CCT FORTIS

中建富通集團有限公司

Stock Code : 138

2014

chairman's letter

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

In the first half of 2014, the Group's turnover declined to $505 million, representing a 27.2% decrease from $694 million in the last corresponding period. Despite decline in turnover, net loss attributable to owners of the parent narrowed to $31 million, a decrease of 11.4% from the comparable period. The improvement in result was primarily attributable to a revaluation gain on the Shenzhen office premises of CCT Land, which have been converted from self use into rental properties during the period.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.03 per share for 2014 (30 June 2013: HK$0.03 per share) to be payable from the Company's distributable reserves. The interim dividend of HK$0.03 per share will be payable on or around Friday, 26 September 2014 to the shareholders whose names appear on the register of members of the Company on Friday, 12 September 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 10 September 2014 to Friday, 12 September 2014 (both days inclusive), during which period no transfer of share(s) will be effected. In order to qualify for the interim dividend of HK$0.03 per share, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Monday, 8 September 2014.

REVIEW OF OPERATIONS

During the period under review, the Group have expanded its business to the classic car sector and its principal business consisted of: (i) property development and trading business in Hong Kong; (ii) property investment and holding; (iii) property development in Mainland China; (iv) manufacture and sale of telecom, electronic and child products (the "**Telecom Product Business**"); (v) manufacture and sale of plastic components; (vi) the securities business; (vii) the new investment business in classic cars; and (viii) the new venture of trading in classic cars. Review of operations of each business in the first half of 2014 has been set out below.

Property development and trading in Hong Kong

The property market activities in Hong Kong have slowed down following the launch of various government measures in 2013 to restrict the market. Despite this market condition, after the tremendous success of MaxiBase project in 2013, we continue to seek opportunities to acquire new projects with good profit potentials. As a result, we completed during the period the purchase of five street-level shops with all car parking spaces on ground floor of the retail property located at Wah Po Building, Kennedy Town, Sai Wan, facing the waterfront of the Western District and near a future MTR station of the West Island Line. The total purchase costs (including acquisition costs and related stamp duty and transaction costs) of Wah Po Properties were approximately $82 million. The Wah Po Properties have a total gross floor area of approximately 7,820 square feet of which the five shops have a total gross floor area of approximately 3,469 square feet. We expect that the forthcoming opening of the West Island Line at the end of this year will rapidly gentrify Kennedy Town and the Western District and this will likely enhance value of retail properties in the area. In addition, the Group also entered into two provisional sale and purchase agreements in February 2014 to acquire two floors of retail properties at 18/F and 19/F of No. 8 Russell Street, which is a 29-storey building situated in the centre of the busiest shopping and tourist area in Causeway Bay. Renowned large-scale shopping malls are clustered in the vicinity, such as Times Square and Hysan Place. The two floors of properties on Russell Street, which we will acquire, have gross floor area of approximately 9,436 square feet in total. The building on Russell Street above 5th floor was used as serviced apartments for renting but will be sold with vacant possession and will be converted into a Ginza-type shopping centre. Given the excellent location of the building, we expect that this new Ginza-type shopping mall will attract up-market retailers, restaurant operators and service providers (such as beauty parlour and clinics) to lease at higher rental rate. The purchase of the Russell Street Properties will be completed later this year. We are happy to see that prices of the new project properties have already appreciated since acquisition or execution of the purchase agreements. We are confident in these new projects which are expected to deliver good profit performance. In the absence of any disposal of properties by the Group in the first half of the year, this business unit incurred an operating loss of $3 million, mainly attributable to its operating expenses.

Property investment and holding

Despite property market slowdown by government's tightening measures, prices of our investment property portfolio, which consists of luxury residential houses, two small-sized flats, office properties and retail shops stood firm in the first half of 2014, following significant appreciation in values in the past few years. In the current period, the Group rented out additional properties in Hong Kong and generated rental income of $5 million in total, an increase of $4 million compared with the same period last year. Performance of our Hong Kong investment property portfolio remained satisfactory and delivered an operating profit of $2 million in the current period as opposed to an operating loss of $2 million in the comparable period of 2013, led by increase in rental income. The above segment result has not included the rental income from and the unrealised revaluation gain on CCT Land's Shenzhen office premises, which have been converted into rental properties during the period. The income and gain derived from the Shenzhen office premises was included in the operating result of the Telecom Product Business.

Property development in Mainland China

The mainland property development business was established by the Group in 2007. This business was assigned to CCT Land Group in July 2013, following completion of an intra-group restructuring transaction. All the property development projects of CCT are located in Anshan City, Liaoning Province, China, in which CCT has set a strong foothold in the property sector since establishment of the business in 2007. All the projects developed by CCT have so far been successful and all of CCT 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 CCT's mainland property projects are lowly geared, CCT Land has a more resilient holding power in these property projects and therefore has decided not to follow other local property developers to cut property prices significantly. CCT Land is confident in its property projects and the long term prospects of the mainland property market as it believes 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, CCT Land was inevitably adversely impacted by the recent weakening mainland residential market, leading to drop in turnover in the first half of 2014. A total of only 6,745 square meters of gross floor area ("**GFA**") of property units were sold during the period and generating revenue of $41 million, compared to $92 million in the equivalent period of last year. Caused by the significant reduction in property sales, this business unit posted an operating loss of $6 million in the first half of 2014 as opposed to an operating profit of $7 million in the comparable period. During the period, despite a weaker residential market in the mainland, CCT Land 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 with the development of Evian Villa Phase 2, the overall living environment of the entire Evian Villa project will improve. This will enhance confidence of potential home buyers, which will in turn enhance reputation of CCT and help to promote future sales of CCT's property projects in Anshan.

Telecom Product Business

The Telecom Product Business is engaged by CCT Tech under the CCT Land Group. Turnover of product sales dropped by 24.1% to $450 million in the reporting period. The decline in revenue was led by slow recovery of the major markets of the CCT Tech Group 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. CCT Tech does not consider competing on price is advisable or advantageous for it as this would only harm it in short term without creating any long term benefit to its manufacturing business. Instead, CCT Tech continues to improve its competitiveness in the long 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 wage in the Guangdong Province. In order to overcome this problem, CCT Tech's 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 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 process 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 its R&D function to CCT Tech's Huiyang factory. The relocation of the Shenzhen R&D centre 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 the production departments, thus enhancing efficiency in the long run. As a result of the relocation, CCT's Shenzhen office premises, which used to house CCT's R&D centre, are no longer needed for own use and therefore most part of the Shenzhen office premises has been rented out to third parties to generate rental income. It is expected that the remaining part of the Shenzhen office premises will be rent out by year end. As such, the office properties have been reclassified as investment properties for accounting purpose and an unrealised fair value gain of $55 million was recognised by the Group in the first half, based on a professional revaluation of the properties at the period end. This fair value gain turned the operating results before finance costs and taxation of the Telecom Product Business into an adjusted operating profit of $41 million in the current period, as opposed to a $7 million operating loss in the equivalent period of last year.

Manufacturing of plastic components

This business segment is engaged in the production of plastic components, most of which are supplied to CCT Land for manufacture of telecom and child products.

In first half of the year, turnover from component sales was $58 million, representing a period-on-period decrease of 14.7%. The decrease was in line with the drop in turnover of the Telecom Product Business. During the period, shortage of labour and rising wages continued to pose major challenges to performance of this business segment. These adverse factors compounded by the significant reduction in turnover, caused this business unit to incur an operating loss of $29 million in first half of the year, compared to $12 million loss in the equivalent period of last year.

Securities business

In view of large volatility of the stock market, the Group had scaled down its securities business significantly in the past few years. At the current period end, our existing investment portfolio mainly consisted of low-risk RMB-denominated bonds of approximately $52 million, which carry interest at fixed rate. An equivalent amount of Hong Kong dollar loan has been borrowed from a banker against security of these RMB bonds. This financing arrangement was entered into for the purpose of hedging appreciation of RMB against Hong Kong dollar. In the first half of 2014, this business unit recorded an operating loss of $2 million, which was mainly attributable to the unrealised exchange loss on the RMB bonds, due to depreciation of exchange rate of RMB in the first half.

New venture of investment and trading in classic cars

As announced in the Company's 2013 annual report and the circular dated 30 May 2014, the Group has entered into a new venture of investment and trading in classic cars under the trade-name "Blackbird" earlier this year. We realise that classic cars, especially classic sport cars and racing cars, have been a very good performer in terms of value appreciation. We notice that classic cars have outperformed other collectibles such as gold, wine, stamps and coins over the past ten years. We also notice that the demand for classic cars is rising. We are pleased to see that CCT has already established a strong foothold in the classic car sector. Blackbird already acquired seven classic sport or racing cars at total prices of approximately $96 million during the period. We are pleased to note all of these cars have appreciated in value within a short time after their acquisition. Some of the cars that we bought were acquired with trading intention and others were acquired for long-term investment purpose. In order to build up a multi-faceted automotive business, the Group acquired during the period from Mr. Clement Mak, the Company's chairman and chief executive officer, his beneficial interest in the entire shareholding and shareholder's loan in a Hong Kong incorporated private company, which holds two ground-level workshops situated in Chai Wan. One of the workshops will be used as a restoration and maintenance centre for classic cars as an expansion of our classic car businesses. The other workshop will continue to be let to a family company of Mr. Mak at market rental, which will generate recurrent rental income to the Group. The transaction was completed in June 2014. This classic automotive business recorded $1 million operating loss for the six-months period ended 30 June 2014, mainly attributable to overheads incurred during the period. We are excited at this new venture which we believe will have huge business potentials and will open a new avenue for revenue and profitability growth of the Group in the future.

OUTLOOK

Looking forward, the local and global economic and political uncertainty will remain a challenge to the Group 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 to overcome the challenges that we face in some of the Group's core businesses, such as the manufacturing business. At the same time, we will continue to seek, pursue and grow new business ventures on the other hand.

We are confident in the newly acquired property projects in Hong Kong. Their location and quality is good. We will explore various proposals to further upgrade their quality and enhance their value. We are pleased to see that their values have appreciated since acquisition or pending completion of acquisition. We will capitalise our strength in the property sector, hoping to further our success in the MaxiBase project in 2013. We expect these new projects will deliver satisfactory profits in the future.

We notice that the effect of the tightening measures introduced by the Hong Kong government last year on property market has somewhat subsided after the period end as transaction volume and local home prices have rebounded. Small and medium-sized units saw the sharpest upturn due to tight supply of small units both in primary and secondary market whereas demand of home buyers, especially first-time buyers, is strong. We have therefore grasped this opportunity and signed agreements after the period end to sell the two small residential units (one of which is located at Jubilee Garden, Shatin and the other at Mei Foo Sun Chuen, Kowloon) that we owned for rental purposes. The values of these property units have risen by approximately 28% over their original acquisition costs and total gains of approximately $2 million will be realised upon completion of their disposal. We believe that general property prices may continue to rise in the near future although price increase will likely to be moderate. We are confident in the Hong Kong property market, which will continue to robust in the long run. We expect that our investment properties portfolio will likely deliver additional rental income as more properties are being rented out. This business sector is expected to deliver good profitable performance and satisfactory returns in the years to come.

CCT Land remains optimistic in the future prospects of its Anshan property projects over the longer term despite a significant slowdown of the local residential market in the near term. CCT Land will strive to boost sales of property units in the second half. However, it does not intend to lower property prices drastically to erode its margin. CCT Land has already restructured and strengthened its marketing team in Anshan. More effective marketing and promotion activities are in the pipeline in the second half. Furthermore, CCT Land will explore financing opportunities, planning to increase cash flow of the projects and to further improve the financial position of the CCT Land Group. CCT Land is confident in this business and it expects that this business will deliver significant revenue and cash flow to the CCT Land Group in the future.

We remain positive in the manufacturing business of CCT Land. CCT Land will continue to pursue its on-going initiatives to improve competitiveness and its relentless efforts of cost saving. CCT Land will continue to enhance quality, functions and designs of its existing phone products and will introduce new product ranges. CCT Land will also continue to explore opportunities to broaden its revenue and improve its profitability. The conversion of its Shenzhen office premises 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, CCT Land may also benefit from future possible further appreciation in value of the rental properties.

We are excited at the new venture in the classic car business. We are happy to see that this Blackbird automotive business has set a strong foothold in the classic car sector within a short time. After the period end, one car has been sold by Blackbird in order to create some trading records. Reasonable profits will arise from this transaction. Blackbird intends to acquire and sell some more cars before the end of this year. Furthermore, the classic car restoration and maintenance centre in Chai Wan has been set up with a specialist team of experienced technicians to maintain, restore and service our exclusive clientele's vehicles. We have committed to build up, grow and expand this multi-facet classic automotive business into a unique pioneer in this new sector and market leader in the region. We expect this new automotive venture will deliver strong revenue, profit and cash flow to the Group in coming years.

APPRECIATION

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

Mak Shiu Tong, Clement
Chairman

Hong Kong, 25 August 2014

financial review

HIGHLIGHTS ON FINANCIAL RESULTS AND OTHER COMPREHENSIVE LOSS/(INCOME)

$ million	Six months ended 30 June 2014 (Unaudited)	2013 (Unaudited)	% increase/ (decrease)
Financial results			
Turnover	**505**	694	(27.2%)
Other income and gains	**65**	26	150.0%
Loss before tax	**(37)**	(41)	(9.8%)
Income tax expense	**(2)**	(4)	(50.0%)
Loss after tax	**(39)**	(45)	(13.3%)
Loss attributable to:			
Owners of the parent	**(31)**	(35)	(11.4%)
Non-controlling interests	**(8)**	(10)	(20.0%)
	(39)	(45)	(13.3%)
Loss per share	**(HK$0.050)**	(HK$0.058)	(13.8%)
Dividends per share	**HK$0.030**	HK$0.030	–
Other comprehensive (loss)/income, net of tax	**(18)**	6	N/A

Discussion on Financial Results and Other Comprehensive Loss/(Income)

The Group's turnover was $505 million for the six months ended 30 June 2014, a decrease of 27.2% as compared to $694 million for the equivalent period in 2013. The drop in revenue was mainly due to lower manufacturing income and reduced mainland property sales of the CCT Land Group. Net loss attributable to owners of the parent was $31 million in the current period, a decrease of 11.4% compared to $35 million loss in the comparable period. The reduction in loss was mainly attributable to a fair value gain of $55 million recognised by the Group on the Shenzhen office premises of the CCT Land Group, which have been changed from self use to rental properties during the period.

The revaluation gain on the Shenzhen office premises was classified as "other income and gains" in the Consolidated Statement of Profit or Loss and increased this category of income and gains by 150% to $65 million in the current period.

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

Other comprehensive loss of $18 million reported in the Consolidated Statement of Comprehensive Income represented unrealised exchange losses on translation of the accounts of the property subsidiaries in Mainland China, attributable to a devaluation of RMB during the period. 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 %	% increase/ (decrease)
Property development and trading in Hong Kong	**–**	**–**	–	–	N/A
Property investment and holding	**7**	**1.4%**	3	0.4%	133.33%
Property development in Mainland China	**41**	**8.1%**	92	13.3%	(55.4%)
Telecom Product Business	**450**	**89.1%**	593	85.5%	(24.1%)
Component business	**58**	**11.5%**	68	9.8%	(14.7%)
Securities business	**–**	**–**	1	0.1%	N/A
Investment in classic cars	**–**	**–**	–	–	N/A
Trading of classic cars	**–**	**–**	–	–	N/A
Elimination of intersegment transactions	**(51)**	**(10.1%)**	(63)	(9.1%)	(19.0%)
Total	**505**	**100.0%**	694	100.0%	(27.2%)

	Operating profit/(loss) Six months ended 30 June		
$ million	**2014 (Unaudited)**	2013 (Unaudited)	% increase/ (decrease)
Property development and trading in Hong Kong	**(3)**	(1)	200.0%
Property investment and holding	**2**	(2)	N/A
Property development in Mainland China	**(6)**	7	N/A
Telecom Product Business	**41**	(7)	N/A
Component business	**(29)**	(12)	141.7%
Securities business	**(2)**	–	N/A
Investment in classic cars	**–**	–	N/A
Trading of classic cars	**(1)**	–	N/A
Total	**2**	(15)	N/A

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

In the absence of property sales, the Hong Kong property development and trading business recorded operating loss $3 million in the first half of 2014, which represented operating expenses incurred during the period.

The performance of property investment department was satisfactory in the first half of 2014. This department recognised an operating profit of $2 million in the current period, while an operating loss of $2 million was recorded in the corresponding period of 2013, due mainly to increase in rental income from the Group's investment properties during the period. The segment's result has not taken into account the rental income and fair value revaluation gain arising from the conversion of the Shenzhen office premises into rental properties, which had been included in the results of the Telecom Product Business.

The mainland property projects contributed contracted sales of $41 million to CCT Land Group in the first half of 2014 against $92 million sales reported under the Group in the equivalent period of 2013. The decrease was caused by weaker market, due to strict tightening measures by central government having continued to apply to the housing market and the resulting dampening sentiment of home buyers. The current-period's operating loss of this segment was $6 million as opposed to the corresponding-period's operating gain of $7 million. The current loss was caused mainly by significant reduction in property sales.

The Telecom Product Business reported operating gain of $41 million in the current period, which mainly represented conversion of the Shenzhen office premises into rental properties, giving rise to a fair value gain of $55 million to the Group upon revaluation of the properties at period end, as opposed to an operating loss of $7 million in the last corresponding period. Excluding the fair value gain, operating loss of this segment increased from $7 million in the first half of 2013 to $14 million in the first half of 2014, due to the combined effect of decline in turnover, increase in labour costs, and lower labour efficiency due to hiring of too many new and temporary workers.

The component department reported revenue of $58 million, down 14.7% period-to-period, in line with the decrease in sales of the Telecom Product Business to which it supplied most of its component products during the period. Amid difficult operating environment, this business segment incurred an operating loss of $29 million, increased 141.7% from $12 million in last corresponding period, caused by the similar operating challenges faced by the Telecom Product Business.

The Group's securities business recorded an operating loss of $2 million in the current period, mainly represented unrealised exchange loss on its holdings of RMB bonds and unrealised mark-to-market loss on its other securities investment. After the period end, the exchange rate of RMB has rebounded and it is expected the unrealised exchange loss will likely be partly or wholly reversed in the second half.

During the period, the new classic car trading business incurred operating loss of only $1 million, mainly consisted of staff costs and overhead.

ANALYSIS BY GEOGRAPHICAL SEGMENT

	Turnover Six months ended 30 June				
	2014		2013		
$ million	**Amount (Unaudited)**	**Relative %**	Amount (Unaudited)	Relative %	% increase/ (decrease)
Europe	**274**	**54.2%**	359	51.7%	(23.7%)
Asia Pacific and others	**162**	**32.1%**	250	36.0%	(35.2%)
North America	**69**	**13.7%**	85	12.3%	(18.8%)
Total	**505**	**100.0%**	694	100.0%	(27.2%)

European market, representing the Group's largest market, contributed 54.2% of the Group's total turnover. Sales to Europe dropped by 23.7% to $274 million in the reporting period, caused by lower sales of telecom and child products. Turnover from the Asia Pacific and other regions accounted for 32.1% of the Group's total turnover and contributed revenue of $162 million, representing a period-on-period drop of 35.2%. The drop reflected the combined decrease in sales of telecom products and mainland property units. Sales to the North American market also dropped 18.8% to only $69 million. The overall decrease in sales in different geographical regions were caused by the operating difficulties explained in the section headed "Review of operations" in this interim report.

HIGHLIGHTS ON SIGNIFICANT MOVEMENT OF FINANCIAL POSITION

$ million	30 June 2014 (Unaudited)	31 December 2013 (Audited)	% increase/ (decrease)
NON-CURRENT ASSETS			
Property, plant and equipment	**672**	597	12.6%
Investment properties	**1,030**	881	16.9%
Prepaid land lease payments	**60**	95	(36.8%)
Held-to-maturity debt securities	**52**	–	N/A
Classic cars	**21**	–	N/A
Pledged time deposits	**64**	65	(1.5%)
Other receivables	**47**	71	(33.8%)
CURRENT ASSETS			
Inventories	**67**	78	(14.1%)
Properties under development	**119**	117	1.7%
Completed properties held for sale	**658**	712	(7.6%)
Stock of properties	**82**	–	N/A
Stock of classic cars	**75**	–	N/A
Prepayment, deposits and other receivables	**422**	331	27.5%
Held-to-maturity debt securities	**–**	53	N/A
Pledged time deposits	**233**	235	(0.9%)
Cash and cash equivalents	**255**	643	(60.3%)
CURRENT LIABILITIES			
Current interest-bearing bank borrowings	**738**	811	(9.0%)
EQUITY AND NON-CURRENT LIABILITIES			
Non-current interest-bearing bank borrowings	**538**	452	19.0%
Non-controlling interests	**148**	164	(9.8%)
Equity attributable to owners of the parent	**2,095**	2,032	3.1%

Discussion on Financial Position

As at 30 June 2014, balance of property, plant and equipment was $672 million, an increase of 12.6%. This increase represented the combined effect of: (i) acquisition of workshop 11 at Ground Floor, MP Industrial Centre, Chai Wan, Hong Kong to be used as the classic car restoration and maintenance facility; (ii) reclassification of the carrying value of CCT Land's Shenzhen office premises from property, plant and equipment account to investment properties account due to change of use of properties from self use to rental properties during the period; and (iii) the depreciation charge for the period.

Balance of the investment properties at 30 June 2014 was $1,030 million, $149 million or 16.9% higher than the last balance sheet date. The increase represented the combined effect of: (i) the acquisition of the rental property at workshop 8 at Ground Floor, MP Industrial Centre, Chai Wan, Hong Kong; (ii) inclusion of the carrying value of CCT Land's Shenzhen office premises reclassified from the property, plant and equipment and prepaid land lease payments accounts during the period; and (iii) revaluation fair value gain of the Shenzhen Properties at period end.

Prepaid land lease payments decreased to $60 million, a drop 36.8% during the period, due to the reclassification of land lease payment attributable to CCT Land's Shenzhen office premises to investment properties account.

Held-to-maturity debt securities (classified under non-current assets) represented the three-year RMB bonds bought in early 2014 to replace the two-year RMB bonds (classified under current assets) as at 31 December 2013, which were mature during the period.

The balance of stock of properties was $82 million which represented the acquisition costs (including transaction costs such as stamp duty and legal professional fees) of the Wah Po Properties.

The balance of classic cars of $21 million classified under non-current assets represented the acquisition costs of classic cars purchased with an intention for long term investment purpose.

Other receivables of $47 million at 30 June 2014 classified under non-current assets represented the non-current portion of loan receivables which consisted of (i) balance of the deferred consideration for the disposal of the medical product business; (ii) 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. The balance of these receivables declined by 33.8%, mainly attributable to reclassification of the current portion of the receivables due within one-year at period end to current assets.

Inventory decreased 14.1% in the period under review, caused by decrease in sales of the manufacturing business and further improvement in inventory control. The inventory turnover period for the period maintained at a reasonable low level of 28.3 days (31 December 2013: 31.0 days).

Balance of the properties under development increased by 1.7% to $119 million at period end. The increase was mainly attributable to the additional construction and development expenditure incurred during the period on the incomplete property projects in Anshan.

As at 30 June 2014, completed properties held for sale amounted to $658 million, representing the costs of the unsold completed property units in Anshan.

Stock of classic cars amounted to $75 million at the period end, which represented acquisition costs of classic cars bought for trading purposes. One of these cars were sold after period end at satisfactory profit.

Prepayment, deposits and other receivables at 30 June 2014 was $422 million, up 27.5% from $331 million at 31 December 2013. The increase of the account balance during the first half was primarily due to the deposits paid for the acquisition of two floors of the building on No. 8 Russell Street and re-categorisation of the current portion of non-current other receivables to current assets at period end. This account balance also included prepayment of $192 million related to a contracted acquisition of the land use right of a piece of land in Anshan.

Pledged time deposits, classified under non-current assets and current assets, decreased from $300 million at 31 December last year to $297 million at 30 June 2014. Of the pledged deposits, a total amount of $211 million (equivalent to RMB169 million) in deposits were denominated in RMB. These RMB deposits 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 could benefit from exchange appreciation of the pledged RMB deposits and at the same time, the Group would continue to use the funds borrowed in Hong Kong dollars for business purpose.

Cash and cash equivalents decreased by 60.3% to $255 million as at 30 June 2014. The net decrease represented funds used in the operations, development of the Group's businesses and payments of the dividend during the period.

The aggregate amount of the current and non-current bank borrowings increased from $1,263 million as at 31 December 2013 to $1,276 million as at 30 June 2014, up 1.0%. The net increase represented additional mortgage loans, working-capital loans and other bank borrowings, net of repayment of some bank loans during the period.

During the period, decrease in the non-controlling interests, mainly represented share of CCT Land's non-controlling shareholders in the loss of the CCT Land Group for the period.

Equity attributable to owners of the parent at end of the period stood at $2,095 million, an increase of 3.1% compared to $2,032 million at beginning of the period. This change was attributable mainly to the combined effect of issue and allotment of new shares during the period to satisfy the consideration for acquisition of the two workshops situated in Chai Wan, offsetting the net loss for the period and the dividend paid during the period.

CAPITAL STRUCTURE AND GEARING RATIO

	30 June 2014		31 December 2013	
$ million	**Amount (Unaudited)**	**Relative %**	Amount (Audited)	Relative %
Bank borrowings	**1,276**	**37.9%**	1,263	38.3%
Total borrowings	**1,276**	**37.9%**	1,263	38.3%
Equity	**2,095**	**62.1%**	2,032	61.7%
Total capital employed	**3,371**	**100.0%**	3,295	100.0%

The Group's gearing ratio was 37.9% as at 30 June 2014 (31 December 2013: 38.3%). The slight decrease in the gearing ratio was caused by the net effect of increase of the bank borrowings and equity during the period.

Outstanding bank borrowings amounted to $1,276 million at 30 June 2014 (31 December 2013: $1,263 million). Approximately 57.8% of these bank borrowings were arranged on a short-term basis to fund the manufacturing business and investments of the Group and were repayable within one year. The remaining 42.2% 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 $1,028 million (31 December 2013: $1,015 million) were borrowed to finance ordinary businesses and investments of the Group and the balance of $248 million (31 December 2013: $248 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 30 June 2014, the maturity profile of the bank borrowings of the Group falling due within one year, in the second to the fifth year and beyond five years amounted to $738 million, $275 million and $263 million, respectively (31 December 2013: $811 million, $218 million and $234 million, respectively). 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	**2,155**	2,439
Current liabilities	**1,343**	1,530
Current ratio	**160.5%**	159.4%

The Group's current ratio as at 30 June 2014 was 160.5% (31 December 2013: 159.4%), reflecting a healthy financial position of the Group.

As at 30 June 2014, the Group's cash balance was $552 million (31 December 2013: $943 million), which included pledged deposits of $297 million (31 December 2013: $300 million), served as security for general banking facilities and for arrangement hedging RMB. 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 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 the interest rates currently remain at low level. As for 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. 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 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.

ACQUISITION AND DISPOSAL OF MATERIAL SUBSIDIARIES AND ASSOCIATES

Save for the acquisition of private company which holds the two ground-floor properties at MP Industrial Centre in Chai Wan, Hong Kong from Mr. Clement Mak, 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 $2,070 million (31 December 2013: $1,886 million), net assets of a subsidiary with net book value of $296 million (31 December 2013: $309 million) and time deposits of $297 million (31 December 2013: $300 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 4,418 (31 December 2013: 4,438). The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitive remuneration package to employees. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. At 30 June 2014, there were no outstanding share options issued by the Company.

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	3	**505**	694
Cost of sales		**(496)**	(652)
Gross profit		**9**	42
Other income and gains	4	**65**	26
Selling and distribution expenses		**(14)**	(15)
Administrative expenses		**(73)**	(67)
Other expenses		**(6)**	(13)
Finance costs		**(18)**	(14)
LOSS BEFORE TAX	5	**(37)**	(41)
Income tax expense	6	**(2)**	(4)
LOSS FOR THE PERIOD		**(39)**	(45)
Attributable to:			
Owners of the parent		**(31)**	(35)
Non-controlling interests		**(8)**	(10)
		(39)	(45)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**(HK$0.050)**	(HK$0.058)
Diluted		**(HK$0.050)**	(HK$0.058)

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

HK$ million	Six months ended 30 June **2014** **(Unaudited)**	 2013 (Unaudited)
LOSS FOR THE PERIOD	**(39)**	(45)
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent period, net of tax:		
Exchange differences on translation of foreign operations	**(18)**	6
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(57)**	(39)
Attributable to:		
Owners of the parent	**(40)**	(29)
Non-controlling interests	**(17)**	(10)
	(57)	(39)

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		**672**	597
Investment properties		**1,030**	881
Prepaid land lease payments		**60**	95
Goodwill		**55**	55
Classic cars		**21**	–
Available-for-sale investments		**6**	13
Held-to-maturity debt securities		**52**	–
Other receivables		**47**	71
Deferred tax assets		**1**	1
Pledged time deposits		**64**	65
Total non-current assets		**2,008**	1,778
Current assets			
Inventories		**67**	78
Properties under development		**119**	117
Completed properties held for sale		**658**	712
Stock of properties		**82**	–
Stock of classic cars		**75**	–
Trade receivables	10	**243**	268
Prepayment, deposits and other receivables		**422**	331
Financial assets at fair value through profit or loss		**1**	2
Held-to-maturity debt securities		**–**	53
Pledged time deposits		**233**	235
Cash and cash equivalents		**255**	643
Total current assets		**2,155**	2,439
Total assets		**4,163**	4,217

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
30 June 2014

HK$ million	Notes	30 June 2014 (Unaudited)	31 December 2013 (Audited)
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital	12	**76**	61
Reserves		**2,019**	1,971
		2,095	2,032
Non-controlling interests		**148**	164
Total equity		**2,243**	2,196
Non-current liabilities			
Interest-bearing bank borrowings		**538**	452
Deferred tax liabilities		**39**	39
Total non-current liabilities		**577**	491
Current liabilities			
Trade and bills payables	11	**320**	350
Tax payable		**68**	69
Other payables and accruals		**170**	253
Receipts in advance		**47**	47
Interest-bearing bank borrowings		**738**	811
Total current liabilities		**1,343**	1,530
Total liabilities		**1,920**	2,021
Total equity and liabilities		**4,163**	4,217
Net current assets		**812**	909
Total assets less current liabilities		**2,820**	2,687

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)	Distributable reserve (Unaudited)	Investment revaluation reserve (Unaudited)	Share option reserve (Unaudited)	Capital redemption reserve (Unaudited)	Exchange fluctuation reserve (Unaudited)	Accumulated losses (Unaudited)	Total (Unaudited)	Non-controlling interests (Unaudited)	Total equity (Unaudited)
At 1 January 2014	61	12	745	1,122	2	-	24	78	(12)	2,032	164	2,196
Total comprehensive loss for the period	-	-	-	-	-	-	-	(9)	(31)	(40)	(17)	(57)
Disposal of subsidiaries	-	-	-	-	-	-	-	(2)	-	(2)	-	(2)
Issue of shares	15	110	-	-	-	-	-	-	-	125	-	125
Equity-settled share option arrangement	-	-	-	-	-	1	-	-	-	1	1	2
2013 final dividend	-	-	-	(21)	-	-	-	-	-	(21)	-	(21)
At 30 June 2014	76	122	745	1,101	2	1	24	67	(43)	2,095	148	2,243
At 1 January 2013	61	12	745	1,217	2	-	24	104	(332)	1,833	253	2,086
Total comprehensive loss for the period	-	-	-	-	-	-	-	6	(35)	(29)	(10)	(39)
2012 final dividend	-	-	-	(21)	-	-	-	-	-	(21)	-	(21)
At 30 June 2013	61	12	745	1,196	2	-	24	110	(367)	1,783	243	2,026

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

HK$ million	Six months ended 30 June **2014** **(Unaudited)**	 2013 (Unaudited)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**(253)**	(84)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(26)**	(263)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	**(87)**	294
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(366)**	(53)
Cash and cash equivalents at beginning of period	**643**	459
Effect of foreign exchange rate changes, net	**(22)**	5
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**255**	411
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**144**	260
Non-pledged time deposits with original maturity of less than three months when acquired	**111**	151
	255	411

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 products and services and there are eight reportable operating segments during period, which are outlined as follows:

(a) the Hong Kong property development and trading segment is engaged in 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 mainland property development segment engages in the development and sale of properties in Mainland China;

(d) the telecom, electronic and child product 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;

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

(g) investment in classic cars which is acquisition of classic cars for long-term investment purpose; and

(h) classic cars trading segment which is the trading in classic cars.

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 expenses as well as head office and corporate expenses are excluded from such measurement.

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

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

3. OPERATING SEGMENT INFORMATION *(continued)*

2014

HK$ million	Property development and trading in Hong Kong (Unaudited)	Property investment and holding (Unaudited)	Property development in Mainland China (Unaudited)	Telecom, electronic and child products (Unaudited)	Components (Unaudited)	Securities business (Unaudited)	Investment in classic cars (Unaudited)	Trading of classic cars (Unaudited)	Reconciliations (Unaudited)	Group total (Unaudited)
Segment revenue:										
Sales to external customers	-	5	41	450	9	-	-	–	-	505
Other revenue	-	-	1	3	1	-	-	-	1	6
Intersegment revenue	-	2	-	-	49	-	-	-	(51)	-
	-	7	42	453	59	-	-	-	(50)	511
Operating (loss)/profit	(3)	2	(6)	41*	(29)	(2)	-	(1)	-	2
Finance costs	-	(6)	(5)	(6)	(1)	-	-	-	-	(18)
Reconciled items:										
Corporate and other unallocated expenses	-	-	-	-	-	-	-	-	(21)	(21)
Gain on disposal of subsidiaries	-	-	-	-	4	-	-	-	-	4
Impairment loss on available-for-sale investments	-	-	-	-	-	-	-	-	(4)	(4)
(Loss)/profit before tax	(3)	(4)	(11)	35	(26)	(2)	-	(1)	(25)	(37)
Income tax expense									(2)	(2)
Loss for the period									(27)	(39)
Other segment information:										
Interest income	-	-	-	2	2	-	-	-	-	4
Expenditure for non-current assets	-	-	-	4	1	-	-	8	-	13
Depreciation and amortisation	-	(3)	-	(21)	(7)	-	-	–	-	(31)

* included unrealised revaluation gain on CCT Land's Shenzhen office properties.

3. OPERATING SEGMENT INFORMATION *(continued)*

2013

HK$ million	Property development and trading in Hong Kong (Unaudited)	Property investment and holding (Unaudited)	Property development in Mainland China (Unaudited)	Telecom, electronic and child products (Unaudited)	Components (Unaudited)	Securities business (Unaudited)	Investment in classic cars (Unaudited)	Trading of classic cars (Unaudited)	Reconciliations (Unaudited)	Group total (Unaudited)
Segment revenue:										
Sales to external customers	–	1	92	593	7	1	–	–	–	694
Other revenue	–	19	–	2	3	–	–	–	–	24
Intersegment revenue	–	2	–	–	61	–	–	–	(63)	–
	–	22	92	595	71	1	–	–	(63)	718
Operating (loss)/profit	(1)	(2)	7	(7)	(12)	–	–	–	–	(15)
Finance costs	(1)	(5)	(1)	(6)	(1)	–	–	–	–	(14)
Reconciled items:										
Corporate and other unallocated expenses	–	–	–	–	–	–	–	–	(6)	(6)
Impairment loss on available-for-sale investments	–	–	–	–	–	–	–	–	(6)	(6)
(Loss)/profit before tax	(2)	(7)	6	(13)	(13)	–	–	–	(12)	(41)
Income tax expenses									(4)	(4)
Loss for the period									(16)	(45)
Other segment information:										
Interest income	–	–	–	2	1	–	–	–	–	3
Expenditure for non-current assets	–	239	–	–	1	–	–	–	–	240
Depreciation and amortisation	–	(5)	–	(22)	(7)	–	–	–	–	(34)
Other material non-cash items:										
Net impairment of trade receivables	–	–	–	(1)	–	–	–	–	–	(1)

3. OPERATING SEGMENT INFORMATION *(continued)*

30 June 2014

HK$ million	Property development and trading in Hong Kong (Unaudited)	Property investment and holding (Unaudited)	Property development in Mainland China (Unaudited)	Telecom, electronic and child products (Unaudited)	Components (Unaudited)	Securities business (Unaudited)	Investment in classic cars (Unaudited)	Trading of classic cars (Unaudited)	Reconciliations (Unaudited)	Group total (Unaudited)
Segment assets	188	1,147	1,100	1,154	210	53	21	235	(62)	4,046
Reconciled items:										
Corporate and other unallocated assets	-	-	-	-	-	-	-	-	117	117
Total assets	188	1,147	1,100	1,154	210	53	21	235	55	4,163
Segment liabilities	172	523	153	801	143	50	-	23	(62)	1,803
Reconciled items:										
Corporate and other unallocated liabilities	-	-	-	-	-	-	-	-	117	117
Total liabilities	172	523	153	801	143	50	-	23	55	1,920

31 December 2013

HK$ million	Property development and trading in Hong Kong (Audited)	Property investment and holding (Audited)	Property development in Mainland China (Audited)	Telecom, electronic and child products (Audited)	Components (Audited)	Securities business (Audited)	Investment in classic cars (Audited)	Trading of classic cars (Audited)	Reconciliations (Audited)	Group total (Audited)
Segment assets	172	1,173	1,187	1,174	232	67	–	–	(72)	3,933
Reconciled items:										
Corporate and other unallocated assets	–	–	–	–	–	–	–	–	284	284
Total assets	172	1,173	1,187	1,174	232	67	–	–	212	4,217
Segment liabilities	110	511	272	839	141	48	–	–	(72)	1,849
Reconciled items:										
Corporate and other unallocated liabilities	–	–	–	–	–	–	–	–	172	172
Total liabilities	110	511	272	839	141	48	–	–	100	2,021

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
HK$ million	**2014 (Unaudited)**	2013 (Unaudited)
Europe	**274**	359
Asia Pacific and others	**162**	250
North America	**69**	85
	505	694

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

(b) Non-current assets

HK$ million	**30 June 2014 (Unaudited)**	31 December 2013 (Audited)
Hong Kong	**1,381**	1,188
Mainland China	**457**	440
	1,838	1,628

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

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 29% and 11% 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 product segment was HK$198 million and HK$82 million, respectively, representing 29% and 12% of the Group's total revenue, respectively.

4. OTHER INCOME AND GAINS

HK$ million	Six months ended 30 June 2014 (Unaudited)	2013 (Unaudited)
Fair value gain on investment properties	**55**	–
Foreign exchange gain	**–**	2
Gain on disposal subsidiaries	**4**	–
Others	**6**	24
	65	26

5. 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	**463**	577
Cost of properties sold	**33**	75
Depreciation	**30**	33
Amortisation of prepaid land lease payments	**1**	1

6. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for the six months ended 30 June 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 — Elsewhere	**–**	2
Underprovision in prior year	**1**	–
Mainland China land appreciation tax	**1**	2
Total tax charge for the period	**2**	4

7. DIVIDENDS

The board of directors has declared an interim dividend for 2014 of HK$0.03 per share (30 June 2013: HK$0.03 per share) to be payable from the Company's distributable reserves. The interim dividend will be payable on or around Friday, 26 September 2014 to the shareholders whose names appear on the register of members of the Company on Friday, 12 September 2014. The register of members of the Company will be closed from Wednesday, 10 September 2014 to Friday, 12 September 2014 (both days inclusive).

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

The calculation of the basic and diluted loss per share for the period is based on the loss for the period attributable to ordinary equity holders of the parent of HK$31 million (six months ended 30 June 2013: HK$35 million), and the weighted average number of 616,172,531 (30 June 2013: 606,144,907) ordinary shares in issue during the period.

No adjustment has been made to the basic loss per share presented for the period ended 30 June 2014 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.

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.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired fixed assets of approximately HK$13 million (six months ended 30 June 2013: HK$240 million).

10. TRADE RECEIVABLES

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

	30 June 2014 (Unaudited)		31 December 2013 (Audited)	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**69**	**28**	94	35
31 to 60 days	**68**	**28**	73	27
61 to 90 days	**55**	**23**	52	20
Over 90 days	**51**	**21**	49	18
	243	**100**	268	100

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

11. TRADE AND BILLS PAYABLES

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

	30 June 2014 (Unaudited)		31 December 2013 (Audited)	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**63**	**20**	125	36
31 to 60 days	**61**	**19**	72	20
61 to 90 days	**43**	**13**	34	10
Over 90 days	**153**	**48**	119	34
	320	**100**	350	100

12. SHARE CAPITAL

HK$ million	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Authorised:		
2,000,000,000 (31 December 2013: 2,000,000,000) ordinary shares of HK$0.10 each	**200**	200
Issued and fully paid:		
757,394,907 (31 December 2013: 606,144,907) ordinary shares of HK$0.10 each	**76**	61

A summary of the transactions involving the Company's issued share capital during the period is as follows:

	Number of ordinary shares of HK$0.10 each in issue	Issued capital HK$ million	Share premium account HK$ million	Total HK$ million
At 1 January 2014	**606,144,907**	**61**	**12**	**73**
Issue of new shares (note)	**151,250,000**	**15**	**110**	**125**
At 30 June 2014	**757,394,907**	**76**	**122**	**198**

Note: The 151,250,000 new shares of the company were issued and allotted to satisfy the consideration for acquisition of the entire shareholding interest in a Hong Kong incorporated private company, which holds two ground-floor properties at MP Industrial Centre in Chai Wan, Hong Kong.

13. CONTINGENT LIABILITIES

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

14. PLEDGE OF ASSETS

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

(a) the pledge of the Group's investment properties situated in Hong Kong, which had an aggregate carrying amount at the end of the reporting period of approximately HK$1,030 million (31 December 2013: HK$787 million);

(b) the pledge certain of the Group's leasehold land and buildings situated in Hong Kong and the Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$583 million (31 December 2013: HK$511 million);

(c) the pledge of the Group's leasehold land situated in the Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$61 million (31 December 2013: HK$97 million);

(d) the pledge of the Group's held-to-maturity debt securities, which had a carrying amount at the end of the reporting period of approximately HK$52 million (31 December 2013: HK$53 million);

(e) the pledge of certain of the Group's completed properties held for sale situated in the Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$262 million (31 December 2013: HK$438 million);

(f) the pledge of the Group's stock of properties situated in Hong Kong approximately amounting to HK$82 million (31 December 2013: Nil);

(g) the pledge of certain of the Group's time deposits approximately amounting to HK$297 million (31 December 2013: HK$300 million); and

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

15. 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	**11**	–
In the second to fifth years, inclusive	**14**	–
	25	–

(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

16. COMMITMENTS

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

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

17. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
HK$ million	**2014 (Unaudited)**	2013 (Unaudited)
Short term employee benefits	**8**	8

(b) The Group acquired during the period from Mr. Clement Mak, the Company's chairman and chief executive officer, his beneficial interest in the entire shareholding and shareholder's loan in a Hong Kong incorporated private company, which holds two ground-level workshops at MP Industrial Centre, Chai Wan, Hong Kong.

18. COMPARATIVE FIGURES

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

19. APPROVAL OF THE INTERIM REPORT

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

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

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	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 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 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 IN SHARES AND UNDERLYING SHARES *(continued)*

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

(i) Long positions in the shares of CCT Land:

	Number of the shares interested and nature of interest			Approximate percentage of the total issued share capital of CCT Land
Name of the Directors	Personal	Corporate	Total	
				(%)
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 60.00% of the total issued share capital in the Company as at 30 June 2014.

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 Land, as at 30 June 2014 *(continued)*

(ii) Long positions in the underlying shares of the share options granted under the CCT Land 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 CCT Land
			HK$			(%)
Tam Ngai Hung, Terry	17/1/2014	17/1/2014–16/1/2024	0.01	275,000,000	275,000,000	0.42
Cheng Yuk Ching, Flora	17/1/2014	17/1/2014–16/1/2024	0.01	300,000,000	300,000,000	0.46
William Donald Putt	17/1/2014	17/1/2014–16/1/2024	0.01	5,000,000	5,000,000	Below 0.01
Tam King Ching, Kenny	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
Chow Siu Ngor	17/1/2014	17/1/2014–16/1/2024	0.01	5,000,000	5,000,000	Below 0.01

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 CCT Land" below, at no time during the period for the six months ended 30 June 2014 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 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
		(%)
Capital Force International Limited (Note)	96,868,792	12.79
New Capital Industrial Limited (Note)	171,357,615	22.62
Capital Winner Investments Limited (Note)	177,798,672	23.47

Note: Capital Force International Limited, New Capital Industrial Limited and Capital Winner Investments 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 in shares and underlying shares" above.

Save as disclosed above, the Directors and chief executive of the Company are not aware that there is any party who, as at 30 June 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 schemes

SHARE OPTION SCHEME OF THE COMPANY

At the AGM of the Company held on 27 May 2011, the Shareholders approved the adoption of the 2011 Scheme. The 2011 Scheme has became 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.

As at 30 June 2014, 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 period for the six months ended 30 June 2014.

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 SCHEME OF CCT LAND *(continued)*

The CCT Land 2011 Scheme

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

A total of 600,000,000 share options were granted under the CCT Land 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 CCT Land 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								
Tam Ngai Hung, Terry (Note 1)	–	275,000,000	–	–	275,000,000	17/1/2014	17/1/2014–16/1/2024	0.01
Cheng Yuk Ching, Flora (Note 1)	–	300,000,000	–	–	300,000,000	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								
Tam King Ching, Kenny	–	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
Chow Siu Ngor (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								
Lau Ho Kit, Ivan (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. Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt are also executive directors of CCT Land.

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

3. Mr. Lau Ho Kit, Ivan is an INED of CCT Land.

SHARE OPTION SCHEME OF CCT LAND *(continued)*

THE CCT LAND 2011 SCHEME *(continued)*

The closing market price of the shares of CCT Land 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 of CCT Land.

The fair value of the equity-settled share options granted by CCT Land 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 CCT Land available for issue upon exercise of the 600,000,000 outstanding options under the CCT Land 2011 Scheme is 600,000,000 shares, which represents approximately 0.92% of the total issued share capital of CCT Land 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 CCT Land, result in the issue of 600,000,000 additional ordinary shares and additional share capital of HK$6,000,000 in CCT Land.

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 two general meetings during the period from 1 January 2014 to 30 June 2014. The 2014 AGM was held on 21 May 2014 and a special general meeting ("**SGM**") was held on 17 June 2014 to approve a connected transaction. Due to other business engagement, Mr. Chen Li was not able to attend the 2014 AGM and the SGM and Mr. Chow Siu Ngor was not able to attend the SGM. However, at least one INED had attended both the AGM and the SGM.

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)*
Tam Ngai Hung, Terry *(Deputy Chairman)*
Cheng Yuk Ching, Flora
William Donald Putt

Independent Non-executive Directors
Tam King Ching, Kenny
Chen Li
Chow Siu Ngor

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

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

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

Company Secretary
Tam Ngai Hung, Terry

glossary of terms

GENERAL TERMS

"2011 Scheme"	The share option scheme conditionally adopted by the Company on 27 May 2011 which took effect on 30 May 2011
"AGM"	Annual general meeting
"Audit Committee"	The audit committee of the Company
"Board"	The board of Directors
"CCT Land"	CCT Land Holdings Limited, a company listed on the main board of the Stock Exchange and a non wholly-owned subsidiary of the Company
"CCT Land Group"	CCT Land and its subsidiaries
"CCT Land 2011 Scheme"	The share option scheme conditionally adopted by CCT Land on 27 May 2011 which took effect on 30 May 2011
"CEO"	The chief executive officer of the Company
"CG Code"	The Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	The chairman of the Company
"Company"	CCT Fortis 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