — held for trading**	**Loans and receivables**	**Available-for-sale investments**	**Held-to-maturity debt securities**	**Total**
Available-for-sale investments	–	–	13	–	13
Held-to-maturity debt securities	–	–	–	53	53
Trade receivables	–	268	–	–	268
Financial assets included in prepayments, deposits and other receivables (note 25)	–	185	–	–	185
Financial assets at fair value through profit or loss	2	–	–	–	2
Pledged time deposits	–	300	–	–	300
Cash and cash equivalents	–	643	–	–	643
	2	1,396	13	53	1,464

HK$ million	Group		
Financial liabilities	**Financial liabilities at fair value through profit or loss — designated as such upon recognition**	**Financial liabilities at amortised cost**	**Total**
Trade and bills payables	–	350	350
Other payables and accruals	–	253	253
Interest-bearing bank and other borrowings	–	1,263	1,263
	–	1,866	1,866

44. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2012

HK$ million	Group				
Financial assets					
	Financial assets at fair value through profit or loss — held for trading	Loans and receivables	Available-for-sale investments	Held-to-maturity debt securities	Total
Available-for-sale investments	–	–	18	–	18
Held-to-maturity debt securities	–	–	–	51	51
Trade receivables	–	349	–	–	349
Financial assets included in prepayments, deposits and other receivables (note 25)	–	43	–	–	43
Financial assets at fair value through profit or loss	10	–	–	–	10
Pledged time deposits	–	186	–	–	186
Time deposits with original maturity of more than three months	–	8	–	–	8
Cash and cash equivalents	–	459	–	–	459
	10	1,045	18	51	1,124

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

44. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2013

HK$ million	Company
Financial assets	**Loans and receivables**
Financial assets included in investments in subsidiaries (note 18)	**1,163**
Due from subsidiaries (note 18)	**399**
Cash and cash equivalents	**172**
Financial assets included in prepayments, deposits and other receivables (note 25)	**1**
	1,735

2012

HK$ million	Company
Financial assets	Loans and receivables
Financial assets included in investments in subsidiaries (note 18)	970
Due from subsidiaries (note 18)	282
Cash and cash equivalents	71
Financial assets included in prepayments, deposits and other receivables (note 25)	1
	1,324

	Company	
HK$ million	**2013**	2012
Financial liabilities at amortised cost		
Other payables and accruals	**63**	4
Due to subsidiaries	**470**	–
	533	4

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

Management has assessed that the fair values of cash and cash equivalents, pledged time deposits, time deposits with original maturity of more than three months, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and amounts due from/to subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with the directors twice a year for interim and annual financial reporting.

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 fair values of the interest-bearing bank and other borrowings 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 Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2013 was assessed to be insignificant.

The fair values of listed equity investments and held-to-maturity securities are based on quoted market prices. The fair values of unlisted available-for-sale equity investments have been estimated based on market prices of recent transactions of the similar investments. The directors believe that the estimated fair values resulting from the recent market prices, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group enters into derivative financial instruments with counterparty. Derivative financial instruments are measured using valuation techniques similar to option pricing models. The models incorporate various inputs including the equity price, discount rate and interest rate curves. The carrying amount of derivative financial instruments is the same as their fair values.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Fair value hierarchy

Group

	Fair value measurement using			
HK$ million	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value as at 31 December 2013:				
Available-for-sale investments:				
Other assets, at fair value	**5**	**–**	**–**	**5**
Listed equity investment, at fair value	**8**	**–**	**–**	**8**
Financial assets at fair value through profit or loss	**2**	**–**	**–**	**2**
	15	**–**	**–**	**15**
Assets measured at fair value as at 31 December 2012:				
Available-for-sale investments:				
Other assets, at fair value	5	–	–	5
Listed equity investment, at fair value	13	–	–	13
Financial assets at fair value through profit or loss	10	–	–	10
	28	–	–	28

The Company did not have any financial assets measured at fair value as at 31 December 2013 and 2012.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

Group

HK$ million	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Liabilities measured at fair value as at 31 December 2012:				
Derivative financial instrument	–	–	14	14

The Group did not have any financial liabilities measured at fair value as at 31 December 2013.

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

	Group	
HK$ million	**2013**	2012
Derivative financial instrument		
At 1 January	**14**	14
Disposed	**(14)**	–
At 31 December	**–**	14

The Company did not have any financial liabilities measured at fair value as at 31 December 2013 and 2012.

During the year ended 31 December 2013, there was no transfer of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2012: Nil).

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Assets for which fair values are disclosed:

Group

	Fair value measurement using			
HK$ million	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
As at 31 December 2013				
Other receivables	**–**	**71**	**–**	**71**
Pledged time deposits	**–**	**65**	**–**	**65**
Held-to-maturity securities	**53**	**–**	**–**	**53**
	53	**136**	**–**	**189**
As at 31 December 2012				
Held-to-maturity securities	51	–	–	51

Liabilities for which fair values are disclosed:

Group

	Fair value measurement using			
HK$ million	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
As at 31 December 2013				
Interest-bearing bank and other borrowings	**–**	**1,263**	**–**	**1,263**
As at 31 December 2012				
Interest-bearing bank and other borrowings	–	1,029	–	1,029

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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

	Group	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$ million
2013		
HK$	100	(8)
US$	100	(3)
RMB	100	(2)
HK$	(100)	8
US$	(100)	3
RMB	(100)	2

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

Interest rate risk *(continued)*

	Group	
	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax HK$ million
2012		
HK$	100	6
US$	100	3
RMB	100	1
HK$	(100)	(6)
US$	(100)	(3)
RMB	(100)	(1)

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 reasonably possible increase/(decrease) of 2.51% (2012: 2.89%) in the exchange rate between the RMB and the Hong Kong dollar would result in decrease/(increase) on the Group's profit/(loss) before tax (due to changes in the fair value of monetary assets and liabilities) by HK$9 million in 2013 (2012: HK$8 million).

Credit risk

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

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

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

There is no significant concentration of credit risk in relation to the Group's financial assets, other than trade receivables. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

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

Liquidity risk

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

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

As at 31 December 2013

	Group				
HK$ million	**Within one year or on demand**	**In the second year**	**In the third to fifth years, inclusive**	**Beyond five years**	**Total**
Trade and bills payables	**350**	**–**	**–**	**–**	**350**
Other payables and accruals	**253**	**–**	**–**	**–**	**253**
Interest-bearing bank and other borrowings	**851**	**88**	**152**	**239**	**1,330**
	1,454	**88**	**152**	**239**	**1,933**

As at 31 December 2012

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

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

Liquidity risk *(continued)*

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

	Company	
HK$ million	**2013 Within one year or on demand**	2012 Within one year or on demand
Guarantees given to banks in connection with facilities utilised by subsidiaries (note 39)	**817**	644
Other payables and accruals	**63**	4
Due to subsidiaries	**470**	–
	1,350	648

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments and available-for-sale investments as at 31 December 2013. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

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

	31 December 2013	**High/low 2013**	31 December 2012	High/low 2012
Hong Kong — Hang Seng Index	**23,306**	**24,112/19,426**	22,657	22,719/18,056

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

Equity price risk *(continued)*

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

	Carrying amounts of equity investments HK$ million	Increase/ (decrease) in equity price %	Increase/ (decrease) in profit/(loss) before tax HK$ million	Increase/ (decrease) in total equity HK$ million
2013				
Investments listed in:				
Hong Kong — Held for trading (note 26)	**2**	**14.80**	**–**	**–**
	2	**(14.80)**	**–**	**–**
— Available-for-sale investments (note 19)	**8**	**14.80**	**–**	**1**
	8	**(14.80)**	**–**	**(1)**
2012				
Investments listed in:				
Hong Kong — Held for trading (note 26)	10	21.62	(2)	2
	10	(21.62)	2	(2)
— Available-for-sale investments (note 19)	13	21.62	–	3
	13	(21.62)	–	(3)

Capital management

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

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

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

Capital management *(continued)*

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

	Group	
HK$ million	**2013**	2012
Interest-bearing bank and other borrowings	**1,263**	1,029
Total borrowings	**1,263**	1,029
Total capital	**2,032**	1,833
Total capital and borrowings	**3,295**	2,862
Gearing ratio	**38.3%**	36.0%

47. EVENTS AFTER THE REPORTING PERIOD

(i) On 17 January 2014, a total of 600,000,000 share options were granted by CCT Land to the eligible participants to subscribe for the shares of HK$0.01 each in the share capital of CCT Land.

(ii) On 10 February 2014, two indirect wholly-owned subsidiaries of the Company entered into two provisional sale and purchase agreements with a third party vendor for the acquisition of two properties in Hong Kong for a total purchase price of HK$298 million. The acquisition has not yet been completed at the date of approval of the financial statements.

48. 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 project	Locations	Uses	Site area of the project (square metres) (approximately)	Gross floor area (square metres) (approximately)	Stage of completion	Attributable interest of the Group (Note)
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 (Note)
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 project	Locations	Uses	Site area of the project (square metres) (approximately)	Gross floor area (square metres) (approximately)	Stage of completion	Attributable interest of the Group (Note)
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%

Note: All the above property projects were 100% owned by the wholly-owned subsidiaries of CCT Land which are indirect subsidiary of the Company, in which the Company had shareholding interest of 50.49% as at the date of this annual report.

five year financial summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

RESULTS

	Year ended 31 December				
HK$ million	**2013**	2012	2011	2010	2009
REVENUE	**1,805**	1,544	2,034	1,919	1,653
PROFIT/(LOSS) BEFORE TAX	**264**	(5)	(256)	64	51
Income tax expense	**(63)**	(62)	(20)	(19)	(16)
PROFIT/(LOSS) FOR THE YEAR	**201**	(67)	(276)	45	35
Profit/(loss) attributable to:					
Owners of the parent	**232**	(31)	(194)	48	44
Non-controlling interests	**(31)**	(36)	(82)	(3)	(9)
	201	(67)	(276)	45	35

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
HK$ million	**2013**	2012	2011	2010	2009
TOTAL ASSETS	**4,217**	3,755	4,046	3,900	3,517
TOTAL LIABILITIES	**(2,021)**	(1,669)	(1,862)	(1,453)	(1,087)
	2,196	2,086	2,184	2,447	2,430
EQUITY:					
Equity attributable to owners of the parent	**2,032**	1,833	1,900	2,095	2,075
Non-controlling interests	**164**	253	284	352	355
	2,196	2,086	2,184	2,447	2,430

glossary of terms

GENERAL TERMS

"2011 Scheme"	The share option scheme conditionally adopted by the Company on 27 May 2011 which took effect on 30 May 2011
"AGM"	Annual general meeting
"Audit Committee"	The audit committee of the Company
"Board"	The board of Directors
"CCT Land"	CCT Land Holdings Limited, a company listed on the main board of the Stock Exchange and a non wholly-owned subsidiary of the Company
"CCT Land Group"	CCT Land and its subsidiaries
"CCT Land Invested Entity"	Any entity in which any member of the CCT Land Group holds any equity interest
"CCT Land 2011 Scheme"	The share option scheme conditionally adopted by CCT Land on 27 May 2011 which took effect on 30 May 2011
"CEO"	The chief executive officer of the Company
"CG Code"	The Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	The chairman of the Company
"CMS"	Contract manufacturing service
"Company"	CCT Fortis Holdings Limited
"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
"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$0.10 each in the share capital of the Company
"Shareholder(s)"	Holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US"	The United States of America
"US$"	United States dollar(s), the lawful currency of the US
"%"	Per cent.

FINANCIAL TERMS

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