CCT LAND

中 建 置 地 集 團 有 限 公 司

Stock Code : 261

2014

chairman's letter

On behalf of the Board of the Company, I present the interim results of the Group for the six months ended 30 June 2014.

During the period, the principal business of the Group consisted of its long-standing business in the manufacture and sale of telecom, electronic and child products ("**Telecom Product Business**") and the newly introduced mainland property business, the later of which was assigned into the Group from its holding company, CCT Fortis, in July 2013. The Group's turnover decreased by 17.2% to $491 million in the first half of 2014, due to reduction in sales of telecom and child products. Net loss for the current period, after offsetting a revaluation gain on the Group's Shenzhen office premises, decreased by 11.1% to $16 million as compared to the equivalent period of last year.

INTERIM DIVIDEND

As the Group intends to conserve cash resources to finance operations and future development of the Group's business, the Board does not recommend payment of an interim dividend for the six months ended 30 June 2014 (30 June 2013: Nil).

REVIEW OF OPERATIONS

In the first half, the operating environment of the Group's major business sectors worsened, causing turnover to decrease. Despite this, the overall performance is acceptable as outlined in the following paragraphs.

Telecom Product Business

During the reporting period, this business was continued to be engaged by CCT Tech under the Group. In the period, turnover of product sales dropped by 24.1% to $450 million. The decline in revenue was led by slow recovery of our major markets and keen competition in the cordless phone sector. In the first half, CCT Tech faced severe competition from other cordless phone manufacturers which pursued low-price strategy in order to maintain or increase their market share. We do not consider competing on price is advisable or advantageous for CCT Tech as this would only harm us in short term without creating any long term benefit to our manufacturing business. Instead, we continue to improve our competitiveness in the longer term by keep on offering innovative products with improved quality and functions and new designs. Nevertheless, amidst a weak global market and intensifying competition, turnover suffered in the short term which resulted in the significant reduction of product sales in the current period.

In the first half, another difficult problem faced by the management of CCT Tech remained the shortage of labour and the continuing rise in minimum wages in the Guangdong Province. In order to overcome this problem, our factory had to increase wages of workers significantly and a large number of new and temporary workers were hired to fill vacancy during the period. As a result, production costs increased and efficiency suffered. To cope with this problem in the long run, the management has put a lot of efforts in re-engineering the Group's products, striving to reduce labour and costs. Furthermore, the management has continued its initiatives in cost savings in all other areas as much as possible and streamlining production processes to enhance productivity. The effect of such initiatives partly compensated the increase in labour costs. Caused by the decrease in turnover, increase in wages and lower labour efficiency, the operating loss before adjustment rose to $14 million in the current period, compared to the $7 million loss in the comparable period. This result is acceptable giving the worsening business environment.

During the period, the management of CCT Tech decided to move the R&D function to CCT Tech's Huiyang factory. The relocation of the Shenzhen R&D center will be completed within this year. Although the relocation will incur certain one-time restructuring costs, this move will save recurrent costs and improve communication between R&D and production departments, thus enhancing efficiency in the long run. Furthermore, as a result of the relocation, the Group's owned office premises in Shenzhen, which housed the R&D center, are no longer needed for own use and therefore most part of the Shenzhen premises has been rented out to third parties to generate rental income. It is expected that the remaining part of the Shenzhen properties will be let out by year end. As such, the office properties have been reclassified as investment properties for accounting purposes and an unrealised fair value gain of $39 million was recognised in the first half, based on a professional revaluation of the properties at the period end. The fair value gain on the Shenzhen properties turned the operating results before finance costs and taxation of the Telecom Product Business into an adjusted operating profit of $25 million in the current period, as opposed to a $7 million operating loss in the equivalent period of last year.

Property development in Mainland China

All the property development projects assigned into the Group in July 2013 are located in Anshan City, Liaoning Province, China. Ever since the mainland property business established by the CCT Fortis Group in 2007, CCT has set a strong foothold in property sector in the Anshan City. All the projects developed by CCT have so far been successful and all of CCT's projects have been well praised by home buyers in their supreme quality of materials, landscaping, spacious common areas, layouts and designs.

During the period, CCT Land continued to pursue its project quality and service excellence on one hand and strived to boost sales of flats on the other hand. However, under a policy-led property market, speculation and investment on properties were effectively curbed while reduction in transaction volume and softening of house prices continued. We noticed that the mainland residential market had cooled down considerably since 2014 Chinese New Year. Pressured by high inventory levels and elevated debt ratios, many other local property developers had cut prices in order to boost sales. On the demand side, consumers still expected the market to continue to go down, leading to low buying desire. As we are lowly geared in our property projects, we have a more resilient holding power and therefore we have decided not to follow other local property developers to cut property prices deeply to hurt margin. We are confident in our property projects and the long-term prospects of the mainland property market as we believe that the long-term demand for quality housing in China is higher than supply and the mainland property market will recover in the future. Nevertheless, our property business was inevitably adversely impacted by the recent weakening mainland residential market, leading to decline in turnover in the first half of 2014. A total of only 6,745 square meters in gross floor area ("**GFA**") of property units were sold in the current period, generating revenue of $41 million, compared to $92 million reported under CCT Fortis Group in the equivalent period of 2013. Caused by the significant reduction in property sales, our property business posted an operating loss of $11 million in the first half of 2014. During the period, despite a weaker property market in the mainland, we still commenced development of Evian Villa Phase 2 consisting of 13 blocks of housing units, shops and car parking spaces with a total GFA of approximately 64,000 square meters. We consider that the development of Evian Villa Phase 2 will not only improve the overall living environment of the entire Evian Villa project but will also enhance confidence of potential home buyers. This will in turn enhance our reputation and help to promote sales of our property projects in Anshan.

OUTLOOK

Looking forward, the local and global economic and political uncertainty will remain a challenge in the second half of 2014. However, we expect that the global economy growth will pick up modestly while the US economic recovery will gather pace and the European economy will show some signs of improvement.

Against a backdrop of challenging operating environment, we will continue to re-model the Group with a view to overcome the challenges that we face. We remain positive in our manufacturing business. We will continue to pursue our on-going initiatives to improve competitiveness and our relentless efforts of cost saving. We will continue to enhance quality, functions and designs of our existing phone products and will introduce new product ranges. We will also continue to explore opportunities to broaden our revenue and improve our profitability. The conversion of our Shenzhen R&D center into rental properties is a very good example. This move will not only save recurrent costs in the long run but will also broaden revenue base by rental income. Furthermore, the Group may also benefit from future possible further appreciation in value of the rental properties.

We remain optimistic in the future prospects of our property projects in Anshan over the longer term despite a significant slowdown of the local residential market in the near term. We will strive to boost sales of property units in the second half. However, we do not intend to lower our property prices drastically to erode our margin. We have already restructured and strengthened our marketing team in Anshan. More effective marketing and promotion activities are in the pipeline in the second half. We will explore financing opportunities, planning to increase cash flow of the projects and to further improve the financial position of the Group. We are confident in this business and we expect this business will deliver significant revenue and cash flow to the Group in the future.

APPRECIATION

On behalf of the Board, I wish to thank the directors, the management and all our employees for their dedication, loyalty, and hard work to meet the challenges during the period. I also want to thank our shareholders, investors, bankers, customers and suppliers for their continued encouragement and strong support to the Group.

Mak Shiu Tong, Clement
Chairman

Hong Kong, 25 August 2014

financial review

HIGHLIGHTS ON FINANCIAL RESULTS AND OTHER COMPREHENSIVE LOSS

$ million	Six months ended 30 June 2014 (Unaudited)	2013 (Unaudited)	% increase/ (decrease)
Turnover	**491**	593	(17.2%)
Other income and gains	**50**	9	455.6%
EBITDA	**28**	12	133.3%
Finance costs	**23**	7	228.6%
Loss before tax	**(16)**	(18)	(11.1%)
Income tax expense	**–**	–	–
Loss for the period	**(16)**	(18)	(11.1%)
Other comprehensive loss, net of tax	**(17)**	–	N/A

Discussion on Financial Results and Other Comprehensive Loss

The Group recorded a turnover of $491 million for the six months ended 30 June 2014, representing a net 17.2% decrease over the $593 million for the last corresponding period, mainly due to the reduction of turnover of the Telecom Product Business. The net decrease in current period's turnover had taken into account the new sales contribution from the property development business which was assigned from CCT Fortis in July 2013. Despite decrease in turnover, the Group managed to increase EBITDA in the first half of 2014 to $28 million from $12 million in the equivalent period of 2013. The reported net loss narrowed to $16 million, a decrease of 11.1% from $18 million in the comparable period. The improvement in EBITDA and the net results were driven by the unrealised revaluation gain of $39 million arising on the Shenzhen office properties, the use of which was changed from own use to rental properties during the period. The $39 million revaluation gain was classified as "other income and gains" in the profit or loss which caused this income category to increase by 455.6% to $50 million in the current period.

Finance costs increased 228.6% to $23 million in the first half of the year. The increase was largely due to finance costs of $14 million on the promissory notes due to CCT Fortis and its wholly-owned subsidiary, of which $12 million represented the imputed non-cash interest recognised for accounting purposes on the interest-free promissory note due to a wholly-owned subsidiary of CCT Fortis. This interest-free promissory note was created to satisfy the consideration for the assignment of the mainland property business into the Group by CCT Fortis in 2013.

During the period, a total of 600,000,000 share options were granted by the Company and the equity-settled share options expense of $2 million was recognised in the profit or loss.

Other comprehensive loss of $17 million included in the Consolidated Statement of Comprehensive Income represented unrealised exchange losses on translation of the accounts of the property subsidiaries in Mainland China, which were attributable to devaluation of RMB in the first half of 2014. After the period end, the exchange rate of RMB has rebounded and it is expected such unrealised exchange loss will likely be reversed partly or wholly in the second half.

ANALYSIS BY BUSINESS SEGMENT

	Turnover Six months ended 30 June				
	2014		2013		
$ million	**Amount (Unaudited)**	**Relative %**	Amount (Unaudited)	Relative %	% decrease
Telecom Product Business	**450**	**91.6%**	593	100.0%	(24.1%)
Property development	**41**	**8.4%**	–	–	N/A
Total	**491**	**100.0%**	593	100.0%	(17.2%)

	Operating profit/(loss) Six months ended 30 June		
$ million	**2014 (Unaudited)**	2013 (Unaudited)	% increase/ (decrease)
Telecom Product Business	**25**	(7)	N/A
Property development	**(11)**	–	N/A
Total	**14**	(7)	N/A

The segmental operating results were shown in amounts before finance costs and taxation.

During the reporting period, the Telecom Product Business, being the largest business segment of the Group, reported revenue of only $450 million, down 24.1%, due to slow recovery of the Group's major markets (especially in Europe) and intensifying competition. Despite this, the manufacturing sector was able to post an adjusted operating profit of $25 million in the current period as opposed to an operating loss of $7 million in the comparable period. The positive change was attributable to an unrealised revaluation gain of the Group's rental properties in Shenzhen, which were converted from R&D facilities during the period.

Affected by weaker residential market in Anshan, the newly introduced property development business contributed half-year turnover of $41 million to the Group but incurred an operating loss of $11 million in the first half of 2014.

ANALYSIS BY GEOGRAPHICAL SEGMENT

$ million	Turnover Six months ended 30 June 2014 Amount (Unaudited)	Relative %	2013 Amount (Unaudited)	Relative %	% decrease
Europe	**274**	**55.9%**	359	60.6%	(23.7%)
Asia Pacific and others	**149**	**30.3%**	149	25.1%	–
North America	**68**	**13.8%**	85	14.3%	(20.0%)
Total	**491**	**100.0%**	593	100.0%	(17.2%)

European market, representing the Group's largest market, contributed 55.9% of the Group's total turnover. Sales to Europe dropped by 23.7% to only $274 million in the reporting period, caused mainly by weak European economy and intense competition. Turnover from the Asia Pacific and other regions was $149 million, no change from last equivalent period, which represented the net effect of decline in product sales to these regions offsetting by new contribution from property sales in Anshan. Sales to the North American markets dropped to $68 million, down 20.0% period-to-period, mainly caused by reduction of sales of child products, which was led by slow recovery of the US economy.

HIGHLIGHTS ON SIGNIFICANT MOVEMENTS OF FINANCIAL POSITION

$ million	30 June 2014 (Unaudited)	31 December 2013 (Audited)	% increase/ (decrease)
Property, plant and equipment	**197**	261	(24.5%)
Prepaid land lease payments	**41**	76	(46.1%)
Investment properties	**299**	178	68.0%
Inventories	**58**	67	(13.4%)
Properties under development	**145**	141	2.8%
Completed properties held for sale	**759**	818	(7.2%)
Prepayments, deposits and other receivables	**346**	309	12.0%
Current and non-current pledged time deposits	**191**	193	(1.0%)
Cash and cash equivalents	**228**	346	(34.1%)
Current and non-current interest-bearing bank borrowings	**502**	602	(16.6%)
Deferred tax liabilities	**101**	103	(1.9%)
Promissory notes	**1,022**	960	6.5%
Equity attributable to owners of the parent	**440**	471	(6.6%)

Discussion on Financial Position

As at 30 June 2014, the balance of the property, plant and equipment decreased by 24.5% to approximately $197 million, while the balance of prepaid land lease payments decreased by 46.1% to $41 million. The significant changes of these two account balances were mainly attributable to the reclassification of the balance of the Shenzhen office premises to the investment properties account due to change of their use from own use to rental properties, and depreciation charge for the period.

Increase of investment properties from $178 million as at 31 December 2013 to $299 million as at 30 June 2014 was the combined result of the above-mentioned reclassification of the Shenzhen premises and the unrealised fair value gain on the Shenzhen properties, based on a professional revaluation at period end.

Inventory decreased by 13.4% period-to-period, led by decrease in sales of the telecom and child products. The inventory turnover period of the Group further improved and maintained at a healthy level of only 25.9 days (31 December 2013: 27.8 days).

Balance of the properties under development was $145 million at the period end, representing the construction and development expenditure of the incomplete property projects in Anshan.

As at 30 June 2014, completed properties held for sale amounted to $759 million, representing the costs of the completed property units in Anshan, down from $818 million at last balance sheet date. The decrease was primarily attributable to carrying costs of properties sold, which were charged to profit or loss during the period.

Prepayments, deposits and other receivables amounted to $346 million as at 30 June 2014, included carrying value of prepayment of $278 million related to a contracted acquisition of the land use right of a piece of land site in Anshan.

Current and non-current pledged time deposits slightly decreased from $193 million at 31 December 2013 to $191 million as at 30 June 2014, attributable to depreciation of RMB during the period. Included in the pledged deposits were $106 million (equivalent to RMB85 million) deposits denominated in RMB. These RMB deposits have been pledged to a banker to secure equivalent amounts of Hong Kong dollar loans. Such arrangements were made for hedging RMB appreciation risk, as the Group can benefit from exchange appreciation of the RMB deposits and at the same time, the Group can continue to use the funds borrowed in Hong Kong dollar for business purpose.

Reported cash and cash equivalents dropped by 34.1% to $228 million. This net decrease represented net cash used for operations and net repayment of bank loans in the first half of 2014.

The aggregate amount of the current and non-current bank borrowings amounted to $502 million as at the end of the current period, a decrease of 16.6% compared to $602 million as at the end of last year, due primarily to part repayment of bank loans during the period.

As at 30 June 2014, deferred tax liabilities was $101 million, of which $96 million related to the deferred tax liability estimated on the fair value adjustments of the Anshan property projects, at the time the projects were assigned into the Group from CCT Fortis, in July 2013. The deferred tax liabilities will be credited to the profit or loss account in the future as when the related property units are sold and the related actual current tax liability is charged to profit or loss.

Promissory notes amounted to $1,022 million as at 30 June 2014, which were payable by the Company to CCT Fortis and its wholly-owned subsidiary, of which $848 million promissory note represented fair value of the interest-free promissory note issued to satisfy deferred payment of the consideration for assignment of the mainland property development business from CCT Fortis into the Group. The remaining promissory notes carry interest at 3% per annum and represented consideration to acquire the child product business and loans borrowed from CCT Fortis. Most of the promissory notes are mature on the date falling on the third anniversary of their respective date of issue.

Equity attributable to owners of the parent declined 6.6% from $471 million as at 31 December 2013 to $440 million as at 30 June 2014 due to the loss attributable to the owners of the parent in the period.

CAPITAL STRUCTURE AND GEARING RATIO

$ million	**30 June 2014** Amount (Unaudited)	**30 June 2014** Relative %	31 December 2013 Amount (Audited)	31 December 2013 Relative %
Bank borrowings	**502**	**53.3%**	602	56.1%
Total borrowings	**502**	**53.3%**	602	56.1%
Equity	**440**	**46.7%**	471	43.9%
Total capital employed	**942**	**100.0%**	1,073	100.0%

The Group's gearing ratio slightly decreased to 53.3% as at 30 June 2014 (31 December 2013: 56.1%) as a result of net decrease of bank borrowings during the period.

The Group's outstanding bank borrowings amounted to $502 million as at 30 June 2014 (31 December 2013: $602 million). As at 30 June 2014, the maturity profile of the Group's bank borrowings falling due within one year and in the second to the fifth years amounted to $429 million and $73 million respectively (31 December 2013: $507 million and $95 million respectively).

Out of the Group's bank borrowings, a total of $402 million (31 December 2013: $502 million) in bank loans were borrowed to finance the ordinary business of the Group and the balance of $100 million (31 December 2013: $100 million) were Hong Kong dollar loans fully secured by RMB deposits for hedging against RMB appreciation exposure. There was no material effect of seasonality on the Group's borrowing requirements.

LIQUIDITY AND FINANCIAL RESOURCES

$ million	**30 June 2014 (Unaudited)**	31 December 2013 (Audited)
Current assets	**1,953**	2,104
Current liabilities	**890**	1,026
Current ratio	**219.4%**	205.1%

Current ratio as at 30 June 2014 maintained at 219.4% (31 December 2013: 205.1%). Among the total cash balance of $419 million, deposits of $191 million (31 December 2013: $193 million) were pledged for general banking facilities and for arrangement of hedging RMB appreciation.

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

CAPITAL COMMITMENTS

As at 30 June 2014, capital commitment of the Group amounted to $2 million (31 December 2013: $2 million). The capital commitment will be funded partly by internal resources and partly by bank borrowings.

TREASURY MANAGEMENT

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

During the period under review, 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. As at 30 June 2014, 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 interest rates currently remain at low level. As for foreign exchange exposures, the Group is principally exposed to two major currencies, namely US dollar and RMB in terms of receipts and the RMB in terms of costs (including workers' wages and overhead and costs of the Anshan projects) in Mainland China. As for 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 a 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 limited.

As for RMB exposure, since factory wages and overhead of our Guangdong factory and costs of our Anshan projects are paid in RMB, we expose to RMB exchange risk as the Hong Kong dollar equivalent of our RMB-denominated costs will increase if exchange rate of RMB rises. The exchange risk of the project costs in Anshan will be naturally 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 the future. Despite certain devaluation of RMB in the first half of 2014 reversing several years of consistent appreciation, given the long-term optimistic outlook of growth of China's economy, the long-term trend of RMB still looks promising. In order to hedge against RMB appreciation risk, we have converted some of our surplus funds from Hong Kong dollars to RMB in the past few years. These accumulated RMB funds have been placed on deposits and pledged to a banker 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, without any need to tie up our working capital fund.

ACQUISITIONS AND DISPOSALS OF MATERIAL SUBSIDIARIES AND ASSOCIATES

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

SIGNIFICANT INVESTMENT

Except as disclosed in the review of operations section, the Group did not purchase, sell or hold any significant investment during the period ended 30 June 2014 and as at the balance sheet date.

PLEDGE OF ASSETS

As at 30 June 2014, certain assets of the Group with a net book value of $779 million (31 December 2013: $968 million), net assets of a subsidiary having a book value of $296 million (31 December 2013: $309 million) and time deposits of $191 million (31 December 2013: $193 million) were pledged to secure general banking facilities granted to the Group to finance operations and to secure arrangements for hedging RMB exposure.

CONTINGENT LIABILITIES

As at 30 June 2014, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group as at 30 June 2014 was 3,365 (31 December 2013: 3,343). The Group's remuneration policy is built on the principle of equality, motivating, performance-oriented and market-competitive remuneration package to employees. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. At 30 June 2014, there were outstanding share options of approximately 600,000,000 (31 December 2013: Nil).

interim results

The Board of the Company report the unaudited consolidated results of the Group for the six months ended 30 June 2014 together with the comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2014

		Six months ended 30 June	
HK$ million	Notes	**2014 (Unaudited)**	2013 (Unaudited)
REVENUE	4	**491**	593
Cost of sales		**(474)**	(563)
Gross profit		**17**	30
Other income and gains		**50**	9
Selling and distribution expenses		**(14)**	(13)
Administrative expenses		**(45)**	(31)
Other expenses		**(1)**	(6)
Finance costs	5	**(23)**	(7)
LOSS BEFORE TAX	6	**(16)**	(18)
Income tax expense	7	**–**	–
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		**(16)**	(18)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		**(HK0.02 cent)**	(HK0.03 cent)
Diluted		**(HK0.02 cent)**	(HK0.03 cent)

Details of the dividends payable and proposed for the period are disclosed in note 8 to the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Six months ended 30 June	
HK$ million	**2014 (Unaudited)**	2013 (Unaudited)
LOSS FOR THE PERIOD	**(16)**	(18)
Other comprehensive loss to be reclassified to profit or loss in subsequent period, net of tax:		
Exchange differences on translation of foreign operations	**(17)**	–
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT	**(33)**	(18)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

HK$ million	Notes	30 June 2014 (Unaudited)	31 December 2013 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**197**	261
Investment properties		**299**	178
Prepaid land lease payments		**41**	76
Goodwill		**22**	22
Pledged time deposits		**14**	14
Total non-current assets		**573**	551
Current assets			
Inventories		**58**	67
Properties under development		**145**	141
Completed properties held for sale		**759**	818
Trade receivables	11	**240**	244
Prepayments, deposits and other receivables		**346**	309
Pledged time deposits		**177**	179
Cash and cash equivalents		**228**	346
Total current assets		**1,953**	2,104
Total assets		**2,526**	2,655
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital	13	**654**	654
Reserves		**(214)**	(183)
Total equity		**440**	471
Non-current liabilities			
Interest-bearing bank borrowings		**73**	95
Deferred tax liabilities		**101**	103
Promissory notes		**1,022**	960
Total non-current liabilities		**1,196**	1,158
Current liabilities			
Trade and bills payables	12	**361**	401
Tax payable		**8**	8
Other payables and accruals		**92**	110
Interest-bearing bank borrowings		**429**	507
Total current liabilities		**890**	1,026
Total liabilities		**2,086**	2,184
Total equity and liabilities		**2,526**	2,655
Net current assets		**1,063**	1,078
Total assets less current liabilities		**1,636**	1,629

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the parent						
HK$ million	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital reserve (Unaudited)	Share option reserve (Unaudited)	Exchange fluctuation reserve (Unaudited)	Accumulated losses (Unaudited)	Total (Unaudited)
At 1 January 2014	**654**	**238**	**733**	**–**	**13**	**(1,167)**	**471**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**(17)**	**(16)**	**(33)**
Equity-settled share option arrangement	**–**	**–**	**–**	**2**	**–**	**–**	**2**
At 30 June 2014	**654**	**238**	**733**	**2**	**(4)**	**(1,183)**	**440**
At 1 January 2013	654	238	733	–	2	(1,136)	491
Total comprehensive loss for the period	–	–	–	–	–	(18)	(18)
At 30 June 2013	654	238	733	–	2	(1,154)	473

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
HK$ million	**2014 (Unaudited)**	2013 (Unaudited)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**(50)**	(6)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(1)**	(1)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(46)**	(23)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(97)**	(30)
Cash and cash equivalents at beginning of period	**346**	263
Effect of foreign exchange rate changes, net	**(21)**	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**228**	233
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**117**	145
Non-pledged time deposits with original maturity of less than three months when acquired	**111**	88
	228	233

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2013 (the "**2013 Annual Report**").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's 2013 Annual Report.

The following new and revised HKFRSs have been adopted by the Company with effect from 1 January 2014. The adoption of the new and revised HKFRSs does not have any significant financial effect on the interim financial statements.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*

3. OPERATING SEGMENT INFORMATION

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

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

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

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 equity-settled share option expense as well as head office and corporate expenses are excluded from such measurement.

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

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

3. OPERATING SEGMENT INFORMATION *(continued)*

HK$ million	Telecom, electronic and child products Six months ended 30 June 2014 (Unaudited)	2013 (Unaudited)	Property development Six months ended 30 June 2014 (Unaudited)	2013 (Unaudited)	Reconciliations Six months ended 30 June 2014 (Unaudited)	2013 (Unaudited)	Group total Six months ended 30 June 2014 (Unaudited)	2013 (Unaudited)
Segment revenue:								
Sales to external customers	**450**	593	**41**	–	**–**	–	**491**	593
Other revenue	**10**	9	**1**	–	**–**	–	**11**	9
	460	602	**42**	–	**–**	–	**502**	602
Operating profit/(loss)	**25***	(7)	**(11)**	–	**–**	–	**14**	(7)
Finance costs	**(8)**	(7)	**(14)#**	–	**(1)**	–	**(23)**	(7)
Reconciled items:								
Equity-settled share option expense	**–**	–	**–**	–	**(2)**	–	**(2)**	–
Corporate and other unallocated expenses	**–**	–	**–**	–	**(5)**	(4)	**(5)**	(4)
Profit/(loss) before tax	**17**	(14)	**(25)**	–	**(8)**	(4)	**(16)**	(18)
Income tax expense					**–**	–	**–**	–
Loss for the period					**(8)**	(4)	**(16)**	(18)
Other segment information:								
Interest income	**2**	2	**–**	–	**–**	–	**2**	2
Expenditure for non-current assets	**3**	–	**–**	–	**–**	–	**3**	–
Depreciation and amortisation	**(21)**	(23)	**–**	–	**–**	–	**(21)**	(23)
Other material non-cash items:								
Impairment of trade receivables	**–**	(1)	**–**	–	**–**	–	**–**	(1)
Equity-settled share option expense	**–**	–	**–**	–	**(2)**	–	**(2)**	–
Fair value gain on investment properties	**39**	–	**–**	–	**–**	–	**39**	–

* Taking into account unrealized revaluation gain on the Shenzhen office properties.

\# Included an interest of non-cash discounted imputed amount of HK$12 million on the interest-free promissory note arising from passage of time.

3. OPERATING SEGMENT INFORMATION *(continued)*

HK$ million	Telecom, electronic and child products 30 June 2014 (Unaudited)	Telecom, electronic and child products 31 December 2013 (Audited)	Property development 30 June 2014 (Unaudited)	Property development 31 December 2013 (Audited)	Reconciliations 30 June 2014 (Unaudited)	Reconciliations 31 December 2013 (Audited)	Group total 30 June 2014 (Unaudited)	Group total 31 December 2013 (Audited)
Segment assets	**1,276**	1,303	**1,249**	1,350	**-**	–	**2,525**	2,653
Reconciled items:								
Corporate and other unallocated assets	**-**	–	**-**	–	**1**	2	**1**	2
Total assets	**1,276**	1,303	**1,249**	1,350	**1**	2	**2,526**	2,655
Segment liabilities	**869**	908	**1,001**	1,108	**107**	57	**1,977**	2,073
Reconciled items:								
Corporate and other unallocated liabilities	**-**	–	**-**	–	**109**	111	**109**	111
Total liabilities	**869**	908	**1,001**	1,108	**216**	168	**2,086**	2,184

Geographical information

a) *Revenue from external customers*

HK$ million	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Europe	**274**	359
Asia Pacific and others	**149**	149
North America	**68**	85
	491	593

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

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

b) Non-current assets

HK$ million	**30 June 2014 (Unaudited)**	31 December 2013 (Audited)
Hong Kong	**27**	29
Mainland China	**532**	508
	559	537

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

Information about major customers

For the six months ended 30 June 2014, revenue from each of two major customers of the telecom, electronic and child products segment was HK$147 million and HK$57 million respectively, representing 30% and 12% of the Group's total revenue, respectively.

For the six months ended 30 June 2013, revenue from each of two major customers of the telecom, electronic and child products segment was HK$198 million and HK$82 million respectively, representing 33% and 14% of the Group's total revenue, respectively.

4. REVENUE

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

An analysis of revenue is as follows:

HK$ million	Six months ended 30 June 2014 (Unaudited)	 2013 (Unaudited)
Manufacture and sale of telecom, electronic and child products	**448**	591
Sale of properties	**41**	–
Bank interest income	**2**	2
	491	593

5. FINANCE COSTS

An analysis of finance costs is as follows:

HK$ million	Six months ended 30 June 2014 (Unaudited)	 2013 (Unaudited)
Interest on bank loans wholly repayable within five years	**9**	6
Interest on promissory notes	**2**	1
Total interest expense on financial liabilities not at fair value through profit or loss	**11**	7
Interest of non-cash discounted imputed amount on promissory note arising from passage of time	**12**	–
	23	7

6. LOSS BEFORE TAX

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

HK$ million	Six months ended 30 June 2014 (Unaudited)	2013 (Unaudited)
Cost of inventories sold	**436**	563
Cost of properties sold	**38**	–
Depreciation	**20**	22
Amortisation of prepaid land lease payments	**1**	1

7. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for the six months ended 30 June 2014 and 2013 as the Group had no profits chargeable to Hong Kong profits tax during those periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

HK$ million	Six months ended 30 June 2014 (Unaudited)	2013 (Unaudited)
Current — Mainland China		
Underprovision in prior years	**1**	–
Mainland China land appreciation tax	**1**	–
Deferred tax	**(2)**	–
Total tax charge for the period	**–**	–

8. DIVIDENDS

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2014 (30 June 2013: Nil).

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

The calculation of the basic and diluted loss per share for the period is based on the loss for the period attributable to ordinary equity holders of the parent of HK$16 million (six months ended 30 June 2013: HK$18 million), and the weighted average number of 65,413,993,990 (30 June 2013: 65,413,993,990) ordinary shares in issue during the period.

No adjustment has been made to the basic loss per share presented for the period ended 30 June 2014 in respect of a dilution as the impact of the outstanding share options had an anti-dilutive effect on the basic loss per share presented.

No adjustment has been made to the basic loss per share presented for the period ended 30 June 2013 in respect of a dilution as the Group did not have any potential diluted ordinary shares during the period.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired fixed assets of approximately HK$3 million (six months ended 30 June 2013: Nil).

11. TRADE RECEIVABLES

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

	30 June 2014 (Unaudited)		31 December 2013 (Audited)	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**68**	**28**	77	32
31 to 60 days	**67**	**28**	70	29
61 to 90 days	**53**	**22**	50	20
Over 90 days	**52**	**22**	47	19
	240	**100**	244	100

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

12. TRADE AND BILLS PAYABLES

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

HK$ million	30 June 2014 (Unaudited) Balance	30 June 2014 (Unaudited) Percentage	31 December 2013 (Audited) Balance	31 December 2013 (Audited) Percentage
Current to 30 days	**59**	**16**	120	30
31 to 60 days	**66**	**18**	78	19
61 to 90 days	**53**	**15**	43	11
Over 90 days	**183**	**51**	160	40
	361	**100**	401	100

13. SHARE CAPITAL

HK$ million	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Authorised:		
120,000,000,000 (31 December 2013: 120,000,000,000) ordinary shares of HK$0.01 each	**1,200**	1,200
Issued and fully paid:		
65,413,993,990 (31 December 2013: 65,413,993,990) ordinary shares of HK$0.01 each	**654**	654

There were no transactions involving the Company's issued ordinary share capital during the six months ended 30 June 2014.

14. CONTINGENT LIABILITIES

As at 30 June 2014, the Group did not have any significant contingent liabilities (31 December 2013: Nil).

15. PLEDGE OF ASSETS

At 30 June 2014, the Group's interest-bearing bank borrowings were secured by:

(a) the pledge of certain of the Group's buildings situated in Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$157 million (31 December 2013: HK$216 million);

(b) the pledge of the Group's investment properties situated in Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$299 million (31 December 2013: HK$178 million);

(c) the pledge of certain 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$42 million (31 December 2013: HK$78 million);

(d) the 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$281 million (31 December 2013: HK$496 million) ;

(e) the pledge of certain of the Group's time deposits amounting to approximately HK$191 million (31 December 2013: HK$193 million) ; and

(f) the pledge of the Group's equity interest of a subsidiary with a net asset value of HK$296 million (31 December 2013: HK$309 million).

16. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements with leases negotiated for terms of three years.

At 30 June 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

HK$ million	**30 June 2014 (Unaudited)**	31 December 2013 (Audited)
Within one year	**5**	2
In the second to fifth years, inclusive	**7**	–
	12	2

(b) As lessee

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

At 30 June 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

HK$ million	**30 June 2014 (Unaudited)**	31 December 2013 (Audited)
Within one year	**1**	1
In the second to fifth years, inclusive	**–**	1
	1	2

17. COMMITMENTS

In addition to the operating lease commitments detailed in note 16(b) above, the Group had the following capital commitments at the end of the reporting period:

HK$ million	**30 June 2014 (Unaudited)**	31 December 2013 (Audited)
Contracted, but not provided for:		
Building	**2**	2

18. RELATED PARTY TRANSACTIONS

(a) During the current period, the Group had the following transactions with the CCT Fortis Remaining Group:

		Six months ended 30 June	
HK$ million	Notes	**2014 (Unaudited)**	2013 (Unaudited)
Fellow subsidiaries:			
Continuing connected transactions			
Purchase of components	(i)	**49**	61
Factory rental income	(ii)	**3**	3
Office rental expense	(iii)	**1**	1
Ultimate holding company:			
Continuing connected transaction			
Management information system service fee	(iv)	**3**	3
Exempted connected transactions			
Issuance of promissory notes	(v)	**50**	–

18. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes:

(i) Certain plastic casings, components and any component products and toolings for the production of telecom and electronic products for the Group were purchased by the subsidiaries of the Company from fellow subsidiaries within the CCT Fortis Remaining Group at prices mutually agreed between the relevant parties.

(ii) The factory rental income was charged to a fellow subsidiary within the CCT Fortis Remaining Group for the provision of factory space in Huiyang, Mainland China, at rental determined in accordance with the terms and conditions set out in a tenancy agreement.

(iii) The office rental expense was charged to the Company by a fellow subsidiary within the CCT Fortis Remaining Group for the provision of office space in Hong Kong, at rental determined in accordance with the terms and conditions set out in a tenancy agreement.

(iv) The management information system service fee was charged to CCT Fortis by the Company for the provision of general management information system support, network and software consultation and hardware maintenance services. The fee was determined in accordance with the terms and conditions set out in a MIS agreement.

(v) The Company entered into loan agreements with CCT Fortis for the loan amounts of HK$38 million and HK$12.5 million respectively, which were satisfied by two promissory notes issued by the Company. These promissory notes have a term of three years from the date of issue and carries interest at 3% per annum payable annually. These connected transactions were fully exempted under Rule 14A.90 of the Listing Rule.

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

	Six months ended 30 June	
HK$ million	**2014 (Unaudited)**	2013 (Unaudited)
Short term employee benefits	**3**	3

19. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the current period's presentation.

20. APPROVAL OF THE INTERIM REPORT

The interim report was approved by the Board on 25 August 2014.

disclosure of interests

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, the Directors and chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company:

(a) Interests and short positions in the Shares and the underlying Shares as at 30 June 2014

(i) Long positions in the Shares:

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

Note: The interest disclosed represents 33,026,391,124 Shares held by CCT Fortis through its indirect wholly-owned subsidiaries. Mr. Mak Shiu Tong, Clement is deemed to be interested in such Shares under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of CCT Fortis through his interest in the shareholding of approximately 60.00% of the total issued share capital in CCT Fortis as at 30 June 2014.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES *(continued)*

(a) Interests and short positions in the Shares and the underlying Shares as at 30 June 2014 *(continued)*

(ii) Long positions in the underlying Shares of the share options granted under the 2011 Scheme:

Name of the Directors	Date of grant of the share options	Exercise period of the share options	Exercise price per Share	Number of the share options outstanding	Number of the total underlying Shares	Approximate percentage of the total issued share capital of the Company
			HK$			(%)
Cheng Yuk Ching, Flora	17/1/2014	17/1/2014 –16/1/2024	0.01	300,000,000	300,000,000	0.46
Tam Ngai Hung, Terry	17/1/2014	17/1/2014 –16/1/2024	0.01	275,000,000	275,000,000	0.42
William Donald Putt	17/1/2014	17/1/2014 –16/1/2024	0.01	5,000,000	5,000,000	Below 0.01
Chow Siu Ngor	17/1/2014	17/1/2014 –16/1/2024	0.01	5,000,000	5,000,000	Below 0.01
Lau Ho Kit, Ivan	17/1/2014	17/1/2014 –16/1/2024	0.01	5,000,000	5,000,000	Below 0.01
Chen Li	17/1/2014	17/1/2014 –16/1/2024	0.01	5,000,000	5,000,000	Below 0.01

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES *(continued)*

(b) Interests and short positions in the shares and the underlying shares of an associated corporation — CCT Fortis, as at 30 June 2014

Long positions in the shares of CCT Fortis:

Name of the Directors	Number of the shares interested and nature of interest Personal	Corporate	Total	Approximate percentage of the total issued share capital of CCT Fortis
				(%)
Mak Shiu Tong, Clement (Note)	8,475,652	446,025,079	454,500,731	60.00
Tam Ngai Hung, Terry	500,000	–	500,000	0.07
William Donald Putt	591,500	–	591,500	0.08

Note: Of the shareholding in which Mr. Mak Shiu Tong, Clement was interested, an aggregate of 446,025,079 shares of CCT Fortis were held by Capital Force International Limited, New Capital Industrial Limited and Capital Winner Investments Limited, all of which are corporations wholly-owned by Mr. Mak beneficially. Mr. Mak is deemed to be interested in 446,025,079 shares of CCT Fortis under the SFO as he controls the exercise of all the voting power at general meetings of Capital Force International Limited, New Capital Industrial Limited and Capital Winner Investments Limited.

Save as disclosed above, as at 30 June 2014, none of the Directors and chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the sections headed "Directors' Interests in shares and underlying shares" above and "Share Option Scheme of the Company" below, at no time during the period for the six months ended 30 June 2014 was the Company, or any of its holding companies, subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2014, the following persons (not being the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the Shares as at 30 June 2014:

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

Notes:

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

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

Save as disclosed above, the Directors and chief executive of the Company are not aware that there is any party who, as at 30 June 2014, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

share option scheme

SHARE OPTION SCHEME OF THE COMPANY

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

SHARE OPTION SCHEME OF THE COMPANY *(continued)*

The 2011 Scheme

No share options was exercised, cancelled or lapsed under the 2011 Scheme during the six months period ended 30 June 2014.

A total of 600,000,000 share options were granted under the 2011 Scheme on 17 January 2014 and all such share options remained outstanding as at 30 June 2014. Movements of the share options granted to the Directors and the other eligible participants under the 2011 Scheme during the period were as follows:

	Number of share options							
Name or category of the participants	Outstanding as at 1 January 2014	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 30 June 2014	Date of grant of the share options	Exercise period of the share options	Exercise price of the share options
								HK$ per Share
Executive Directors								
Cheng Yuk Ching, Flora (Note 1)	–	300,000,000	–	–	300,000,000	17/1/2014	17/1/2014–16/1/2024	0.01
Tam Ngai Hung, Terry (Note 1)	–	275,000,000	–	–	275,000,000	17/1/2014	17/1/2014–16/1/2024	0.01
William Donald Putt (Note 1)	–	5,000,000	–	–	5,000,000	17/1/2014	17/1/2014–16/1/2024	0.01
	–	580,000,000	–	–	580,000,000			
Independent non-executive Directors								
Chow Siu Ngor (Note 2)	–	5,000,000	–	–	5,000,000	17/1/2014	17/1/2014–16/1/2024	0.01
Lau Ho Kit, Ivan	–	5,000,000	–	–	5,000,000	17/1/2014	17/1/2014–16/1/2024	0.01
Chen Li (Note 2)	–	5,000,000	–	–	5,000,000	17/1/2014	17/1/2014–16/1/2024	0.01
	–	15,000,000	–	–	15,000,000			
Other eligible participant								
Tam King Ching, Kenny (Note 3)	–	5,000,000	–	–	5,000,000	17/1/2014	17/1/2014–16/1/2024	0.01
	–	5,000,000	–	–	5,000,000			
	–	600,000,000	–	–	600,000,000			

Notes:

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

2. Mr. Chow Siu Ngor and Mr. Chen Li are INEDs of both CCT Fortis and the Company.

3. Mr. Tam King Ching, Kenny is an INED of CCT Fortis.

SHARE OPTION SCHEME OF THE COMPANY *(continued)*

The 2011 Scheme *(continued)*

The closing market price of the Shares immediately before the date of grant of the outstanding share options as quoted in the Stock Exchange's daily quotation sheet was HK$0.01 a share.

The fair value of the equity-settled share options granted during the period was HK$2,401,000 which was estimated as at the date of grant, using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	0.00%
Expected volatility (%)	44.70%
Historical volatility (%)	44.70%
Risk-free interest rate (%)	1.37%
Expected life of share options (year)	5.00
Weighted average share price (HK$ per Share)	0.01

The expected life of the options is based on management expectation and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future tends, which may also not necessarily be the actual outcome.

No other feature of the share options granted was incorporation into the measurement of fair value.

The total number of Shares of the Company available for issue upon exercise of the 600,000,000 outstanding options under the 2011 Scheme is 600,000,000 Shares, which represents approximately 0.92% of the total issued share capital of the Company as at 30 June 2014 and the date of this Interim Report. The exercise in full of the outstanding share options will, under the present capital structure of the Company, result in the issue of 600,000,000 additional Shares and additional share capital of HK$6,000,000 in the Company.

other information

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed Shares during the period for the six months ended 30 June 2014.

CORPORATE GOVERNANCE

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

In the opinion of the Directors, the Company has complied with all the Code Provisions under the CG Code throughout the period from 1 January 2014 to 30 June 2014, 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 for the six months period ended 30 June 2014.

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.

CORPORATE GOVERNANCE *(continued)*

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.6.7

The Code Provision A.6.7 provides that INEDs should attend general meetings of the Company.

The Company held one general meeting during the period from 1 January 2014 to 30 June 2014, which is the 2014 AGM held on 21 May 2014. Due to other business engagement, Mr. Chen Li was not able to attend the 2014 AGM. However, the other two INEDs had attended the AGM.

Other information on the corporate governance practices of the Company has been disclosed in the corporate governance report contained in the 2013 Annual Report of the Company issued in April 2014.

Model Code for Securities Transactions by the Directors

The Company has adopted its code of conduct regarding the securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code adopted by the Company throughout the six months period ended 30 June 2014.

REVIEW OF INTERIM REPORT

The Group's interim report including the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2014 has been reviewed by the Audit Committee of the Company.

BOARD AND COMMITTEES OF THE BOARD

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

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

Audit Committee
Lau Ho Kit, Ivan *(Chairman)*
Chow Siu Ngor
Chen Li

Remuneration Committee
Chow Siu Ngor *(Chairman)*
Lau Ho Kit, Ivan
Chen Li
Mak Shiu Tong, Clement
Tam Ngai Hung, Terry

Nomination Committee
Mak Shiu Tong, Clement *(Chairman)*
Tam Ngai Hung, Terry
Chow Siu Ngor
Lau Ho Kit, Ivan
Chen Li

Company Secretary
Tam Ngai Hung, Terry

glossary of terms

GENERAL TERMS

"2011 Scheme"	The share option scheme conditionally adopted by the Company on 27 May 2011 which took effect on 30 May 2011
"AGM"	Annual general meeting
"Audit Committee"	The audit committee of the Company
"Board"	The board of Directors
"CCT Fortis"	CCT Fortis Holdings Limited, a company listed on the Main Board of the Stock Exchange and the ultimate holding company of the Company
"CCT Fortis Remaining Group"	CCT Fortis and its subsidiaries other than the Group
"CEO"	The chief executive officer of the Company
"CG Code"	The Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	The chairman of the Company
"Company"	CCT Land Holdings Limited
"Director(s)"	The director(s) of the Company
"Group"	The Company and its subsidiaries
"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)
"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
"PRC" or "China"	The People's Republic of China
"Remuneration Committee"	The remuneration committee of the Company
"R&D"	Research and development
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	The ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	Holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US"	The United States of America
"US$"	United States dollar(s), the lawful currency of US
"%"	Per cent.

FINANCIAL TERMS

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