CCT FORTIS

中建富通集團有限公司

Stock Code : 138

2014

contents

chairman's letter

On behalf of the Board of Company, I am pleased to report the annual results of the Group for the year ended 31 December 2014.

2014 was another exciting and fruitful year for CCT Fortis. Details of the achievements and business development have been outlined in the "Business Review" section below. The Board is very pleased to report that the Group was able to report substantial increase in profit in 2014, primarily led by the total gains of $516 million arising from the disposal of 9.94% shareholding in CCT Land by means of the placing and the resulting reclassification of the remaining shareholdings held by the Group in CCT Land. As a result, net profit attributable to owners of the parent was $358 million in 2014, jumped 54.3% compared with the profit of $232 million in 2013.

PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of $0.035 per share for the year 2014 to the shareholders whose names appear on the register of members of the Company on Monday, 1 June 2015, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company. The proposed final dividend will be payable from the Company's distributable reserve and will be paid on or around Monday, 15 June 2015 following the shareholders' approval at the forthcoming annual general meeting of the Company. The total dividend per share for 2014 amounts to $0.065 (2013: $0.165 which included a special interim dividend of $0.100 per share for 2013).

BUSINESS REVIEW

Principal businesses of the Group during the year

During the year under review, the principal businesses of the Group consisted of:

(a) existing continuing operations

- (i) property development and trading business in Hong Kong;
- (ii) property investment and holding;
- (iii) the securities business;
- (iv) manufacture and sale of plastic components;

(b) the newly established Blackbird Automotive Group which is engaged in multi-faceted automotive business as follows:

- (i) investment in classic cars and provision of restoration, care and maintenance services for classic cars;
- (ii) sale and trading of classic cars;

(c) de-consolidated operations engaged by the CCT Land Group, following completion of the Placing (as elaborated in the following paragraph):

(i) the property development business in mainland China (the "**Mainland Property Business**");

(ii) manufacture and sale of telecom, electronic and other original design manufacturing (ODM) and original equipment manufacturing (OEM) products (the "**Telecom Product Business**"); and

(iii) trading and sale of child products (the "**Child Product Trading Business**").

Placing of CCT Land shares and the reclassifications of the remaining shareholding interest in CCT Land

The Company was the controlling shareholder of CCT Land, holding indirectly through wholly-owned subsidiaries an aggregate of 33,026,391,124 shares in CCT Land, represented approximately 50.49% of the then existing issued share capital of CCT Land. On 5 December 2014, the Company appointed Kingsway Financial Services Group Limited as the placing agent under the placing agreement dated 5 December 2014 (the "**Placing Agreement**") to place up to 6,500,000,000 existing shares in CCT Land (representing approximately 9.94% of the then existing share capital of CCT Land) on a best efforts basis, at the placing price $0.015 per placing share (the "**Placing**"). The Placing was carried out in two tranches of 3,250,000,000 CCT Land shares each and the first tranche and the second tranche was completed on 18 December 2014 and 23 December 2014, respectively. Since then, the shareholding interest of the Group in CCT Land has reduced to approximately 40.55% of the then existing issued share capital of CCT Land. Since completion of the Placing, the Company has lost its control in CCT Land as it no longer holds majority of the voting rights in CCT Land. Therefore, members of the CCT Land Group have ceased to be accounted for as subsidiaries of the Company since then. Of the balance of 26,526,391,124 shares in CCT Land that the Group held after completion of the Placing, the Group has classified 16,800,000,000 shares (representing approximately 25.68% of the existing issued share capital of CCT Land as at 31 December 2014) as interest in an associate under non-current assets and has accounted for the investment under equity method. As for the remaining shareholding of 9,726,391,124 shares in CCT Land that the Group held (representing approximately 14.87% of the existing issued share capital of the CCT Land as at 31 December 2014), the Group has classified such shares held for sale as "financial assets at fair value through profit or loss" under current assets.

The revenue and results of Telecom Product Business, the Child Product Trading Business and the Mainland Property Business of the CCT Land Group, were consolidated into the Group's accounts up to date of completion of the Placing, which is 23 December 2014 and presented as a separate line of account in the Group's 2014 consolidated statement of profit or loss. Thereafter, the results of these businesses which are continued to be engaged by the CCT Land Group are no longer consolidated into the Group. Details of the Placing and the resulting accounting treatments and classification have been disclosed in the Company's announcements and circular issued on 5 December 2014, 18 December 2014, 23 December 2014, 30 December 2014, and 9 January 2015.

CONTINUING OPERATIONS

Property development and trading in Hong Kong

After a period of market adjustment and consolidation following the various cooling measures imposed by the Hong Kong Government in 2013, the local property market has become buoyant again in the second half of 2014. Both prices and transaction volumes, mainly in the small- and medium-sized residential flats and car parks, rose last year. Following the tremendously successful MaxiBase project in 2013, we continue to seek opportunities to acquire new property projects with good development and profit potentials. As a result, we completed two major acquisitions of retail properties in 2014. The first property transaction was made to acquire the five street-level shops with all car parking spaces on ground floor of a retail property located at Kennedy Town, Sai Wan (the "**Sai Wan Properties**"), facing the waterfront of the Western District and near the MTR station of the West Island Line which has opened since December last year. The Sai Wan Properties have a total gross floor area of approximately 7,820 square feet of which the five ground-level shops have a total gross floor area of approximately 3,469 square feet. The total purchase costs (including acquisition costs and related stamp duty and transaction costs) of the Sai Wan Properties were approximately $82 million. As we expected, the opening of the West Island Line has rapidly gentrified Kennedy Town and the Western District and the value of the Sai Wan Properties has climbed since our acquisition. The second major property acquisition was completed in November 2014, under which we have acquired two floors of retail properties located on No. 8 Russell Street, Causeway Bay, Hong Kong. The property on No. 8 Russell Street is a 29-storey building situated in the center 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. As such, the entire Russell Street building has been converted into a Ginza-type shopping center. The two floors of Russell Street properties, which we have acquired, have gross floor area of approximately 9,436 square feet in total. The management intends to rent out the two Russell Street properties, which are expected to fetch satisfactory rental yield. Given the excellent location and quality 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 parlors) to lease at higher rental rate. We are happy to see that prices of these two new project properties have already appreciated since our acquisitions and expect their value will continue to rise in the future. We are confident in these new projects which are expected to deliver good returns and profit performance. In the absence of any disposal of new property projects by the Group in the year, this business unit incurred an operating loss of $23 million, mainly attributable to its project costs and operating expenses.

Property investment and holding

Our investment property portfolio is diversified. In 2014, our investment properties consisted of luxury residential houses, two small-sized flats, office properties, retail properties and car parks. All of our investment properties are located in Hong Kong. The value of these properties increased modestly in 2014, following significant appreciation in values in the past few years. Capturing the soaring prices of small-sized flats in the year, we disposed of the two small residential units at a satisfactory profit during the year. During the year, the Group rented out additional properties and generated rental income of $14 million in total, an increase of $7 million compared with $7 million in 2013. Performance of this business unit remained satisfactory and delivered an operating profit of $18 million in the year, which included additional unrealised fair value gains of $14 million arising from year-end revaluation of the investment properties. This is compared with the segment's 2013 operating profit of $100 million, which was driven mainly by unrealised properties revaluation gains in 2013. 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 year. The income and gain derived from the Shenzhen office premises was included in the operating result of the Telecom Product Business.

Securities business

Before the Placing, our existing investment portfolio mainly consisted of RMB bonds with a principal amount of approximately $52 million, which carried interest at fixed rate. An equivalent amount of Hong Kong dollar loan has been borrowed against security of the RMB bonds, as arrangement for hedging appreciation of RMB against Hong Kong dollar. Upon completion of the Placing, the Company has reclassified 9,726,391,124 shares in CCT Land as "financial assets at fair value through profit or loss" under current assets and such reclassification has enlarged the Company's security portfolio. These shares held for sale were recognized at the value of approximately $175 million at the time of completion of the Placing, based on the then market price of $0.018 per share. The value of these shares was adjusted to market price at year end, based on the closing market price of CCT Land share of $0.017 per share. As a result, an unrealised fair value loss of approximately $9.7 million was charged to the 2014 consolidated statement of profit or loss, which caused this business unit to record a yearly operating loss of $13 million.

Manufacturing of plastic components

Most of the plastic components produced by this department are supplied to the CCT Tech Group (which is the manufacturing unit of the CCT Land Group) for manufacture of telecom and child products.

In 2014, revenue from component sales dropped to $122 million, representing a year-on-year decrease of 6.9%. This decrease was caused by the drop in revenue of the Telecom Product Business. During the year, shortage of labour and rising wages remained the greatest challenges to performance of this business segment, which adversely impacted on its performance. Rising costs compounded by the reduction in revenue, caused this business unit to incur an operating loss of $45 million in the year, compared to $35 million loss in the last equivalent year.

The Blackbird Automotive Group in multi-faceted automotive business

Established in 2014, Blackbird Automotive is a multi-faceted automotive business that revolves around the restoration, trading and business of classic cars. Not only firmly engrossed in the commerce of collectible cars, the company celebrates and showcases these vehicles through their various channels and publications. It also seeks to establish a worldwide reputation as a leading entity in the automotive region by combining these facets with their experienced eye for detail and branding.

Blackbird is positioned to be competitive globally with its unique structure and ability to provide a one-of-a-kind, truly all-service centre for our clients and companies in the automotive realm. Blackbird's team of experienced valuators and representatives around the world source, inspect and facilitate the sale and trade of classic and historically important cars for clients, whether to simply add to their personal collections or if presented with unique investment opportunities. Blackbird also maintains its own carefully curated collection of rare and historic cars, lending it the credibility and reputation to access and acquire these vehicles for themselves or on behalf of their clients.

During this initial phase of operations, the business invested in a total of nine cars. The company's trading business began at the mid-year point with the sale of a classic Ferrari to a client in Europe. Blackbird's current inventory is stored and displayed in Hong Kong, Europe and the USA but is available for shipment anywhere in the world.

With the start of the new year, the company is ready to re-enter the market with the resale values of its current stock reappraised and adjusted upwards to reflect the continuing growth in classic car values globally. Enquiries have been received from a number of serious collectors. Furthermore, Blackbird Automotive has been party to the sourcing and supply of six classic Ferraris during the first period of 2015 and has achieved a good return from sales commissions as a result.

In October 2014, the company engaged in negotiations to represent a Porsche 911-inspired restoration business based in Los Angeles. By mid November 2014, discussions had been completed and Blackbird Automotive was appointed as the exclusive distributor and service centre for Hong Kong and Macau. A launch event was held for a carefully selected group of clients which resulted in a total of more than 10 commissions with additional enquiries ongoing.

The company has now begun to assess its business strategy and during 2015, Blackbird will launch a consignment (sales) service. This will facilitate a broadening of its customer base and increase its current portfolio of commercial activities. In addition, the company's website will continue to evolve and additional initiatives will also be introduced to raise awareness of its classic car trading division.

During the second quarter of 2014, Blackbird Automotive unveiled their Blackbird Heritage Motorworks premises, a 6,000 sq/ft facility in Chai Wan, Hong Kong Island. In this boutique atelier, a specialist team of carefully selected technicians with over 100 years of combined experience maintain, restore and service their clients' vehicles, providing care and maintenance aiming to exceed dealership standards.

During the first half of 2015, Blackbird intends to invest in a facilities expansion programme to enlarge its ability to support the owners of classic and collectible cars. This new space will encompass paint and body shops and a dedicated storage area.

Supplementing the business is a quarterly publication entitled *Blackbird Automotive Journal*, a premium print magazine that conveys the company's philosophy and vision whilst simultaneously developing crucial alliances with automobile makers across the world. This publication supplements the business by applying the company's own unique art direction, establishing a unique vision and image for Blackbird Automotive whilst simultaneously placing the company's name in front of a global audience. Through this channel, the company also develops and creates content for advertisers in the magazine, both in print and in the online and digital mediums.

During the fourth quarter of the year, discussions began regarding a synergy partnership with one of the world's most established publishers and distributors. In addition, plans were created to develop a dedicated website for the *Journal* with an expected launch date of first half of 2015.

Alongside the publication, Blackbird Automotive also provides professional design and creative services for OEM manufacturers — conceptualising and producing creative events and car launches and offering photography and videography services of the highest standard. Events in 2014 included the Hong Kong launch of the BMW 2 Series Active Tourer at the HKCEC, showroom openings for McLaren and Rolls-Royce and photography and videography for Porsche Centre Hong Kong. These activities enabled Blackbird Automotive to quickly establish itself as a leading vendor in this arena. Discussions and presentations are now underway with other leading car retailers in the region.

Blackbird Automotive is also proud to represent Amalgam Fine Model Cars in the markets of mainland China, Hong Kong and Macau. This serves as a complement to its car trading and service/restoration businesses as the company's clients are the ideal target group for Amalgam. In addition, discussions are underway with other companies who, in Blackbird's opinion, offer similar synergy-type products and the business expects to enlarge its portfolio within the first half of 2015.

DE-CONSOLIDATED OPERATIONS

Telecom Product Business and Child Product Trading Business

The Telecom Product Business and Child Product Trading Business continues to be engaged by the CCT Tech Group, the manufacturing business unit of the CCT Land Group. During the year, sale of telecom products and child products dropped by 9.2% to $969 million, caused by difficult operating environment. Sales of CCT Tech's telecom products were affected by the sluggish economic recovery of its major markets, which had led to lower consumer demand. Furthermore, severe competition from other cordless phone manufacturers exerted significant pressure on CCT Tech to reduce selling prices of its products. However, the CCT Tech's management does not consider competing on price is advisable or advantageous for CCT Tech as this would only harm its profitability in short term without creating any long term benefit to its manufacturing business. Instead, CCT Tech continues to improve its competitiveness in the longer term by offering from time to time innovative products with improved quality and functions and new designs. CCT Tech has also diversified its product range to include enterprise phones or business-used cordless phones, which have a higher gross margin than traditional residential cordless phones. These new products received good market attention. As for child products, CCT Tech continued to achieve steady sales of baby monitors, bottle warmer and other baby feeding and hygiene products. CCT Tech has also launched a digital bottle warmer which has attracted good market response. Nevertheless, amidst a weak global market and intensifying competition, revenues of CCT Tech recorded a significant reduction in 2014.

As for costs, the problem of shortage of labour and rising minimum wages in the Guangdong Province remained one of the greatest challenges to CCT Tech's manufacturing business. In order to recruit and retain workers to alleviate this problem in the short term, CCT Tech's factory in China raised workers' wages significantly in 2014. Furthermore, a large number of new and temporary workers were hired to fill vacancy during the year. As a result, production costs increased but efficiency suffered. To cope with this problem in the longer term, CCT Tech strived to re-engineer its products and to streamline and optimize production processes in order to improve productivity. Furthermore, CCT Tech's management continued its relentless efforts of cost savings. The effect of such initiatives partly compensated the increase in labour costs. In 2014, the operating loss before adjustment for revaluation gain of the Shenzhen office properties (as explained in the next paragraph) increased to $25 million in 2014, compared to the $18 million loss in the comparable year.

In first half of 2014, the management of CCT Tech decided to move the research and development ("**R&D**") function from CCT Tech's office properties in Shenzhen to its factory in Huiyang. The relocation of the Shenzhen R&D center was completed within 2014. Despite certain one-off relocation and restructuring costs associated with the relocation, the management of CCT Tech expects that the move will eventually pay off as recurrent costs could be saved and communication between the R&D and production departments could be improved, thus enhancing efficiency in the long run. Furthermore, as a result of the relocation, the Shenzhen office premises owned by the CCT Tech Group, which used to house the R&D center, are no longer needed for self-use and therefore have been rented out to third parties to generate rental income. As such, the office properties were reclassified during the year as investment properties for accounting purposes and an unrealised fair value gain of $45 million was credited to profit and loss and included in the result of the Telecom Product Business of the year.

Property development in Mainland China

All the property development projects assigned into the CCT Land Group by the Group in 2013, are located in Anshan City, Liaoning Province, China. CCT Land, the mainland property division of CCT, has already established a strong reputation in the property sector in the Anshan City, ever since the property business was established by the CCT Fortis Group in 2007. All the projects developed by CCT Land in Anshan have so far been successful and have been well praised by home buyers for their supreme quality of materials, landscaping, spacious common areas, layouts and designs.

During the year, 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, the continuing tightened policies imposed by the Central Government on property market has significantly dampened property demand. This adverse market environment is further compounded by China's reforms in the financial sector, which have led to tightened liquidity and credit on the mainland property market. As a result, both home price and transaction volume in many Chinese cities plunged. The property market downturn in the second-tier cities, like Anshan, is particularly obvious. Pressured by high inventory levels and elevated debt ratios, many other local property developers had cut prices with a view to boost sales in order to recover as much cash as possible to service their huge debts. As CCT Land is lowly geared on project level, it has a more resilient holding power for its property projects. As such, CCT Land has decided not to follow the price cutting strategy of other local property developers. It is because CCT Land is confident in the quality of its property projects and the long-term prospects of the mainland property market. The management of CCT Land believes that the long-term demand for quality housing in China is higher than supply and the mainland property market will recover in the long run. Nevertheless, performance of the company's property business was inevitably adversely affected by the weakening mainland residential market, leading to decline in property sales in 2014. Despite a weak market, the Mainland Property Business could still achieve revenue of $65 million in the year, as compared with property sales of $161 million reported under the Group in 2013. As a result of the decline in property sales, the Mainland Property Business posted an operating loss of $15 million, compared with the profit of $8 million in the comparable year. During the year, notwithstanding risk of further downturn in the property market, CCT Land commenced development of Evian Villa Phase 2 project consisting of 13 blocks of housing units, shops and car parking spaces with a total GFA of approximately 63,000 square meters. CCT Land takes the view 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 CCT Land's reputation in the Anshan property market and help to promote sales of its property projects in the city.

Fund raising activity

In November 2014, Capital Force International Limited, a substantial shareholder of the Company, disposed of 75,000,000 existing shares of the Company by means of placing to independent third party places and then subscribed for 75,000,000 new shares issued by the Company, both at the price of $0.9 per share. The net proceeds from the top-up subscription amounted to approximately $66 million has been applied as general working capital of the Group, in accordance with the intended use of the proceeds as stated in the Company's announcement dated 12 November 2014.

OUTLOOK

Looking forward, the local and global economic and political uncertainties will remain a challenge in 2015. However, it is expected that the US economic recovery will gather pace while possible interest rate hike may happen within the current year. On the other hand, the economic recovery in Europe will remain slow even with the implementation of more stimulus measures. The outcomes of the geopolitical tensions in the Middle East and Europe and the local political tensions are difficult to predict and it is expected these problems may from time to time cause turbulences to the global financial markets. China is determined to adhere to stable and sustainable growth policy and to reshape the Chinese economy from export dependence to domestic consumption.

In 2015, CCT Fortis will continue to pursue several strategic objectives which are: (1) to further strengthen the Group's financial resources; (2) to improve performance and seek expansions in our main business units including the Hong Kong property development and trading business, property investment, and the securities business; (3) commit to build up and grow the multi-faceted automotive business of the Blackbird Automotive Group; and (4) to capture new business opportunities. We will continue to capitalise our competitive edges in each of our main businesses, targeting for enhancing long term sustainable growth of the Group. Further, we will seek new business opportunities which will offer good prospects for business growth and profitability.

Despite the continuing introduction of countercyclical measures on the property market by the Hong Kong government, we are confident in the newly acquired property projects in Hong Kong. Their location is good and future possible price appreciation is encouraging. We will use our expertise to manage these properties to enhance their rental yield and prices. We expect these new projects will deliver satisfactory profits in the future. We will continue to search for acquisitions of new property projects for development or resale. We believe our excellence in vision and insight in selecting property projects and timing of acquisition. We will capitalise our strength in the property sector. We expect this business unit will deliver encouraging performance in the future.

We expect that rental yield and general property prices will 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 be robust in the long run. We expect that our investment properties will likely deliver additional rental income as more properties are being rented out. This business sector is expected to deliver satisfactory rental returns and solid performance in the years to come.

The Group's securities business has been significantly enlarged as a result of the reclassification of a large quantity of CCT Land shares as securities held for sale. The enlarged trading share portfolio is expected to contribute significant revenue and cash flow to the Group upon their future disposal, especially if the market price of the CCT Land share continue to rise in the future.

We are excited and happy at the pace that the multi-faceted business units under Blackbird Automotive have grown so far. We are committed to continue to build up and grow the Blackbird Automotive Group to become one of the global leaders in the automotive sector in the near future. We expect this new automotive venture will open a new avenue for revenue and profitability growth of the Group in coming years.

APPRECIATION

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

Mak Shiu Tong, Clement
Chairman

Hong Kong, 31 March 2015

directors and senior management

EXECUTIVE DIRECTORS

Mr. MAK Shiu Tong, Clement, aged 61, a substantial Shareholder, has been the Chairman, the CEO and the Executive Director since January 1994. Mr. Mak is a member of the Remuneration Committee and the chairman and a member of the Nomination Committee. He is responsible for the corporate planning and overall strategic direction of the Group and takes a leading role in managing the businesses of the Group. He has over 38 years of experience in the electronics manufacturing and distribution industry, and substantial experience in property investment and development and financial investment businesses. In his many years in the businesses, he has demonstrated a keen understanding in the diversified businesses in which the Group is engaged. Mr. Mak is also the chairman, the chief executive officer and an executive director of the Company's associate CCT Land, whose shares are listed on the main board of the Stock Exchange, and a director of certain subsidiaries of the Company and CCT Land respectively. Mr. Mak holds a Diploma in Electrical Engineering.

Mr. TAM Ngai Hung, Terry, aged 61, has been the Executive Director and the Group Finance Director since March 2001. He has been appointed as the Deputy Chairman of the Company since December 2005 and as the Company Secretary of the Company since May 2012. He is a member of the Remuneration Committee and the Nomination Committee. Mr. Tam is mainly responsible for the corporate finance, accounting and company secretarial functions of the Group. He has more than 37 years of experience in finance and accounting management, and management experience in diversified businesses. He also possesses substantial knowledge in corporate finance matters, mergers and acquisitions and company secretarial matters. He previously held a number of senior positions in several listed companies before he joined the Company. Mr. Tam is also an executive director of the Company's associate CCT Land, whose shares are listed on the main board of the Stock Exchange, and a director and company secretary of certain subsidiaries of the Company and CCT Land. Mr. Tam is a fellow of the Association of Chartered Certified Accountants and an associate of both the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and The Institute of Chartered Secretaries and Administrators.

Ms. CHENG Yuk Ching, Flora, aged 61, has been the Executive Director since February 1998. Ms. Cheng assists the CEO in overseeing the day-to-day management of the principal businesses of the Group. Ms. Cheng has over 35 years of experience in the electronics industry, and substantial experience in property investment and development business. She held senior positions in various well-known electronics companies before she joined the Company. Ms. Cheng is also an executive director of the Company's associate CCT Land, whose shares are listed on the main board of the Stock Exchange, and a director of certain subsidiaries of the Company and CCT Land. Ms. Cheng holds a Diploma in Business Administration.

Dr. William Donald PUTT, aged 77, has been the Executive Director since January 1997. Dr. Putt is responsible for overseas business development and advising the Chairman in strategic direction of the overseas business of the Group. Dr. Putt has over 42 years of experience in the telecom industry, and was the president and co-founder of TeleConcepts Corporation, which specialised in the design, production and distribution of telecom products. Dr. Putt is also an executive director of the Company's associate CCT Land, whose shares are listed on the main board of the Stock Exchange. Dr. Putt also serves on the boards of several foundations and non-profit organisations in the US and is on the Leadership Council for the Public Service Center at the Massachusetts Institute of Technology. Dr. Putt holds PhD in Management from the Massachusetts Institute of Technology in the US.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TAM King Ching, Kenny, aged 65, has been an INED of the Company since December 1999. Mr. Tam is the chairman and a member of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee. Mr. Tam also acts as an INED of six other companies listed on the main board of the Stock Exchange, namely, BeijingWest Industries International Limited, Kingmaker Footwear Holdings Limited, Shougang Concord Grand (Group) Limited, Starlite Holdings Limited, Van Shung Chong Holdings Limited and West China Cement Limited. Mr. Tam serves as a member of the Restructuring and Insolvency Faculty Executive Committee, the Insolvency SD Vetting Committee and the Small and Medium Practitioners Committee in the HKICPA. He is also a council member of The Society of Chinese Accountants and Auditors. Mr. Tam is a practising Certified Public Accountant in Hong Kong. He holds a Bachelor's Degree in Commerce and is a fellow member of the HKICPA and a member of the Chartered Professional Accountants of Ontario, Canada. He was previously an INED of North Asia Strategic Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange up until 19 February 2013.

Mr. CHEN Li, aged 50, has been an INED of the Company since February 2008. Mr. Chen is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Chen is also an INED of CCT Land whose shares are listed on the main board of the Stock Exchange. He was appointed as the executive director of First China Financial Network Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange on 28 October 2014. He was previously the vice president of Global Digital Creations Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange and formerly a senior management in several reputable telecommunications companies and a conglomerate in China. Mr. Chen graduated from the faculty of physics in a university in China in 1985 with a profession in radio technology and has extensive experience in the Chinese telecommunications and management field.

Mr. CHOW Siu Ngor, aged 59, has been an INED of the Company since March 2013. Mr. Chow is the chairman and a member of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee. He is also an INED of CCT Land whose shares are listed on the main board of the Stock Exchange. He is an INED of REXLot Holdings Limited and a non-executive director of REX Global Entertainment Holdings Limited (formerly known as China Gamma Group Limited). The shares of these two companies are listed on the main board of the Stock Exchange. Mr. Chow is a practising solicitor in Hong Kong. He is currently a Partner with Messrs. King & Wood Mallesons. Mr. Chow graduated from The Chinese University of Hong Kong in 1981 with an Honours Degree in Social Science. He then obtained an Honours Degree in Laws from the University of Birmingham in 1987. Mr. Chow was admitted as a solicitor of the Supreme Court of Hong Kong in 1990 and has been in private practice since then.

SENIOR MANAGEMENT

Ms. NG Yin Fun, Elaine, aged 53, joined the CCT Tech Group[Δ] in April 2009. Ms. Ng currently holds the position of Managing Director of the manufacturing division of the Group. She is primarily responsible for leading the business development of the CCT Tech Group's manufacturing business, and oversees and supervises principal functions of the manufacturing business of the CCT Tech Group. Ms. Ng has been in the consumer electronic industry for more than 25 years with extensive business development experience. Ms. Ng graduated from the University of Technology, Sydney, Australia with a Master's Degree of Engineering Management in 2000. She has also taken Business Management course in the Harvard University in the US in 2007.

Mr. CHAN Chuen Lok, Eric, aged 60, joined the CCT Tech Group[Δ] in February 2009. Mr. Chan holds the position of Managing Director of Manufacturing Operations in the CCT Tech Group. He is responsible for the day-to-day management of the manufacturing activities of the CCT Tech Group, from production, material control, warehousing, production engineering/industrial engineering, product testing engineering to trial run. Mr. Chan has more than 31 years of experience in the manufacturing industry and he has in-depth knowledge in Lean Manufacturing and Six Sigma management.

Mr. CHAN Siu Chung, Marco, aged 41, has been in service with the CCT Tech Group[Δ] since June 2012. Mr. Chan currently holds the position of Chief Technical Officer. He is responsible for the supervision of the research and development team and the entire engineering process. Meanwhile, he is also responsible for the management of the new technology's development and enhancement. Mr. Chan has over 17 years of experience in the research and development field and he has been mainly responsible for the development and project managements of various kinds of telecommunication products. He graduated from The Chinese University of Hong Kong, holding a Bachelor's Degree in Electronic Engineering and a Master's Degree of Philosophy in Engineering.

Mr. TSANG Chiu Ki, Andrew, aged 54, has worked in the CCT Tech Group[Δ] as Material Director since August 2014. Mr. Tsang is in charge of the material sourcing, procurement activities, and production and material control functions of the manufacturing operations of the CCT Tech Group. Mr. Tsang has over 30 years of experience in material sourcing, purchasing and material control in the electronic and manufacturing industry. He holds a Master's Degree in Business Administration from The Open University of Hong Kong and is a member of Chartered Institute of Purchasing & Supply, UK.

Mr. HO Yiu Hong, Victor, aged 46, joined the Group in January 2000. Mr. Ho holds the position of Senior Finance Director in a principal subsidiary of CCT Land. He heads the finance and accounting department of the CCT Land Group[Δ]. Mr. Ho has over 24 years of experience in accounting, tax, treasury and financial management. He holds a First Class Honours Degree in Accountancy from The Hong Kong Polytechnic University and a Master's Degree in Business Administration from the University of Strathclyde. He is a fellow of the Association of Chartered Certified Accountants and an associate of both The Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Certified Public Accountants.

Mr. LEUNG Ho Yin, Henry, aged 44, rejoined the Group in March 2013. Mr. Leung currently holds the position of General Counsel of the Group. He is responsible for advising on all legal matters of the Group. Mr. Leung graduated from The Chinese University of Hong Kong with a Bachelor of Arts Degree and The University of Hong Kong with a Bachelor of Laws Degree. He is a practicing solicitor qualified to practise in Hong Kong.

Δ Members of the CCT Land Group (including the manufacturing division under CCT Tech Group) has ceased to be subsidiaries of the Company after completion of CCT Land Placing in December 2014.

financial review

OVERVIEW OF 2014 FINANCIAL RESULTS AND OTHER COMPREHENSIVE INCOME

$ million	2014	2013	% increase/ (decrease)
Continuing operations			
Revenue	**208**	690	(69.9%)
Other income and gains	**574**	182	215.4%
Share of profits of an associate	**1**	–	N/A
Profit before tax from continuing operations	**397**	319	24.5%
Income tax expense	**(2)**	(58)	(96.6%)
Profit for the year from continuing operations	**395**	261	51.3%
De-consolidated operations			
Loss for the year from de-consolidated operations	**(66)**	(60)	10.0%
Profit for the year	**329**	201	63.7%
Profit/(loss) attributable to owners of the parent:			
Continuing operations	**395**	263	50.2%
De-consolidated operations	**(37)**	(31)	19.4%
	358	232	54.3%
Basic and diluted earnings per share attributable to ordinary equity holders of the parent			
— For profit for the year	**HK$0.51**	HK$0.38	34.2%
— For profit from continuing operations	**HK$0.57**	HK$0.43	32.6%
Dividend per share	**HK$0.065**	HK$0.165	(60.6%)
Other comprehensive (loss)/income, net of tax	**(13)**	18	N/A

Discussion on 2014 Financial Results and Other Comprehensive Income

The revenue and result of the Telecom Product Business, the Child Product Trading Business and the Mainland Property Business which are continued to be engaged by the CCT Land Group were consolidated into the Group's accounts up to the date of the completion of the Placing. The result of these operations was presented as a separate line of account in the Group's 2014 consolidated statement of profit or loss. After completion of the Placing, these operations are no longer consolidated into the Group's accounts. The corresponding results in 2013 have been re-stated and re-presented accordingly.

The Group's revenue was $208 million for the year ended 31 December 2014, a decrease of 69.9% as compared to $690 million for the corresponding year. The sharp decrease was caused by the absence of sales of new property project in 2014.

Nevertheless, the Group was able to achieve a 54.3% increase in net profit attributable to owners of the parent to reach $358 million for 2014, as compared to the $232 million net profit in 2013. The substantial increase in profit was largely driven by gains on disposal of subsidiaries of $516 million, which was categorized as "other income" during the year. These gains consisted of realised gains and unrealised gains of $84 million and $432 million, respectively, which arose respectively from the Placing and the resulting accounting treatments and reclassifications of the Group's remaining shareholding interest in CCT Land. The Group's share of profit of CCT Land, which was reclassified as an associate after completion of the Placing, was $1 million. The 2014 net loss of the de-consolidated operations of the CCT Land Group, attributable to the Group up to the date of completion of the Placing, was $66 million, as compared with the net loss of $60 million reported in the corresponding year.

Other comprehensive loss of $13 million disclosed in the Consolidated Statement of Comprehensive Income represented the combined effect of: (i) unrealised exchange losses of $20 million on translation of mainland property operations into Hong Kong dollar, due to devaluation of RMB in 2014; (ii) release of exchange fluctuation reserve of $29 million attributable to the disposal of subsidiaries during the year; (iii) the unrealised fair value gains of $72 million on properties credited to the asset revaluation reserves, upon change of use from owner-occupied properties to investment properties, less appropriate deferred taxation; and (iv) reclassification of asset revaluation reserve of $36 million attributable to the disposal of subsidiaries during the year. In prior year, the other comprehensive income represented unrealised translation gains of $18 million due to appreciation of RMB.

ANALYSIS BY BUSINESS SEGMENT

	Revenue of continuing operations				
	2014		2013		% increase/
$ million	**Amount**	**Relative %**	Amount	Relative %	(decrease)
Property development and trading in Hong Kong	**48**	**23.1%**	554	80.3%	(91.3%)
Property investment and holding	**14**	**6.7%**	7	1.0%	100.0%
Securities business	**1**	**0.5%**	2	0.3%	(50.0%)
Component business	**122**	**58.7%**	131	19.0%	(6.9%)
Investment in classic cars and services	**1**	**0.5%**	–	–	N/A
Sale and trading of classic cars	**25**	**12.0%**	–	–	N/A
Elimination of intersegment transactions	**(3)**	**(1.5%)**	(4)	(0.6%)	(25.0%)
Total	**208**	**100.0%**	690	100.0%	(69.9%)

	Operating (loss)/profit of continuing operations		
$ million	**2014**	2013	% increase/ (decrease)
Property development and trading in Hong Kong	**(23)**	246	N/A
Property investment and holding	**18**	100	(82.0%)
Securities business	**(13)**	2	N/A
Component business	**(45)**	(35)	28.6%
Investment in classic cars and services	**(6)**	–	N/A
Sale and trading of classic cars	**1**	–	N/A
Total	**(68)**	313	N/A

The segmental operating (loss)/profit represented operating result of each segment before taking into account of finance costs and taxation.

In the absence of any sales of new property project during the year, revenue of the property development and trading business unit plunged 91.3% to $48 million. This year's revenue represented brought-forward balance of the revenue relating to the partition works carried out in 2014 on the sub-divided shops of the MaxiBase Project, which were sold in 2013. An operating loss of $23 million was recorded in 2014, representing mainly the project costs (including the decoration and partition works of the MaxiBase shop units) and operating expenses of this business unit, as opposed to the large profit contribution from disposal of the shop units of Maxibase in 2013.

The performance of the property investment business remained satisfactory in 2014. This division recorded an operating profit of $18 million in 2014, as compared to an operating profit of $100 million in 2013. The decrease in operating profit was attributable to significant decrease in unrealised fair value gains on investment properties, partly compensated by increase in rental income.

The Group's securities business reported an operating loss of $13 million in the year under review (2013: profit of $2 million) primarily caused by the mark-to-market unrealised fair value loss of $10 million, recognized on the 9,726,391,124 CCT Land shares that the Group held, which were classified as securities held for sale during the year.

The segmental revenue of the component business was $122 million, down 6.9%, caused mainly by the decrease in sales of the Telecom Product Business of the CCT Tech Group to which it supplied most of its component products. Impacted by the declining sales and rising costs, this business segment incurred an operating loss of $45 million, increased 28.6 % from previous year.

Revenue and operating loss of the newly established business unit of investment in classic cars and services was $1 million and $6 million, respectively. The revenue represented service income and the operating loss was caused mainly by start-up costs and administrative expenses.

One classic car held for sale was bought and sold in the year, which resulted in the new trading unit of classic cars contributing revenue of $25 million and an operating profit of $1 million.

ANALYSIS BY GEOGRAPHICAL SEGMENT

	Revenue of continuing operations				
	2014		2013		% increase/
$ million	**Amount**	**Relative %**	Amount	Relative %	(decrease)
Mainland China and Hong Kong	**183**	**88.0%**	690	100.0%	(73.5%)
Europe	**25**	**12.0%**	–	–	N/A
Total	**208**	**100.0%**	690	100.0%	(69.9%)

The geographical analysis of revenue has excluded revenue from the de-consolidated operations of the Telecom Product Business, the Child Product Trading Business and the Mainland Property Business. Most of the Group's revenue was generated in Mainland China and Hong Kong. The significant reduction in revenue was due to the absence of any sales of new property project in 2014, partly compensated by revenue from the new venture in classic cars.

OVERVIEW ON SIGNIFICANT MOVEMENTS OF FINANCIAL POSITION

$ million	2014	2013	% increase/ (decrease)
NON-CURRENT ASSETS			
Property, plant and equipment	**408**	597	(31.7%)
Investment properties	**958**	881	8.7%
Goodwill	**–**	55	N/A
Interest in an associate	**286**	–	N/A
Promissory notes receivables	**986**	–	N/A
Classic cars held for investment	**21**	–	N/A
Pledged time deposits	**50**	65	(23.1%)
CURRENT ASSETS			
Stock of properties held for sale	**381**	–	N/A
Stock of classic cars held for sale	**139**	–	N/A
Financial assets at fair value through profit or loss	**165**	2	8,150%
Pledged time deposits	**56**	235	(76.2%)
Cash and cash equivalents	**122**	643	(81.0%)
CURRENT LIABILITIES			
Current interest-bearing bank and other borrowings	**470**	811	(42.0%)
EQUITY AND NON-CURRENT LIABILITIES			
Non-current interest-bearing bank and other borrowings	**612**	452	35.4%
Non-controlling interests	**–**	164	N/A
Equity attributable to owners of the parent	**2,551**	2,032	25.5%

Discussions on Financial Position

The significant changes of the financial position between the two balance sheet dates were primarily caused by de-consolidation of the CCT Land Group from the Group's accounts after completion of the Placing and the accounting treatment and re-classification of the Group's remaining shareholding interest in CCT Land. The following discussions focused on significant changes on the key items of the 2014 consolidated statement of financial position of the Group (excluding the CCT Land Group).

The changes in property, plant and equipment ("**PPE**") account balance between the two year-ends mainly represented: (i) exclusion of the PPE of the CCT Land Group following completion of the Placing; (ii) reclassification of an office property leased to a subsidiary of CCT Land for use as its office from PPE account to investment properties account as members of the CCT Land Group have ceased to be accounted as subsidiaries of the Company; (iii) acquisition during year of a property in Hong Kong for use as classic car service center; and (iv) depreciation of the year.

Increase in balance of investment properties was attributable to: (i) the reclassification of the office property from PPE account to investment properties account as mentioned above, which was and recognized at fair values; (ii) acquisition of a rental property during the year ; and (iii) additional unrealised fair value gains recognized based on revaluation of the investment properties.

Goodwill of $55 million was de-recognized upon completion of the Placing as such goodwill related to the investment in CCT Land.

Interest in associate represented the 16,800,000,000 CCT Land shares held by the Group and re-classified as investment in associate after completion of the Placing. The balance of $286 million represented the carrying value of the 16,800,000,000 CCT Land shares at year end, net of impairment.

Promissory notes receivables of $986 million were due by CCT Land and were recognized in the accounts after completion of the Placing. In prior years, such promissory notes receivables were eliminated upon consolidation of members of the CCT Land Group into the Group, until the CCT Land Group ceased to be accounted as subsidiaries of the Company after completion of the Placing.

Classic cars held for investment at total costs of $21 million were acquired during the year with an intention to be held for long-term investment purpose.

Stock of properties held for sale amounted to $381 million as at 31 December 2014, represented the purchase costs of the retail properties on No. 8 Russell Street and the Sai Wan Properties.

Stock of classic cars held for sale at total costs of $139 million were acquired by the Blackbird Automotive Group during 2014 with an intention for resale.

Increase in "financial assets at fair value through profit or loss" under current assets represented the classification of 9,726,391,124 CCT Land shares after completion of the Placing. The value of these shares held for sale have been adjusted to closing share price at year end.

Cash and cash equivalents decreased to $122 million as at 31 December 2014. The net decrease was mainly due to the exclusion of the cash balance of the CCT Land Group, funds used to finance development of new business and expansion of continuing operations of the Group, cash loans (represented by the promissory notes) extended to CCT Land, and payments of the dividend during the year, offset partly by increase in bank borrowings and funds from the top-up subscription of the Company's shares and the Placing.

Equity attributable to owners of the parent at end of the year rose to $2,551 million, an increase of 25.5% compared to $2,032 million at beginning of the year. This significant change was mainly attributable to the combined effect of de-consolidation of the CCT Land Group, the net profit of the Group for the year and the dividend paid during the year.

CAPITAL STRUCTURE AND GEARING RATIO

	2014		2013	
$ million	**Amount**	**Relative %**	Amount	Relative %
Bank borrowings	**1,080**	**29.7%**	1,263	38.3%
Finance lease payable	**2**	**0.1%**	–	0.0%
Total borrowings	**1,082**	**29.8%**	1,263	38.3%
Equity	**2,551**	**70.2%**	2,032	61.7%
Total capital employed	**3,633**	**100.0%**	3,295	100.0%

The improvement in the Group's gearing ratio to 29.8% as at 31 December 2014 from 38.3% in 2013 was mainly led by the exclusion of bank borrowings of the CCT Land Group.

Outstanding bank borrowings amounted to $1,082 million at 31 December 2014 (2013: $1,263 million). Approximately 68% of these 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 $149 million (2013: $248 million) were Hong Kong dollar loans fully secured by equivalent amount of RMB deposits and bonds for hedging against RMB appreciation exposure.

As at 31 December 2014, the maturity profile of the bank and other borrowings of the Group falling due within one year, in the second to the fifth year and beyond five years amounted to $470 million, $358 million and $254 million, respectively (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	**2014**	2013
Current assets	**1,012**	2,439
Current liabilities	**611**	1,530
Current ratio	**165.6%**	159.4%

The Group's current ratio as at 31 December 2014 was 165.6% (2013: 159.4%), reflecting a continuing healthy financial position of the Group after exclusion of accounts of the CCT Land Group.

As at 31 December 2014, the Group's cash balance was $228 million (2013: $943 million), which included pledged RMB deposits of $106 million (2013: $300 million) to secure Hong Kong dollar bank loans. The significant changes in cash balance has been explained in the sub-section headed "Discussions on financial position" of this "Financial Review" section. Almost all of the Group's cash was placed on deposits with licensed banks in Hong Kong. In view of the Group's current cash position and the banking facilities available, the Group continued to maintain a sound financial position and has sufficient resources to finance its operations and its future expansion plan.

CAPITAL COMMITMENTS

As at 31 December 2014, capital commitment of the Group amounted to $40 million (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 financial year 2014, the Group's receipts were mainly denominated in US dollar, RMB and Euro (mainly related to the classic car business). Payments were mainly made in Hong Kong dollar, US dollar, RMB and Euro. Cash was generally placed in short-term deposits denominated in Hong Kong dollar, US dollar and RMB. In 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. In terms of foreign exchange exposures, the Group is principally exposed to three major currencies, namely the US dollar, RMB and Euro in terms of receipts and the RMB in terms of payments. On the US dollar exposure, since the Hong Kong dollar remains pegged to the US dollar, the exchange fluctuation is not expected to be significant. In addition, as large portion of the Group's purchases are also made in US dollar, which are to be paid out of our sales receipts in US dollar, the management considers that the foreign exchange exposure risk for the US dollar is not material.

As for RMB exposure, since factory wages and overhead in our Guangdong factory and costs of our Anshan projects are paid in RMB, our costs in China in terms of Hong Kong dollar will rise due to possible future appreciation of RMB. The exchange risk of the project costs in Anshan will be offset by RMB receipts from sale of property units in Anshan, which therefore will not give rise to any significant risk to RMB appreciation. As for our factory costs and overhead payable in RMB, since we do not have any RMB receipt from the manufacturing business, we would expose to exchange risk if RMB appreciate further against Hong Kong dollar in the future. In order to hedge against RMB appreciation risk, we have converted some of our surplus funds from Hong Kong dollars to RMB. These RMB funds have been placed on deposits to secure equivalent amount of Hong Kong dollar loans, which have been borrowed to finance working capital of the Group. We consider such arrangement to be an effective way to hedge a part of our exposure against RMB appreciation in the long run. As RMB devalued to a certain extent in 2014, the depreciation has reversed some of the unrealized exchange gains arising from RMB appreciation in the past few years. We are still optimistic in the RMB value in the future as we are confident in the long-term economic outlook in China.

As for Euro, the currency has depreciated significantly against USD in the past year and in the first quarter of 2015. However as most of the payments and receipts arising from purchase and sale in classic cars were transacted in Euro, our Euro exposure is not significant for the time being. It is because the exposure is naturally hedged as most of the receipts and payments were denominated in the same currency of Euro.

We will continue to monitor the currency exposure but we have no intention to enter into any high-risk exchange derivatives.

ACQUISITION AND DISPOSAL OF MATERIAL SUBSIDIARIES AND ASSOCIATES

As a result of the completion of the Placing, the Group no longer holds majority voting rights in CCT Land as such, members of CCT Land are no longer accounted as subsidiaries of the Group upon completion of the Placing. In June 2014, the Company acquired the private company which holds the two workshops on ground floor of MP Industrial Centre in Chai Wan, Hong Kong from Mr. Clement Mak. Details of the acquisition have been disclosed in the Company's announcement dated 9 May 2014 and circular dated 30 May 2014. Save for the above-mentioned acquisition and disposal, the Group did not acquire or dispose of any material subsidiaries and associates during the year under review.

SIGNIFICANT INVESTMENT

Save as disclosed in the other section of the financial review, the Group did not hold any significant investment as at 31 December 2014 (2013: Nil).

PLEDGE OF ASSETS

As at 31 December 2014, certain of the Group's assets with a net book value of approximately $1,757 million (2013: $2,160 million) and time deposits of approximately $106 million (2013: $300 million) were pledged to secure the Group's bank loans. At end of 2014, no net asset value of a subsidiary was pledged to secure the Group's bank borrowings (2013: 309 million).

CONTINGENT LIABILITIES

As at 31 December 2014, the Group had contingent liabilities in terms of corporate guarantees of total amount of approximately $157 million (2013: nil) given by the Company to guarantee trade facilities of the members of CCT Land Group, which have ceased to be accounted as subsidiaries since completion of the Placing.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group as at 31 December 2014 was 1,043 (2013: 4,384). The change was mainly attributable to the exclusion of the employees of the CCT Land Group after the completion of Placing. The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitive remuneration package to employees. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. At 31 December 2014, there were no outstanding share options issued by the Company.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the senior management of the Group by band and the respective number of employees for the year ended 31 December 2014 are set out below:

	Number of empolyees
Nil–$1,000,000	1
$1,000,001–$2,000,000	4
$2,000,001–$2,500,000	1
	6

corporate information

COMPANY NAME
CCT Fortis Holdings Limited

BOARD OF DIRECTORS

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

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

COMPANY SECRETARY
Tam Ngai Hung, Terry

PRINCIPAL BANKERS
Nanyang Commercial Bank, Limited
OCBC Wing Hang Bank Limited
Hang Seng Bank Limited

SOLICITORS
Sidley Austin

AUDITORS
Ernst & Young, Certified Public Accountants

FINANCIAL YEAR END
31 December

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Hamilton HM 12
Bermuda

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BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
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Hong Kong

TELEPHONE NUMBER
+852 2102 8138

FAX NUMBER
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COMPANY WEBSITE
www.cct-fortis.com

STOCK CODE
138

CORPORATE GOVERNANCE

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

In the opinion of the Directors, the Company has complied with all the Code Provisions under the CG Code throughout the financial year ended 31 December 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 during the financial year ended 31 December 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.

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 shall he be taken into account in determining the number of Directors to retire in each year. The Board considers that the continuity of the Chairman and his leadership will be essential for the stability of the key management of the Group. On the other hand, the Board will ensure that all Directors save for the Chairman will rotate at least once every three years in order to comply with the Code Provision A.4.2.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its code of conduct regarding the securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code adopted by the Company throughout the financial year ended 31 December 2014.

THE BOARD

Responsibilities, accountabilities and contributions

The Board is charged with the responsibility for the promotion of the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith and in the best interests of the Company.

Matters reserved for the Board's decision include those relating to:

— the strategic direction and policies of the Group;

— the objectives of the Group;

— monitoring the performance of the management of the Group;

— ensuring prudent and effective control and risk management measures are in place;

— material bank facilities arrangements;

— material acquisitions and disposals of assets and significant investments;

— material transactions with connected persons;

— material corporate finance transactions including placing or sale of shares or convertible bonds, corporate restructuring, take-over, including approval of the announcements and the circulars;

— reviewing and approving interim and annual financial statements, declaration of dividends;

— appointment, re-appointment of auditors and determination of their remuneration;

— reviewing and determination of the terms and remuneration of the Directors; and

— performing the corporate governance duties of the Company.

THE BOARD *(continued)*

Responsibilities, accountabilities and contributions *(continued)*

The management of the Group was delegated the authority and responsibility by the Board for day-to-day management of the businesses of the Group, with division heads responsible for different aspects of the business. The Board meets at least four times each year and meets as and when required. Appropriate and sufficient information including notices were provided to the Board's members in a timely manner. During the financial year ended 31 December 2014, the Board held 20 meetings.

The Board members have also attended the Shareholders' meetings to answer questions from Shareholders. During the financial year ended 31 December 2014, the Company held two Shareholders' meetings. The 2014 AGM was held on 21 May 2014 and a special general meeting ("**SGM**") was held on 17 June 2014 respectively. The attendance of each of the Directors at the Board's meetings (either in person or by phone) and at the Shareholders' meetings is set out as follows:

	Number of Meetings Attended/Held		
Name of Directors	**Board**	**Shareholders**	
		2014 AGM	**SGM**
Mak Shiu Tong, Clement	19/20	1/1	1/1
Tam Ngai Hung, Terry	20/20	1/1	1/1
Cheng Yuk Ching, Flora	20/20	1/1	1/1
William Donald Putt	20/20	0/1	0/1
Tam King Ching, Kenny	20/20	1/1	1/1
Chen Li	20/20	0/1	0/1
Chow Siu Ngor	20/20	1/1	0/1

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

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

THE BOARD *(continued)*

Board's composition

As at the date of the Annual Report, the Board consisted of four Executive Directors, namely Mr. Mak Shiu Tong, Clement (also acting as the Chairman and the CEO), Mr. Tam Ngai Hung, Terry (also acting as the deputy Chairman), Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt and three INEDs, namely Mr. Tam King Ching, Kenny, Mr. Chen Li and Mr. Chow Siu Ngor. The Board has maintained a balance of skills and experience appropriate of the requirements, promotion and development of the businesses of the Group. The biographies of the Directors are set out in the section headed "Directors and Senior Management" in this Annual Report, which demonstrate a diversity of skills, expertise, experience and qualifications.

All INEDs are appointed for a specific term of three years. Save for the Chairman and the managing Director (who is currently assumed by Mr. Mak Shiu Tong, Clement) who shall not be subject to retirement by rotation nor shall he be taken into account in determining the number of Directors to retire in each year, all the other directors (including INEDs) are subject to retirement by rotation and re-election at the AGM of the Company in accordance with the bye-laws of the Company.

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

The Company has received annual confirmation of independence for the year ended 31 December 2014 from Mr. Tam King Ching, Kenny, Mr. Chen Li and Mr. Chow Siu Ngor in accordance with Rule 3.13 of the Listing Rules. The Board has assessed the independence of all INEDs and concluded that all INEDs of the Company are independent within the definition of the Listing Rules.

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of a sufficient number of the INEDs, at least an INED with appropriate professional qualifications or accounting or related financial management expertise and the number of INEDs representing at least one-third of the Board throughout the financial year ended 31 December 2014.

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

Directors' continuing professional development

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

THE BOARD *(continued)*

Directors' continuing professional development *(continued)*

According to the records provided by the Directors, a summary of training received by the Directors for the year ended 31 December 2014 is as follows:

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

The training participated by the Directors in 2014 is relevant to their duties and responsibilities as a director of the Company.

THE CHAIRMAN AND THE CEO

Mr. Mak Shiu Tong, Clement currently assumes the roles of both the Chairman and the CEO. The reasons for the deviation from the Code Provision A.2.1 under the CG Code are set out in the section headed "Corporate Governance" above. Mr. Mak is responsible for the leadership of the Board, corporate planning and strategic direction of the Group and takes a leading role in managing the businesses of the Group.

RE-ELECTION AND RETIREMENT OF THE DIRECTORS

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

BOARD COMMITTEES

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

Remuneration Committee

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

The Remuneration Committee consists of five members comprising the three INEDs, namely Mr. Tam King Ching, Kenny, Mr. Chen Li and Mr. Chow Siu Ngor and two executive Directors, namely Mr. Mak Shiu Tong, Clement and Mr. Tam Ngai Hung, Terry. The Remuneration Committee is currently chaired by Mr. Chow.

During the financial year ended 31 December 2014, the Remuneration Committee held one meeting and its main work during 2014 included:

(i) reviewing and making recommendations to the Board on the policy and structure for the remuneration of the Directors and senior management of the Group;

(ii) reviewing and making recommendations to the Board on the remuneration package of the Directors and senior management of the Group, including any change in remuneration and remuneration package of new member of the senior management team; and

(iii) reviewing the fee payable to the INEDs of the Company.

For the sake of good corporate governance practice, none of the members of the Remuneration Committee participated in the discussions and decision on changes (if any) of his or her remuneration.

The attendance record of the members at meeting of the Remuneration Committee in 2014 is set out as follows:

Members of the Remuneration Committee	Number of meeting attended/held
Chow Siu Ngor	1/1
Tam King Ching, Kenny	1/1
Chen Li	1/1
Mak Shiu Tong, Clement	1/1
Tam Ngai Hung, Terry	1/1

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

The Group provides competitive remuneration packages to the Directors and senior management. The emoluments of Directors are determined based on skill, knowledge, experience and performance of the Directors and achievements and performance of the Company and taking into account market conditions. In addition, approved share option scheme has been established to provide incentives and rewards to eligible participants which include Directors and senior management.

Audit Committee

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

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

The Audit Committee consists of three members who are the three INEDs, namely Mr. Tam King Ching, Kenny, Mr. Chen Li and Mr. Chow Siu Ngor. Mr. Tam King Ching, Kenny is a qualified accountant and has extensive experience in accounting and financial matters. The Audit Committee is currently chaired by Mr. Tam King Ching, Kenny.

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

During the financial year ended 31 December 2014, the Audit Committee held three meetings and its main work during 2014 included reviewing:

(i) the 2013 annual report, including the Corporate Governance Report, Directors' Report and the Financial Statements, as well as the related results announcement;

(ii) the 2014 interim report and interim results announcement;

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

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

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

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

The attendance record of the members at the meetings of the Audit Committee in 2014 is set out as follows:

Members of the Audit Committee	Number of meetings attended/held
Tam King Ching, Kenny	3/3
Chen Li	3/3
Chow Siu Ngor	3/3

Nomination Committee

The Company has established a Nomination Committee since 29 March 2012 with specific written terms of reference in line with the Code Provisions under the CG Code. The main responsibilities of the Nomination Committee include, inter alia, (i) reviewing the structure, size and composition (including the skills and knowledge and experience) of the Board at least annually; (ii) making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (iii) identifying individuals suitably qualified to become board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (iv) assessing the independence of INEDs; and (v) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the CEO.

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

The Nomination Committee consists of five members comprising three INEDs, namely Mr. Tam King Ching, Kenny, Mr. Chen Li and Mr. Chow Siu Ngor and two executive Directors, namely Mr. Mak Shiu Tong, Clement and Mr. Tam Ngai Hung, Terry. The Nomination Committee is currently chaired by Mr. Mak.

During the financial year ended 31 December 2014, the Nomination Committee held one meeting and its main work during 2014 included:

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

(ii) assessing the independence of the INED of the Company; and

(iii) reviewing the succession planning for the Board.

BOARD COMMITTEES *(continued)*

Nomination Committee *(continued)*

The attendance record of the members at the meeting of the Nomination Committee in 2014 is set out as follows:

Member of the Nomination Committee	Number of meeting attended/held
Mak Shiu Tong, Clement	1/1
Tam Ngai Hung, Terry	1/1
Tam King Ching, Kenny	1/1
Chen Li	1/1
Chow Siu Ngor	1/1

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing corporate governance duties which include (i) developing, reviewing and approving the Company's policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) reviewing the Company's compliance with the code and disclosure in the Corporate Governance Report.

During the financial year ended 31 December 2014, the Board held two meetings to develop and review the Company's policy and practice on corporate governance and to perform other corporate governance duties stated in the paragraph above. The attendance record of the members of the Board at the corporate governance meetings in 2014 is set out as follows:

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

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company, Ernst & Young, for the year ended 31 December 2014 is set out as follows:

Services rendered	**Fees paid/payable** HK$'000
Audit services	3,500
Non-audit services:	
Tax compliance services	166
Other services	–
Total	3,666

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such financial statements. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

The statement of the external auditors of the Company, Ernst & Young, with regard to their reporting responsibilities on the Company's financial statements is set out in the section headed "Independent Auditors' Report" in this Annual Report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to the events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROL AND INTERNAL AUDIT

The Board is entrusted with the overall responsibility for establishing and maintaining the Group's internal control system and reviewing their effectiveness. The Group's internal control system has been designed for safeguarding assets, maintaining proper accounting records and ensuring reliability of the financial information. The Board also reviews and considers the adequacy of resources, staff qualifications and experience, and training programmes and budget of the Company's accounting and financial reporting function.

The Company has established the internal audit department for many years and the department performs risk-based audit on the effectiveness of the internal control system of the Group. The internal audit team of the Company reports to the Chairman. The annual audit plan of the internal audit department is reviewed and approved by the Audit Committee and summary of major audit findings and control weaknesses, if any, and follow-up actions are reviewed by the Audit Committee.

COMPANY SECRETARY

Mr. Tam Ngai Hung, Terry who is the Executive Director and Deputy Chairman, has been appointed as the company secretary of the Company since 10 May 2012. The biographical details of Mr. Tam are set out under the section headed "Directors and Senior Management".

Mr. Tam has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2014.

SHAREHOLDERS' RIGHTS

Right to convene special general meeting

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

Right to put enquiries to the Board

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

Right to put forward proposals at general meetings

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

report of the directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consist of property development and property trading in Hong Kong; property investment and holding; the securities business; the manufacture and sale of plastic components; investment in classic cars and provision of services for classic cars; and sale and trading of classic cars. In December 2014, the Group disposed of approximately 9.94% of the then existing issued share capital of CCT Land by means of the placing (the "**Placing**"). Upon completion of the Placing, the Group no longer holds a majority of voting rights in CCT Land, resulting in the members of CCT Land Group ceasing to be subsidiaries of the Company. As such, accounts of the CCT Land Group were consolidated into the Group's accounts up to completion of the Placing, and thereafter their accounts are no longer consolidated into the accounts of the Group. Other than the de-consolidated operations of the manufacture and sale of telecom, electronic and child products and the property development business in mainland China, which are engaged by the CCT Land Group, and the new multi-faceted businesses in classic cars entered into by the Group during the year, there were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 48 to 152.

An interim dividend of HK$0.030 per ordinary share was paid on 26 September 2014.

The Directors recommend the payment of a final dividend of HK$0.035 (2013: HK$0.035) per ordinary share in respect of the year to shareholders whose names appear on the register of members of the Company on 1 June 2015 subject to the approval of the shareholders of the Company at the forthcoming AGM. This recommendation has been incorporated in the financial statements as an allocation of distributable reserve within the equity section of the statement of financial position.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 154. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and the investment properties of the Company and the Group during the year are set out in notes 15 and 16 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 39 and 40 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES

In November 2014, Capital Force International Limited, a substantial shareholder of the Company placed 75,000,000 existing shares of the Company and then subscribed for 75,000,000 new shares issued by the Company, both at a price of HK$0.90 per Share. Net proceeds of the subscription amounted to approximately HK$66 million has been applied as general working capital of the Group, in accordance with the intended use of the proceeds.

Save for the placing and top-up subscription mentioned above, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed Shares during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 41(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2014, the Company's reserve available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda, amounted to HK$1,021 million, of which HK$29 million has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount to HK$181 million, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totally HK$1 million (2013: HK$1 million).

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total			
	Sales		Purchases	
	2014	2013	**2014**	2013
Largest customer	**26%**	18%		
Five largest customers in aggregate	**52%**	38%		
Five largest suppliers in aggregate			**<30%**	<30%

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

DIRECTORS

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

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

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

In accordance to the bye-laws of the Company, Dr. William Donald Putt and Mr. Chen Li will retire and, being eligible, offer themselves for re-election at the forthcoming AGM of the Company.

All Directors (except the Chairman and the managing Director, both roles of which are assumed by Mr. Mak Shiu Tong, Clement who is not subject to retirement by rotation and is not taken into account in determining the number of Director to retire, in accordance with the bye-laws of the Company) are subject to retirement by rotation and re-election at least once every three years at the AGM of the Company in accordance with the bye-laws of the Company.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 10 to 12 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

During the year, no Director had a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

SHARE OPTION SCHEMES OF THE GROUP

Share option scheme of the Company

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

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

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

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share option scheme of the Company *(continued)*

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

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

Pursuant to the 2011 Scheme, the maximum number of Shares which may be issued upon exercise of all share options to be granted under the 2011 Scheme and any other share option scheme(s) of the Company must not exceed 10% of the total number of Shares in issue as at the date of adoption of the 2011 Scheme. Shares which would have been issuable pursuant to the share options which have lapsed or cancelled in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit. Notwithstanding the foregoing, Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2011 Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the total number of the Shares in issue from time to time. No share option shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded. As at the date of approval of this Annual Report, the total number of Shares available for issue under the 2011 Scheme is 60,614,490, which represents 7.28% of the total issued share capital of the Company as at the date of approval of these financial statements.

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

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

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

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share option scheme of the Company *(continued)*

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

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

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

(iii) the nominal value of a Share.

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

As at 31 December 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 year.

Share option scheme of CCT Land

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

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

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

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

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share option scheme of CCT Land *(continued)*

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

Pursuant to the CCT Land 2011 Scheme, the maximum number of shares which may be issued upon exercise of all share options to be granted under the CCT Land 2011 Scheme and any other share option scheme(s) of CCT Land must not exceed 10% of the total number of the shares of CCT Land in issue as at the adoption date of CCT Land 2011 Scheme. Shares of CCT Land which would have been issuable pursuant to the share options which have lapsed or cancelled in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit. Notwithstanding the foregoing, shares of CCT Land which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the CCT Land 2011 Scheme and any other share option scheme(s) of CCT Land at any time shall not exceed 30% of the total number of the shares of CCT Land in issue from time to time. No share option shall be granted under any scheme(s) of CCT Land or any of its subsidiaries if this will result in the 30% limit being exceeded. On 17 January 2014, CCT Land granted a total of 600,000,000 share options under the CCT Land 2011 Scheme to the directors and the eligible participant of CCT Land to subscribe for shares of CCT Land at an exercise price of HK$0.01 each. As such, as at the date of approval of this Annual Report, the total number of shares of CCT Land available for issue under the CCT Land 2011 Scheme is 5,941,399,399, which represents approximately 9% of the total issued share capital of CCT Land as at the date of approval of these financial statements.

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

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

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

SHARE OPTION SCHEMES OF THE GROUP *(continued)*

Share option scheme of CCT Land *(continued)*

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

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

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

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

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

The CCT Land 2011 Scheme

As at 31 December 2014, 600,000,000 share options were granted and no share options was exercised, cancelled or lapsed under the CCT Land 2011 Scheme.

Details of the movements of the share options granted to the Directors and the other eligible participant under the CCT Land 2011 Scheme during the year were as follows:

	Number of share options							
Name or category of the participants	**Outstanding as at 1 January 2014**	**Granted during the year**	**Exercised during the year**	**Cancelled/ Lapsed during the year**	**Outstanding as at 31 December 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 executive directors of both CCT Land and the Company.

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 SCHEMES OF THE GROUP *(continued)*

The CCT Land 2011 Scheme *(continued)*

The fair value of the equity-settled share options granted by CCT Land during the year 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 trends, which may also not necessarily be the actual outcome.

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

As at 31 December 2014, 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 represented approximately 0.92% of the total issued share capital of CCT Land as at 31 December 2014. The exercise in full of the outstanding share options in CCT Land would result in the issue of 600,000,000 additional ordinary shares and an additional share capital of HK$6,000,000 in CCT Land.

Subsequent to the end of the reporting period, a total of 575,000,000 share options in CCT Land were exercised by Ms. Cheng Yuk Ching, Flora and Mr. Tam Ngai Hung, Terry on 27 January 2015. The weighted average share price at the date of exercise for share options exercised was HK$0.016 per share. Accordingly, there are 25,000,000 share options outstanding under the CCT Land 2011 Scheme as at the date of approval of these financial statements. Based on these outstanding share options, the total number of shares available for issue is 25,000,000 which represents approximately 0.04% of the total issued share capital of CCT Land as at the date of approval of these financial statements.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 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 31 December 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	54.60
Tam Ngai Hung, Terry	500,000	–	500,000	0.06
William Donald Putt	591,500	–	591,500	0.07

Note: Of the shareholding in which Mr. Mak Shiu Tong, Clement was interested, an aggregate of 446,025,079 Shares are held by Capital Force International Limited, New Capital Industrial Limited and Capital Winner Investments Limited, all of which are private 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.

(b) Interests and short positions in the shares and the underlying shares of an associated corporation — CCT Land as at 31 December 2014

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

Name of the Directors	Number of the shares interested and nature of interest Personal	Corporate	Total	Approximate percentage of the total issued share capital of CCT Land (%)
Mak Shiu Tong, Clement (Note)	–	26,526,391,124	26,526,391,124	40.55
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 26,526,391,124 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 54.60% of the total issued share capital in the Company as at 31 December 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 31 December 2014 *(continued)*

(ii) Long positions in the underlying shares of the share options granted under the share option scheme of CCT Land 2011 Scheme:

Name of the Directors	Date of grant of the share options	Exercise period of the share options	Exercise price per CCT Land share HK$	Number of the share options outstanding	Number of the total underlying CCT Land shares	Approximate percentage of the total issued share capital of CCT Land (%)
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 31 December 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 "Share Option Scheme of CCT Land" and "Directors' Interests in shares and underlying shares" above, at no time during the year was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 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 31 December 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	11.64
New Capital Industrial Limited (Note)	171,357,615	20.59
Capital Winner Investments Limited (Note)	177,798,672	21.36

Note: Capital Force International Limited, New Capital Industrial Limited and Capital Winner Investments Limited are private 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 31 December 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.

CONNECTED TRANSACTION

During the two years ended 31 December 2014, the Company had entered the following connected transaction under the Listing Rules:

	Year ended 31 December	
HK$ million	**2014**	2013
Purchase of shares in a property holding company (Note)	**128**	–

Note: On 9 May 2014, the Group entered into an agreement with registered holders of a company and the beneficial owner of the company, pursuant to which the registered holders, acting on behalf of the beneficial owner who is Mr. Mak Shiu Tong, Clement, chairman, executive director, chief executive officer and substantial shareholder of the Company, agreed to sell and the Group agreed to acquire the entire equity interest and Mr. Mak agreed to assign the shareholder's loan in Cyber Profit (HK) Limited ("Cyber Profit"), at a consideration of HK$121,000,000 by way of issue of 151,250,000 new shares of the Company at $0.80 per share, credited as fully paid upon issue and cash consideration of HK$7,126,849 for the assignment of the shareholder's loan. Cyber Profit is engaged in investment and holding of properties which are the two workshops on Ground Floor of MP Industrial Centre, 18 Ka Yip Street, Chai Wan, in Hong Kong. The acquisition was completed on 19 June 2014. Details of the transaction have been disclosed by the Company in its announcement dated 9 May 2014 and circular dated 30 May 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with all the Code Provisions under CG Code throughout the year from 1 January 2014 to 31 December 2014, except for the deviations from Code Provisions A.2.1 and A.4.2 of the CG Code. Detailed information of such deviations and their respective considered reasons as well as other information on the corporate governance practices of the Company are set out in the section headed "Corporate Governance Report" in this Annual Report.

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

Mr. Chen Li was appointed as an executive director of First China Financial Network Holdings Limited (a company listed on the Growth Enterprise Market of the Stock Exchange) on 28 October 2014.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENT AFTER THE REPORTING PERIOD

Details of the significant event after the reporting period of the Group are set out in note 52 to the financial statements.

AUDITORS

The financial statements for the year ended 31 December 2014 have been audited by Ernst & Young, who will retire at the forthcoming AGM of the Company. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM of the Company.

ON BEHALF OF THE BOARD

Mak Shiu Tong, Clement
Chairman

Hong Kong
31 March 2015

independent auditors' report

EY 安永

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

We have audited the consolidated financial statements of CCT Fortis Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 48 to 152, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
31 March 2015

consolidated statement of profit or loss

Year ended 31 December 2014

HK$ million	Notes	2014	2013
CONTINUING OPERATIONS			
REVENUE	5	**208**	690
Cost of sales		**(229)**	(381)
Gross (loss)/profit		**(21)**	309
Other income and gains	5	**574**	182
Selling and distribution costs		**(2)**	(43)
Administrative expenses		**(77)**	(85)
Other expenses		**(60)**	(29)
Finance costs	7	**(18)**	(15)
Share of profits of an associate	20	**1**	–
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**397**	319
Income tax expense	10	**(2)**	(58)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**395**	261
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	12	**(66)**	(60)
PROFIT FOR THE YEAR		**329**	201
Attributable to:			
Owners of the parent	11	**358**	232
Non-controlling interests		**(29)**	(31)
		329	201
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic and diluted			
— For profit for the year		**HK$0.51**	HK$0.38
— For profit from continuing operations		**HK$0.57**	HK$0.43

Details of the dividends payable and proposed for the year are disclosed in note 13 to the financial statements.

consolidated statement of comprehensive income

Year ended 31 December 2014

HK$ million	Note	2014	2013
PROFIT FOR THE YEAR		**329**	201
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:			
Exchange differences on translation of foreign operations		**(20)**	18
Release of exchange fluctuation reserve on disposal of subsidiaries		**(29)**	–
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods, net of tax		**(49)**	18
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax:			
Gains on property revaluation, net of tax		**72**	–
Reclassification on asset valuation reserve on disposal of subsidiaries		**(36)**	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax		**36**	–
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(13)**	18
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**316**	219
Attributable to:			
Owners of the parent	11	**345**	244
Non-controlling interests		**(29)**	(25)
		316	219

consolidated statement of financial position

31 December 2014

HK$ million	Notes	2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	15	**408**	597
Investment properties	16	**958**	881
Prepayments for acquisition of properties, plant and equipment		**11**	–
Prepaid land lease payments	17	**–**	95
Goodwill	18	**–**	55
Interest in an associate	20	**286**	–
Promissory notes receivables	20	**986**	–
Classic cars held for investment	21	**21**	–
Available-for-sale investments	22	**4**	13
Held-to-maturity debt securities	23	**52**	–
Other receivables	30	**24**	71
Deferred tax assets	38	**–**	1
Pledged time deposits	32	**50**	65
Total non-current assets		**2,800**	1,778
Current assets			
Inventories	24	**12**	78
Properties under development	25	**–**	117
Completed properties held for sale	26	**–**	712
Stock of properties held for sale	27	**381**	–
Stock of classic cars held for sale	28	**139**	–
Trade receivables	29	**56**	268
Prepayments, deposits and other receivables	30	**81**	331
Financial assets at fair value through profit or loss	31	**165**	2
Held-to-maturity debt securities	23	**–**	53
Pledged time deposits	32	**56**	235
Cash and cash equivalents	32	**122**	643
Total current assets		**1,012**	2,439
Total assets		**3,812**	4,217

HK$ million	Notes	2014	2013
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital	39	**83**	61
Reserves	41(a)	**2,439**	1,950
Proposed final dividend	13	**29**	21
		2,551	2,032
Non-controlling interests		**–**	164
Total equity		**2,551**	2,196
Non-current liabilities			
Interest-bearing bank and other borrowings	36	**612**	452
Deferred tax liabilities	38	**38**	39
Total non-current liabilities		**650**	491
Current liabilities			
Trade and bills payables	33	**23**	350
Tax payable		**63**	69
Other payables and accruals	34	**55**	253
Receipts in advance	35	**–**	47
Interest-bearing bank and other borrowings	36	**470**	811
Total current liabilities		**611**	1,530
Total liabilities		**1,261**	2,021
Total equity and liabilities		**3,812**	4,217
Net current assets		**401**	909
Total assets less current liabilities		**3,201**	2,687

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

consolidated statement of changes in equity

Year ended 31 December 2014

		Attributable to owners of the parent													
HK$ million	Notes	Issued capital	Share premium account	Capital reserve (note 41(a))	Distributable reserve	Investment revaluation reserve	Asset revaluation reserve	Share option reserve	Exchange fluctuation reserve	Capital redemption reserve	(Accumulated losses)/ retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
At 1 January 2013		61	12	745	1,196	2	–	–	104	24	(332)	21	1,833	253	2,086
Profit for the year		–	–	–	–	–	–	–	–	–	232	–	232	(31)	201
Other comprehensive income for the year:															
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	12	–	–	–	12	6	18
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	–	12	–	232	–	244	(25)	219
Disposal of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	(9)	(9)
Dilution of interest over certain subsidiaries without loss of control		–	–	–	5	–	–	–	(38)	–	88	–	55	(55)	–
2012 final dividend paid		–	–	–	–	–	–	–	–	–	–	(21)	(21)	–	(21)
2013 interim dividend	13	–	–	–	(18)	–	–	–	–	–	–	–	(18)	–	(18)
2013 special interim dividend	13	–	–	–	(61)	–	–	–	–	–	–	–	(61)	–	(61)
Proposed 2013 final dividend	13	–	–	–	(21)	–	–	–	–	–	–	21	–	–	–
At 31 December 2013		61	12*	745*	1,101*	2*	–*	–*	78*	24*	(12)*	21	2,032	164	2,196
At 1 January 2014		**61**	**12**	**745**	**1,101**	**2**	**–**	**–**	**78**	**24**	**(12)**	**21**	**2,032**	**164**	**2,196**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**358**	**–**	**358**	**(29)**	**329**
Other comprehensive income for the year:															
Gain on property revaluation, net of tax		**–**	**–**	**–**	**–**	**–**	**54**	**–**	**–**	**–**	**–**	**–**	**54**	**18**	**72**
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(10)**	**–**	**–**	**–**	**(10)**	**(10)**	**(20)**
Release of exchange fluctuation reserve on disposal of subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(39)**	**–**	**–**	**–**	**(39)**	**10**	**(29)**
Reclassification on asset valuation reserve on disposal of subsidiaries		**–**	**–**	**–**	**–**	**–**	**(18)**	**–**	**–**	**–**	**–**	**–**	**(18)**	**(18)**	**(36)**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**–**	**–**	**36**	**–**	**(49)**	**–**	**358**	**–**	**345**	**(29)**	**316**
Issue of shares for acquisition of a subsidiary	39	**15**	**111**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**126**	**–**	**126**
Top-up subscription new shares	39	**7**	**60**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**67**	**–**	**67**
Share issue expenses	39	**–**	**(2)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2)**	**–**	**(2)**
Share option expenses		**–**	**–**	**–**	**–**	**–**	**–**	**1**	**–**	**–**	**–**	**–**	**1**	**1**	**2**
Effect on disposal of subsidiaries due to the effect of the Placing		**–**	**–**	**(4)**	**–**	**–**	**–**	**(1)**	**–**	**–**	**31**	**–**	**26**	**(136)**	**(110)**
2013 final dividend paid	13	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(21)**	**(21)**	**–**	**(21)**
2014 interim dividend	13	**–**	**–**	**–**	**(23)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(23)**	**–**	**(23)**
Proposed 2014 final dividend	13	**–**	**–**	**–**	**(29)**	**–**	**–**	**–**	**–**	**–**	**–**	**29**	**–**	**–**	**–**
At 31 December 2014		**83**	**181***	**741***	**1,049***	**2***	**36***	**–***	**29***	**24***	**377***	**29**	**2,551**	**–**	**2,551**

* These reserve accounts comprise the consolidated reserves of HK$2,439 million (2013: HK$1,950 million) in the consolidated statement of financial position.

consolidated statement of cash flows

Year ended 31 December 2014

HK$ million	Notes	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
From continuing operations		**397**	319
From discontinued operations	12	**(52)**	(55)
Adjustments for:			
Finance costs		**39**	38
Share of profits of an associate		**(1)**	–
Gain on disposal of subsidiaries	43	**(520)**	(33)
Interest income		**(9)**	(7)
Depreciation	15	**63**	64
Amortisation of prepaid land lease payments	17	**1**	3
Impairment of trade receivables		**1**	5
Impairment of interest in an associate	20	**17**	–
Waiver of promissory notes receivables		**27**	–
Loss on disposal of available-for-sale investments		**4**	–
Gain on disposal of investment properties		**(1)**	–
Loss on disposal of items of property, plant and equipment		**1**	25
Written off of items of property, plant and equipment	15	**1**	–
Fair value gain on investment properties	16	**(59)**	(124)
Share option expenses		**2**	–
Provision for slow-moving and obsolete inventories		**–**	2
Fair value loss on financial assets at fair value through profit or loss		**10**	1
Impairment loss on available-for-sale investments		**–**	5
		(79)	243
Decrease in inventories		**1**	22
(Increase)/decrease in stock of properties held for trading		**(367)**	227
Increase in stock of classic cars held for trading		**(139)**	–
(Increase)/decrease in trade receivables		**(35)**	76
Increase in properties under development		**(151)**	(328)
Decrease in completed properties held for sale		**57**	103
Decrease/(increase) in prepayments, deposits and other receivables		**36**	(97)
Increase in trade and bills payables, and other payables and accruals		**89**	22
(Decrease)/increase in receipts in advance		**(47)**	45
Cash (used in)/generated from operations		**(635)**	313
Interest received		**9**	7
Interest paid		**(39)**	(38)
Hong Kong profits tax refunded		**–**	2
Mainland China tax paid		**(1)**	(13)
Net cash flows (used in)/from operating activities		**(666)**	271

HK$ million	Notes	2014	2013
Net cash flows (used in)/from operating activities		**(666)**	271
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(35)**	(3)
Purchases of classic cars held for investment		**(21)**	–
Proceeds from disposal of items of property, plant and equipment		**–**	84
Proceeds from sale of investment properties		**10**	–
Proceeds from disposal of available-for-sale investments		**4**	–
Net proceeds from disposal of financial assets at fair value through profit or loss		**2**	7
Additions to investment properties		**(2)**	(216)
Acquisition of a subsidiary that is not a business	42	**(7)**	–
Disposal of subsidiaries	43	**(110)**	4
Decrease/(increase) in held-to-maturity debt securities		**1**	(2)
Decrease/(increase) in pledged time deposits		**1**	(114)
Decrease in time deposits with original maturity of more than three months		**–**	8
Decrease/(increase) in prepayments, deposits and other receivables		**19**	(63)
Net cash flows used in investing activities		**(138)**	(295)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**671**	593
New trust receipts loans, net		**84**	79
Repayment of bank loans and trust receipt loans		**(423)**	(436)
Issue of share capital	39	**65**	–
Capital element of finance lease rental payments		**1**	(2)
Dividends paid		**(105)**	(39)
Net cash flows from financing activities		**293**	195
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(511)**	171
Cash and cash equivalents at beginning of year		**643**	459
Effect of foreign exchange rate changes, net		**(10)**	13
CASH AND CASH EQUIVALENTS AT END OF YEAR		**122**	643
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	32	**122**	545
Non-pledged time deposits with original maturity of less than three months when acquired	32	**–**	98
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**122**	643

statement of financial position

31 December 2014

HK$ million	Notes	2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	15	**–**	1
Investments in subsidiaries	19	**1,168**	1,164
Promissory notes receivables	20	**126**	–
Total non-current assets		**1,294**	1,165
Current assets			
Due from subsidiaries	19	**899**	399
Prepayments, deposits and other receivables	30	**4**	1
Cash and cash equivalents	32	**110**	172
Total current assets		**1,013**	572
Total assets		**2,307**	1,737
EQUITY AND LIABILITIES			
Issued capital	39	**83**	61
Reserves	41(b)	**1,197**	1,122
Proposed final dividend	13	**29**	21
Total equity		**1,309**	1,204
Current liabilities			
Other payables and accruals	34	**1**	63
Due to subsidiaries		**878**	470
Interest-bearing bank and other borrowings	36	**119**	–
Total current liabilities		**998**	533
Total liabilities		**998**	533
Total equity and liabilities		**2,307**	1,737
Net current assets		**15**	39
Total assets less current liabilities		**1,309**	1,204

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

notes to financial statements

31 December 2014

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands with limited liability and continued as an exempted company under the laws of Bermuda after the change of domicile from the Cayman Islands to Bermuda effective on 9 December 2005.

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

- development and trading of properties in Hong Kong;
- investment and holding of properties;
- trading in securities and the holding of securities and treasury products;
- the manufacture and sale of plastics components;
- investment in classic cars and provision of services for classic cars;
- sale and trading of classic cars;
- development and sale of properties in mainland China (discontinued during the year ended 31 December 2014 (note 12));
- the manufacture and sale of telecom, electronic and other original design manufacturing (ODM) and original equipment manufacturing (OEM) products (discontinued during the year ended 31 December 2014 (note 12)); and
- trading and sale of child products (discontinued during the year ended 31 December 2014 (note 12)).

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for investment properties, classic cars held for investment, certain available-for-sale investments and financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest million except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010–2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010–2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010–2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011–2013 Cycle*	*Meaning of Effective HKFRSs*

1 Effective from 1 July 2014

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

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

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group.

(e) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

(g) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements *2010–2012 Cycle*	*Amendments to a number of HKFRSs*[1]
Annual Improvements *2011–2013 Cycle*	*Amendments to a number of HKFRSs*[1]
Annual Improvements *2012–2014 Cycle*	*Amendments to a number of HKFRSs*[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED *(continued)*

The narrow-scope amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the standards.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to HKFRSs 2010–2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

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

(b) rights arising from other contractual arrangements; and

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

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% the equity voting rights and over which it is in position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

The Group has made an election to measure a portion of the investment in associate held through a subsidiary with characteristics similar to an investment-related entity at fair value through profit or loss in accordance with HKAS 39, and the remaining portion of the investments in associates, is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates *(continued)*

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest in not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associates, the Group measures and recognises any retained investment at its fair value. Any difference between carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than classic cars held for investment, inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

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

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

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

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

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

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

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

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

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

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

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

Classic cars held for investment

Classic cars held for long-term investment purposes and not traded in the ordinary course of business are initially measure at cost. Subsequent to initial recognition, classic cars held for long-term investment purposes are stated at fair value with gains and losses from the change in fair value recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

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

Stock of classic cars held for sale

Stock of classic cars held for sale are stated at the lower of cost and net realisable value.

Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

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

Cost of completed properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds from the properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on the prevailing market conditions.

Stock of properties held for sale

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

Net realisable value is determined by reference to the sale proceeds from the properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on the prevailing market conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased assets is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Intangible assets (other than goodwill)

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

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Loans and receivables

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

Held-to-maturity investments

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

Available-for-sale financial investments

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments (continued)

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

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

Derecognition of financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Assets carried at cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments

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

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

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

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, accruals and interest-bearing and other borrowings.

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

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

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

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

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

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

Each of the Company and CCT Land Holdings Limited ("CCT Land") (a subsidiary of the Company during most time in 2014 until completion of the Placing in December 2014 after which it has become an associate of the Company), operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model, further details of which are given in note 40 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of the reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits *(continued)*

Pension schemes (continued)

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a percentage of the payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Borrowing costs

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

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

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

Revenue recognition

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

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

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

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

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

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

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

Dividends

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Classification between investment properties and owner-occupied properties

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

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

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

Classification between classic cars held for investment and stock of classic cars held for sale

The Group has determine whether a classic car is held for long-term investment purpose and not traded in the ordinary course of business, or held for short-term investment purpose and traded in the ordinary course of business. Judgement is made on an individual classic car basis to determine whether the classic car is classified as held for investment or held for sale.

Revenue recognition from the sale of properties

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

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2013 was HK$55 million and the goodwill was derecognised in full amount during the year pursuant to the loss of control in CCT Land. Further details are given in note 18 and 43 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact on the carrying value of the asset and impairment losses/reversal of impairment losses in the period in which such estimate has been changed.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses at 31 December 2014 was HK$756 million. Further details are contained in note 38 to the financial statements.

Impairment of available-for-sale investments

The Group classifies certain financial assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assessment about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. During the year ended 31 December 2014, no impairment loss (2013: HK$5 million) has been recognised for available-for-sale investments. The carrying amount of available-for-sale investments was HK$4 million (2013: HK$13 million) at the end of the reporting period.

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

Estimation uncertainty *(continued)*

Estimation of fair value of investment properties

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

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

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

The carrying amount of investment properties at 31 December 2014 was HK$958 million (2013: HK$881 million). Further details, including the key assumptions used for fair value measurement, are given in note 16 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

(e) the investment in classic cars and services which is the investment and holding of classic cars and provision of restoration, care and maintenance services for classic cars;

(f) the trading in classic cars which is sale and trading of classic cars;

(g) the China property development segment engages in the development and sale of properties in mainland China (discontinued during the year ended 31 December 2014 (note 12));

(h) the telecom, electronic and child products segment which is the manufacture and sale of telecom, electronic and other ODM and OEM products (discontinued during the year ended 31 December 2014 (note 12)); and

(i) trading and sale of child products (discontinued during the year ended 31 December 2014 (note 12)).

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

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 finance costs and head office and corporate expenses are excluded from such measurement.

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

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

4. OPERATING SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2014

HK$ million	Continuing operations: Property development and trading in Hong Kong	Property investment and holding	Securities business	Components	Investment in classic cars and services	Sale and trading of classic cars	Total continuing operations	Discontinued operations: Property development in mainland China	Telecom and electronic products	Trading of Child products	Total discontinued operations	Reconciliations	Total
Segment revenue:													
Sales to external customers	48	11	1	122	1	25	208	65	798	171	1,034	(103)	1,139
Other revenue	–	5	–	2	–	–	7	5	28	2	35	3	45
Intersegment revenue	–	3	–	–	–	–	3	–	–	–	–	(3)	–
	48	19	1	124	1	25	218	70	826	173	1,069	(103)	1,184
Operating (loss)/profit	(23)	18	(13)	(45)	(6)	1	(68)	(15)	17*	3	5	(17)	(80)
Finance costs							(18)				(50)	29	(39)
Reconciled items:													
Corporate and other unallocated expenses							(16)				(6)	(12)	(34)
Gain on disposal of subsidiaries							520				–		520
Loss on disposal of items of property, plant and equipment							–				(1)		(1)
Impairment loss on interest in an associate							(17)				–		(17)
Loss on disposal of available-for-sale investments							(4)				–		(4)
Profit/(loss) before tax							397				(52)		345
Income tax expense							(2)				(14)		(16)
Profit/(loss) for the year							395				(66)		329
Other segment information:													
Interest income	–	–	–	4	–	–	4	–	5	–	5	–	9
Expenditure for non-current assets	–	165	–	2	32	–	199	–	9	–	9	–	208
Depreciation	–	(8)	–	(5)	(1)	–	(14)	–	(48)	(1)	(49)	–	(63)
Amortisation	–	–	–	–	–	–	–	–	(1)	–	(1)	–	(1)
Other material non-cash items:													
Impairment loss on interest in an associate	–	–	–	–	–	–	–	–	–	–	–	(17)	(17)
Fair value gains on investment properties	–	14	–	–	–	–	14	–	45	–	45	–	59
Fair value loss on financial assets at fair value through profit or loss	–	–	(10)	–	–	–	(10)	–	–	–	–	–	(10)
Share of profits of an associate	–	–	–	–	–	–	–	–	–	–	–	1	1
Segment assets	386	1,344	218	208	36	139	2,331	–	–	–	–	–	2,331
Reconciled items:													
Corporate and other unallocated assets	–	–	–	–	–	–	–	–	–	–	–	1,195	1,195
Interest in an associate accounted for under equity method	–	–	–	–	–	–	–	–	–	–	–	286	286
Total assets	386	1,344	218	208	36	139	2,331	–	–	–	–	1,481	3,812
Segment liabilities	110	546	245	137	–	–	1,038	–	–	–	–	–	1,038
Reconciled items:													
Corporate and other unallocated liabilities	–	–	–	–	–	–	–	–	–	–	–	223	223
Total liabilities	110	546	245	137	–	–	1,038	–	–	–	–	223	1,261

* Taking into account unrealised revaluation gain of HK$45 million on the Shenzhen office properties.

4. OPERATING SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2013

HK$ million	Continuing operations: Property development and trading in Hong Kong	Property investment and holding	Securities business	Components	Investment in classic cars and services	Sale and trading of classic cars	Total continuing operations	Discontinued operations: Property development in mainland China	Telecom and electronic products	Trading of Child products	Total discontinued operations	Reconciliations	Total
Segment revenue:													
Sales to external customers	554	3	2	131	–	–	690	161	874	193	1,228	(113)	1,805
Other revenue	1	–	–	3	–	–	4	–	13	1	14	3	21
Intersegment revenue	–	4	–	–	–	–	4	–	–	–	–	(4)	–
	555	7	2	134	–	–	698	161	887	194	1,242	(114)	1,826
Operating profit/(loss)	246	100	2	(35)	–	–	313	8	(19)	1	(10)	2	305
Finance costs							(15)				(37)	14	(38)
Reconciled items:													
Corporate and other unallocated expenses							16				(6)	(16)	(6)
Gain on disposal of subsidiaries							33				–		33
Loss on disposal of items of property, plant and equipment							(23)				(2)		(25)
Impairment loss on available-for-sale investments							(5)				–		(5)
Profit/(loss) before tax							319				(55)		264
Income tax expense							(58)				(5)		(63)
Profit/(loss) for the year							261				(60)		201
Other segment information:													
Interest income	–	–	–	2	–	–	2	–	5	–	5	–	7
Expenditure for non-current assets	–	239	–	1	–	–	240	–	2	–	2	–	242
Depreciation	–	(8)	–	(14)	–	–	(22)	(1)	(39)	(1)	(41)	(1)	(64)
Amortisation	–	–	–	–	–	–	–	–	(3)	–	(3)	–	(3)
Other material non-cash items:													
Impairment of trade receivables	–	–	–	–	–	–	–	(4)	(1)	–	(5)	–	(5)
Provision for slow-moving and obsolete inventories	–	–	–	–	–	–	–	–	(2)	–	(2)	–	(2)
Fair value gains on investment properties	–	124	–	–	–	–	124	–	–	–	–	–	124
Fair value loss on financial assets at fair value through profit or loss	–	–	(1)	–	–	–	(1)	–	–	–	–	–	(1)
Segment assets	172	1,173	67	232	–	–	1,644	1,187	1,116	58	2,361	(72)	3,933
Reconciled items:													
Corporate and other unallocated assets	–	–	–	–	–	–	–	–	–	–	–	284	284
Total assets	172	1,173	67	232	–	–	1,644	1,187	1,116	58	2,361	212	4,217
Segment liabilities	110	511	48	141	–	–	810	272	811	28	1,111	(72)	1,849
Reconciled items:													
Corporate and other unallocated liabilities	–	–	–	–	–	–	–	–	–	–	–	172	172
Total liabilities	110	511	48	141	–	–	810	272	811	28	1,111	100	2,021

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) *Revenue from external customers*

HK$ million	2014	2013
Mainland China and Hong Kong	**183**	690
Europe	**25**	–
	208	690

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

(b) *Non-current assets*

HK$ million	2014	2013
Hong Kong	**1,659**	1,188
Mainland China	**25**	440
	1,684	1,628

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

Information about major customers

For the year ended 31 December 2014, revenue from continuing operations of approximately HK$96 million and HK$25 million was derived from sales of the component segment to a single customer and sales of the classic car sale and trading segment to a single customer, respectively, representing 46% and 12%, respectively, of the Group's total revenue from continuing operations.

For the year ended 31 December 2013, revenue from continuing operations of approximately HK$105 million was derived from sales of the component segment to a single customer, representing 15% of the Group's total revenue from continuing operations.

5. REVENUE, OTHER INCOME AND GAINS

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

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

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

HK$ million	2014	2013
Revenue		
Manufacture and sale of plastics components	**118**	129
Realised gain from sale of securities investment, net	**1**	2
Sale of properties	**48**	554
Sale of classic cars	**25**	–
Rental income from investment properties	**11**	3
Classic cars services income	**1**	–
Bank interest income	**4**	2
	208	690
Other income and gains		
Fair value gain on investment properties	**14**	124
Foreign exchange gains, net	**–**	4
Gains on disposal of subsidiaries (note 43)	**520**	33
Gain on disposal of investment properties	**1**	–
Interest income on promissory notes	**29**	14
Others	**10**	7
	574	182

6. PROFIT BEFORE TAX

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

		Group	
HK$ million	Notes	**2014**	2013
Cost of inventories sold		**145**	152
Cost of properties sold		**56**	227
Cost of classic cars sold		**24**	–
Depreciation		**14**	23
Minimum lease payments under operating leases in respect of land and buildings		**6**	6
Auditors' remuneration		**2**	3
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8))			
Wages and salaries		**14**	9
Pension scheme contributions****		**1**	1
		15	10
Foreign exchange differences, net***/**		**5**	(4)
Fair value gain on investment properties**		**(14)**	(124)
Fair value loss on financial assets at fair value through profit or loss*		**10**	1
Impairment loss on available-for-sale investments*		**–**	5
Impairment loss on interest in an associate*	20	**17**	–
Gains on disposal of subsidiaries**	43	**(520)**	(33)
Loss on disposal of items of property, plant and equipment, net*		**–**	23
Gross rental income from investment properties		**(11)**	(3)
Loss on disposal of available-for-sale investments*		**4**	–

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

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

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

**** The effect of forfeited contributions on the Group's contributions to the pension schemes for the year, and the amounts of forfeited contributions available to reduce contributions in future years, were not material.

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Group	
HK$ million	**2014**	2013
Interest on bank loans wholly repayable within five years	**6**	5
Interest on bank loans wholly repayable beyond five years	**12**	10
Total interest expense on financial liabilities not at fair value through profit or loss	**18**	15

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group	
HK$ million	**2014**	2013
Fees:		
Executive directors and chief executive	**–**	–
Independent non-executive directors	**1**	1
	1	1
Executive directors' and chief executive's other emoluments:		
Salaries, allowances and benefits in kind	**20**	19
Discretionary bonuses	**–**	5
Equity-settled share option expense	**2**	–
Pension scheme contributions	**1**	1
	23	25
	24	26

During the year, certain directors were granted share options in CCT Land, in respect of their services to the CCT Land Group, under the share option scheme of CCT Land, further details of which are set out in note 40 to the financial statements. The fair value of these options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

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

(a) Independent non-executive directors

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

	Fees HK$'000
2014	
Tam King Ching, Kenny	**240**
Chow Siu Ngor	**240**
Chen Li	**240**
	720
2013	
Tam King Ching, Kenny	240
Lau Ho Man, Edward*	20
Chen Li	240
Chow Siu Ngor**	240
	740

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

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

(b) Executive directors and the chief executive

HK$ million	Salaries, allowances and benefits in kind	Discretionary bonuses	Equity settled share option expenses	Pension scheme contributions	Total remuneration
2014					
Mak Shiu Tong, Clement ("Mr. Mak")					
— chief executive	**12**	**–**	**–**	**1**	**13**
Tam Ngai Hung, Terry	**4**	**–**	**1**	**–**	**5**
Cheng Yuk Ching, Flora	**4**	**–**	**1**	**–**	**5**
William Donald Putt	**–**	**–**	**–**	**–**	**–**
	20	**–**	**2**	**1**	**23**

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

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

HK$ million	Salaries, allowances and benefits in kind	Discretionary bonuses	Equity settled share option expenses	Pension scheme contributions	Total remuneration
2013					
Mak Shiu Tong, Clement ("Mr. Mak")					
— chief executive	11	3	–	1	15
Tam Ngai Hung, Terry	4	1	–	–	5
Cheng Yuk Ching, Flora	4	1	–	–	5
William Donald Putt	–	–	–	–	–
	19	5	–	1	25

With effect from 1 July 2011, quarters have been provided to Mr. Mak free of charge and at the same time his remuneration receivable from the Company has been reduced by HK$200,000 per month. The amount to Mr. Mak's remuneration for 2014 and 2013 has included the estimated value of the housing benefit provided to him for the periods.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2013: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2013: three) directors (one (2013: one) of them is the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2013: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Group	
HK$ million	**2014**	2013
Salaries, allowances and benefits in kind	**3**	3

9. FIVE HIGHEST PAID EMPLOYEES *(continued)*

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

	Number of employees	
	2014	2013
HK$1,000,001 — HK$1,500,000	**1**	1
HK$1,500,001 — HK$2,000,000	**–**	–
HK$2,000,001 — HK$2,500,000	**1**	1
	2	2

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	Group	
HK$ million	**2014**	2013
Group:		
Current — Hong Kong		
Charge for the year	**–**	54
Underprovision/(overprovision) in prior years	**2**	(8)
Current — Elsewhere		
Charge of the Mainland China income tax for the year	**–**	–
Overprovision in prior years	**(1)**	–
Deferred	**1**	12
Total tax charge for the year from continuing operations	**2**	58

10. INCOME TAX EXPENSE *(continued)*

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

Group — 2014

HK$ million	Hong Kong	%	Mainland China	%	Total	%
Profit/(loss) before tax	**419**		**(22.4)**		**396.6**	
Tax at the statutory or appropriate tax rate	**69.1**	**16.5**	**(5.6)**	**25.0**	**63.5**	**16.0**
Adjustment in respect of current tax of previous periods	**2.1**	**0.5**	**(0.8)**	**3.6**	**1.3**	**0.4**
Income not subject to tax	**(96.4)**	**(23.0)**	**–**	**–**	**(96.4)**	**(24.3)**
Expenses not deductible for tax	**12.2**	**2.9**	**0.6**	**(2.7)**	**12.8**	**3.2**
Tax losses not recognised	**18.6**	**4.5**	**4.9**	**(21.9)**	**23.5**	**5.9**
Tax losses utilised from previous periods	**(2.8)**	**(0.7)**	**–**	**–**	**(2.8)**	**(0.7)**
Tax charge at the Group's effective rate	**2.8**	**0.7**	**(0.9)**	**4.0**	**1.9**	**0.5**

Group — 2013

HK$ million	Hong Kong	%	Mainland China	%	Total	%
Profit/(loss) before tax	343.1		(23.9)		319.2	
Tax at the statutory or appropriate tax rate	56.6	16.5	(6.0)	25.0	50.6	15.9
Adjustments in respect of current tax of previous periods	(8.1)	(2.4)	–	–	(8.1)	(2.6)
Income not subject to tax	(13.4)	(3.9)	(0.1)	0.5	(13.5)	(4.2)
Expenses not deductible for tax	11.6	3.4	6.1	(25.5)	17.7	5.5
Tax losses not recognised	13.7	4.0	–	–	13.7	4.3
Tax losses utilised from previous periods	(2.5)	(0.7)	–	–	(2.5)	(0.8)
Tax charge at the Group's effective rate	57.9	16.9	–	–	57.9	18.1

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year included a loss of HK$42 million (2013: HK$18 million), which included an impairment loss of HK$24 million (2013: HK$26 million) for certain balances due from subsidiaries, which has been dealt with in the financial statements of the Company (note 41(b)).

12. DISCONTINUED OPERATIONS

On 5 December 2014, the Company announced the appointment of Kingsway Financial Services Group Limited as the placing agent under the placing agreement dated 5 December 2014 (the "Placing Agreement") to place up to 6,500,000,000 existing shares in CCT Land on a best efforts basis, at the placing price HK$0.015 per placing share (the "Placing"). As at the date of the Placing Agreement, the Company held indirectly through wholly-owned subsidiaries an aggregate of 33,026,391,124 shares in CCT Land, representing approximately 50.49% of the then existing issued share capital of CCT Land. On 18 December 2014, the Company completed the placing of the first tranche of 3,250,000,000 existing shares of CCT Land. On 23 December 2014, the Company completed placing of the second tranche of 3,250,000,000 existing shares of CCT Land and the shareholding interest of the Group in CCT Land reduced to approximately 40.55% of the then existing issued share capital of CCT Land. Upon completion of the Placing, the Company has lost the control in CCT Land as it no longer holds majority of the voting rights in CCT Land. Therefore, members of the CCT Land Group have ceased to be accounted for as subsidiaries of the Company, upon completion of the Placing.

The CCT Land Group are principally engaged in the manufacture and trading of telecom, electronic and child products and property development in mainland China and these business activities have been treated as discontinued operations of the Group upon completion of the Placing.

Of the balance of 26,526,391,124 shares in CCT Land that the Group held, the Group has classified 16,800,000,000 shares (representing approximately 25.68% of the existing issued share capital of CCT Land as at 31 December 2014) as interest in an associate under non-current assets and has accounted for the investment under the equity method. As for the remaining shareholding of 9,726,391,124 shares that the Group held (representing approximately 14.87% of the existing issued share capital of the CCT Land as at 31 December 2014), the Group has classified these shares held for sale as financial assets at fair value through profit and loss under current assets. Details of the Placing and the resulting accounting treatments and classification have been disclosed in the Company's announcements and circular issued on 5 December 2014, 18 December 2014, 23 December 2014, 30 December 2014 and 9 January 2015.

12. DISCONTINUED OPERATIONS *(continued)*

The results of CCT Land Group attributable to the Group for the period, up to the completion of Placing are presented below:

HK$ million	From 1 January 2014 to 23 December 2014	Year ended 31 December 2013
Revenue	**1,034**	1,228
Cost of sales	**(992)**	(1,149)
Gross profit	**42**	79
Other income and gains	**79**	27
Selling and distribution costs	**(29)**	(29)
Administrative expenses	**(84)**	(77)
Other expenses	**(10)**	(18)
Finance costs	**(50)**	(37)
Loss before tax from the discontinued operations	**(52)**	(55)
Income tax expense	**(14)**	(5)
Loss for the period/year from the discontinued operations	**(66)**	(60)
Loss attributable to:		
Owners of the parent	**(37)**	(31)
Non-controlling interests	**(29)**	(29)
Loss for the period/year from the discontinued operations	**(66)**	(60)

The net cash flows incurred by the CCT Land Group are as follows:

HK$ million	From 1 January 2014 to 23 December 2014	Year ended 31 December 2013
Operating activities	**(88)**	–
Investing activities	**(8)**	71
Financing activities	**(40)**	4
Net cash (outflow)/inflow	**(136)**	75
Loss per share from the discontinued operations:		
Basic and diluted	**HK$0.06**	HK$0.05

12. DISCONTINUED OPERATIONS *(continued)*

The calculations of the basic and diluted loss per share from the discontinued operations are based on:

HK$ million	2014	2013
Loss attributable to ordinary equity holders of the parent from the discontinued operations, used in the basic and diluted loss per share calculation	**(37)**	(31)

	Number of shares	
	2014	2013
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation (note 14)	**695,788,743**	606,144,907

13. DIVIDENDS

HK$ million	2014	2013
Paid interim — HK$0.030 (2013: HK$0.030) per ordinary share	**23**	18
Special interim — HK$0.100 per ordinary share	**–**	61
Proposed final — HK$0.035 (2013: HK$0.035) per ordinary share	**29**	21
Total	**52**	100

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

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of the basic and diluted earnings per share are based on:

HK$ million	2014	2013
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation		
From continuing operations	**395**	263
From discontinued operations	**(37)**	(31)
Total	**358**	232

	Number of shares	
	2014	2013
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**695,788,743**	606,144,907

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2014 in respect of a dilution as the impact of the outstanding share options granted by CCT Land had an anti-dilutive effect on the basic earnings per share amounts presented.

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

15. PROPERTY, PLANT AND EQUIPMENT

Group

HK$ million	Leasehold land and buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
31 December 2014							
At 31 December 2013 and 1 January 2014:							
Cost	923	353	175	136	18	3	1,608
Accumulated depreciation and impairment	(412)	(305)	(169)	(112)	(13)	–	(1,011)
Net carrying amount	511	48	6	24	5	3	597
At 1 January 2014, net of accumulated depreciation and impairment	511	48	6	24	5	3	597
Additions	11	5	–	4	4	–	24
Disposals	–	(1)	–	–	–	–	(1)
Written off	–	–	(1)	–	–	–	(1)
Surplus on revaluation	79	–	–	–	–	–	79
Transfer to investment properties	(117)	–	–	–	–	–	(117)
Acquisition of a subsidiary that is not a business (note 42)	123	–	–	–	–	–	123
Disposals of subsidiaries (note 43)	(199)	(21)	–	(6)	(4)	(3)	(233)
Depreciation provided during the year	(42)	(13)	(4)	(2)	(2)	–	(63)
At 31 December 2014, net of accumulated depreciation and impairment	366	18	1	20	3	–	408
At 31 December 2014:							
Cost	426	132	17	32	5	–	612
Accumulated depreciation and impairment	(60)	(114)	(16)	(12)	(2)	–	(204)
Net carrying amount	366	18	1	20	3	–	408

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

Group

HK$ million	Leasehold land and buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
31 December 2013							
At 1 January 2013:							
Cost	1,347	389	187	138	21	4	2,086
Accumulated depreciation and impairment	(694)	(322)	(175)	(110)	(13)	–	(1,314)
Net carrying amount	653	67	12	28	8	4	772
At 1 January 2013, net of accumulated depreciation and impairment	653	67	12	28	8	4	772
Additions	1	1	–	–	1	–	3
Disposals	(104)	(3)	–	–	(2)	–	(109)
Disposals of subsidiaries (note 43)	–	–	(4)	(1)	–	–	(5)
Depreciation provided during the year	(40)	(17)	(2)	(3)	(2)	–	(64)
Transfers	1	–	–	–	–	(1)	–
At 31 December 2013, net of accumulated depreciation and impairment	511	48	6	24	5	3	597
At 31 December 2013:							
Cost	923	353	175	136	18	3	1,608
Accumulated depreciation and impairment	(412)	(305)	(169)	(112)	(13)	–	(1,011)
Net carrying amount	511	48	6	24	5	3	597

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

Company

HK$ million	Furniture and office equipment
31 December 2014	
At 31 December 2013 and 1 January 2014:	
Cost	**2**
Accumulated depreciation	**(1)**
Net carrying amount	**1**
At 1 January 2014, net of accumulated depreciation	**1**
Depreciation provided during the year	**(1)**
At 31 December 2014, net of accumulated depreciation	**–**
At 31 December 2014:	
Cost	**2**
Accumulated depreciation	**(2)**
Net carrying amount	**–**
31 December 2013	
At 1 January 2013:	
Cost	2
Accumulated depreciation	(1)
Net carrying amount	1
At 1 January 2013, net of accumulated depreciation	1
Depreciation provided during the year	–
At 31 December 2013, net of accumulated depreciation	1
At 31 December 2013:	
Cost	2
Accumulated depreciation	(1)
Net carrying amount	1

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

The net carrying amount of the Group's property, plant and equipment held under finance leases included in the total amount of motor vehicles as at 31 December 2014 was approximately HK$2 million (2013: Nil).

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

HK$ million	Hong Kong	Elsewhere	Total
31 December 2014			
Medium-term leases	**118**	**–**	**118**
Long-term leases	**248**	**–**	**248**
	366	**–**	**366**
31 December 2013			
Medium-term leases	7	251	258
Long-term leases	253	–	253
	260	251	511

At 31 December 2014, certain of the Group's leasehold land and buildings with an aggregate net carrying amount of approximately HK$366 million (2013: HK$511 million) were pledged to secure general banking facilities granted to the Group (note 36(b)(i)).

16. INVESTMENT PROPERTIES

	Group	
HK$ million	**2014**	2013
Carrying amount at 1 January	**881**	745
Additions	**2**	239
Disposal	**(9)**	–
Transfer from property, plant and equipment (note 15)	**117**	–
Transfer from prepaid land lease payments (note 17)	**35**	–
Acquisition of a subsidiary that is not a business (note 42)	**28**	–
Disposal of subsidiaries (note 43)	**(155)**	–
Transfer to stock of properties held for sale	**–**	(227)
Fair value gain on investment properties	**59**	124
Carrying amount at 31 December	**958**	881

16. INVESTMENT PROPERTIES *(continued)*

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

HK$ million	2014	2013
Medium-term leases	167	9
Long-term leases	791	872
	958	881

The Group's investment properties consist of eight commercial and two residential properties in Hong Kong. The directors of the Company have determined that the investment properties consist of two classes of assets, i.e., commercial and residential, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2014 based on valuations performed by Grant Sherman Appraisal Limited, independent professionally qualified valuers. Each year, the Group's directors decide to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's finance director has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

At 31 December 2014, the Group's investment properties with an aggregate carrying amount of HK$958 million (2013: HK$787 million) were pledged to secure banking facilities granted to the Group (note 36(b)(ii)).

Fair value hierarchy

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

	Fair value measurement as at 31 December 2014 using			
HK$ million	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:				
Commercial properties	–	–	567	567
Residential properties	–	–	391	391
	–	–	958	958

16. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

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

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2013: Nil).

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

HK$ million	**Commercial properties**	**Residential properties**
Carrying amount at 1 January 2013	360	385
Additions (from acquisition)	239	–
Transfer to stock of properties held for sale	(227)	–
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	113	11
Carrying amount at 31 December 2013 and 1 January 2014	485	396
Additions (from acquisition)	–	2
Disposal	–	(9)
Transfer from property, plant and equipment (note 15)	117	–
Transfer from prepaid land lease payments (note 17)	35	–
Acquisition of a subsidiary that is not a business (note 42)	28	–
Disposal of subsidiaries (note 43)	(155)	–
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	57	2
Carrying amount at 31 December 2014	567	391

16. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

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

	Valuation techniques	Significant unobservable inputs	Range or weighted average	
			2014	2013
Commercial properties	Market comparison method	Adopted unit rate (per sq.ft.)	**HK$2,950 to HK$49,500**	HK$10,800 to HK$48,000
Residential properties	Market comparison method	Adopted unit rate (per sq.ft.)	**HK$45,100 to HK$52,000**	HK$8,500 to HK$51,500

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

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

17. PREPAID LAND LEASE PAYMENTS

	Group	
HK$ million	**2014**	2013
Carrying amount at 1 January	**97**	100
Transfer to investment properties	**(35)**	–
Recognised during the year	**(1)**	(3)
Disposal of subsidiaries (note 43)	**(61)**	–
Carrying amount at 31 December	**–**	97
Current portion included in prepayments, deposits and other receivables	**–**	(2)
Non-current portion	**–**	95

At 31 December 2013, the parcels of leasehold land are situated in Mainland China and are held under long-term leases.

At 31 December 2013, the Group's leasehold land with an aggregate net carrying amount of approximately HK$97 million were pledged to secure general banking facilities granted to the Group (note 36(b)(iii)).

18. GOODWILL

Group

HK$ million	
At 1 January 2013:	
Cost	140
Accumulated impairment	(53)
Net carrying amount	87
Cost at 1 January 2013, net of accumulated impairment	87
Disposal of subsidiaries (note 43)	(32)
At 31 December 2013	55
At 31 December 2013 and 1 January 2014:	
Cost	108
Accumulated impairment	(53)
Net carrying amount	55
Cost at 1 January 2014, net of accumulated impairment	**55**
Disposal of subsidiaries (note 43)	**(55)**
At 31 December 2014	**–**
At 31 December 2014:	
Cost	**–**
Accumulated impairment	**–**
Net carrying amount	**–**

Impairment testing of goodwill

Goodwill acquired through business combinations was allocated to cash-generating unit for the telecom, electronic and child product business for impairment testing. The recoverable amount of the cash-generating unit of the telecom, electronic and child product business was determined based on value in use calculations using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections of the telecom, electronic and child products business for 2013 was 13%. The cash flow projections of the telecom, electronic and child products business beyond the respective periods of financial budgets were extrapolated using a growth rate of 3%, which did not exceed the long term average growth rate of the industry.

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

HK$ million	2013
Telecom, electronic and child products business	55

18. GOODWILL *(continued)*

Impairment testing of goodwill *(continued)*

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

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant unit.

Business environment — There was no major change in the existing political, legal and economic conditions in the countries with which and the country in which the cash-generating units carried on their business.

19. INVESTMENTS IN SUBSIDIARIES/BALANCES WITH SUBSIDIARIES

	Company	
HK$ million	**2014**	2013
Unlisted shares, at cost	**1**	1
Due from subsidiaries	**2,973**	2,848
	2,974	2,849
Impairment*	**(907)**	(1,286)
	2,067	1,563
Less: Portion of amounts due from subsidiaries classified as current assets	**(899)**	(399)
	1,168	1,164

* An impairment was recognised for certain balances due from subsidiaries with a carrying amount of HK$907 million (2013: HK$1,286 million) which are considered to be not recoverable as the subsidiaries were loss-making. An additional impairment loss of HK$24 million (2013: HK$26 million) was recognised during the year.

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

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

(a) Amounts due from subsidiaries of HK$293 million (2013: HK$336 million), are unsecured and repayable on demand, and bear annual interest at 2% (2013: 2%) above the Hong Kong dollar prime rate as determined by The Hongkong and Shanghai Banking Corporation Limited.

(b) Amounts due from subsidiaries of HK$465 million (2013: Nil), are unsecured and repayable on demand, and bear annual interest at the Hong Kong dollar prime rate as determined by The Hongkong and Shanghai Banking Corporation Limited.

(c) An amount due from subsidiaries of HK$141 million (2013: HK$63 million), after impairment of HK$544 million (2013: HK$612 million), was unsecured, interest-free and repayable on demand.

(d) At 31 December 2013, an amount due from a subsidiary of HK$70 million, after impairment of nil, is unsecured and repayable in 3 years and bears annual interest at 3%.

(e) At 31 December 2013, an amount due from a subsidiary of HK$57 million, after impairment of nil, is unsecured and repayable in 3 years and bears annual interest at 3%.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2014	2013	
Blackbird Automotive Limited[#+]	Hong Kong	HK$2 Ordinary	**100**	–	Trading of classic cars
Blackbird Classic Automobiles Limited (formerly known as CCT Investment Limited)[#++]	Hong Kong	HK$2 Ordinary	**100**	100	Investment in classic cars
Blackbird Classics Limited (formerly known as CCT Tech Advanced Limited)[#++]	Hong Kong	HK$1 Ordinary	**100**	50.49	Sale and trading of classic cars
Blackbird Heritage Motorworks Limited[#+]	Hong Kong	HK$1 Ordinary	**100**	–	Classic car restoration and maintenance service
Canford Holdings Limited[#++]	Hong Kong	HK$2 Ordinary	**100**	100	Property investment

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered capital	Percentage of equity attributable to the Company 2014	2013	Principal activities
Charter Base Development Limited[#++]	Hong Kong	HK$1 Ordinary	**100**	100	Property investment and holding
CCT Marketing Limited[@]	British Virgin Islands/ Hong Kong	US$1 Ordinary	**–**	50.49	Trading of telecom products
CCT Tech (HK) Limited[@]	Hong Kong	HK$2,600,000 Ordinary	**–**	50.49	Sourcing of telecom products, raw materials and components
CCT Land Holdings Limited[*@]	Bermuda/ Hong Kong	HK$654,139,940 Ordinary	**–**	50.49	Investment holding
CCT Telecom Securities Limited[#++]	Hong Kong	HK$1 Ordinary	**100**	100	Securities business
Cyber Profit (HK) Limited[#+]	Hong Kong	HK$2 Ordinary	**100**	–	Property investment and holding
Goldbay Investments Limited[#++]	Hong Kong	HK$2 Ordinary	**100**	100	Property investment and holding
Goldbay Property (China) Limited[#++]	Hong Kong	HK$1 Ordinary	**100**	100	Property development and trading
Goldbay Capital Limited[#++]	Hong Kong	HK$1 Ordinary	**100**	100	Property investment
Goldbay Development Limited[#++]	Hong Kong	HK$1 Ordinary	**100**	100	Property investment
Goldbay Property (HK) Limited[#++]	Hong Kong	HK$1 Ordinary	**100**	100	Property investment
Goldbay Strategy Limited[#++]	Hong Kong	HK$1 Ordinary	**100**	100	Property investment
CCT Plastic Limited (formerly known as Well Yield Commercial Limited)[#++]	Hong Kong	HK$1 Ordinary	**100**	100	Trading of components and products
Rich Full International Industries Limited[#++]	Hong Kong	HK$1 Ordinary	**100**	100	Property holding

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2014	2013	
Topcon Investments Limited#++	Hong Kong	HK$1 Ordinary	**100**	100	Property investment
Wiltec Industries (HK) Limited#@	British Virgin Islands/ Hong Kong	US$2 Ordinary	**–**	50.49	Sale of child products
Huiyang CCT Telecommunications Products Co., Ltd.#@	PRC/Mainland China	HK$120,000,000 Registered^	**–**	50.49	Manufacture of telecom products
Huiyang CCT Plastic Products Co., Ltd.#++	PRC/Mainland China	HK$48,600,000 Registered^	**100**	100	Manufacture of casings and parts
CCT Land Development (Anshan) Company Limited#@	PRC/Mainland China	HK$380,000,000 Registered^	**–**	50.49	Property development
CCT Land (Anshan) Property Development Company Limited#@	PRC/Mainland China	RMB200,000,000 Registered^	**–**	50.49	Property development

* Listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange")

^ Registered as wholly-foreign-owned enterprises under the People's Republic of China (the "PRC")

Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

+ These entities were indirectly held by the Company as subsidiaries at 31 December 2014.

++ These entities were indirectly held by the Company as subsidiaries at 31 December 2013 and 2014.

@ These entities were indirectly held by the Company as subsidiaries at 31 December 2013. Upon completion of the Placing (defined and explained in note 12), these entities are no longer subsidiaries of the Company.

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

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

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

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

HK$ million	2013
Loss for the year allocated to non-controlling interests:	
CCT Land Holdings Limited	(29)
Accumulated balances of non-controlling interests at the reporting date:	
CCT Land Holdings Limited	164

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

HK$ million	2013
Revenue	1,193
Total expenses	(116)
Loss for the year	(31)
Total comprehensive loss for the year	(20)
Current assets	2,104
Non-current assets	551
Current liabilities	(1,026)
Non-current liabilities	(1,158)
Net cash flows used in operating activities	–
Net cash flows from investing activities	71
Net cash flows from financing activities	4
Net increase in cash and cash equivalents	75

20. INVESTMENT IN AN ASSOCIATE

Particulars of an associate as at 31 December 2014 are as follows:

Name	Particulars of issued share held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
CCT Land Holdings Limited	Ordinary shares	Bermuda/Hong Kong	40.55	Investment holding

The Group's shareholdings in the associate were all held through the wholly-owned subsidiaries of the Company. Of the Group's interest of approximately 40.55% in CCT Land after completion of the Placing (note 12), 16,800,000,000 shares in CCT Land (representing approximately 25.68% of the existing issued share capital of CCT Land as at 31 December 2014) have been classified and accounted for by the Group as investment in an associate under non-current assets. The balance of 9,726,391,124 shares in CCT Land held by the Group (representing approximately 14.87% of the existing issued share capital of CCT Land as at 31 December 2014) through an indirect wholly-owned subsidiary of nature similar to venture capital, have been classified as financial assets at fair value through profit or loss under current assets and the Group has intention to sell these shares.

	Group		Company	
HK$ million	**2014**	2013	**2014**	2013
Listed shares in Hong Kong at cost (note (i))	**302**	–	**–**	–
Share of profits of an associate	**1**	–	**–**	–
	303	–	**–**	–
Provision for impairment (note (ii))	**(17)**	–	**–**	–
	286	–	**–**	–
Market value of listed shares (note (iii))	**165**	–	**–**	–
Promissory notes receivables (note (iv))	**986**	–	**126**	–

Notes:

(i) The investment in an associate represented the 16,800,000,000 shares in CCT Land, representing approximately 25.68% of the existing issued capital of CCT Land as at 31 December 2014, which has been classified by the Group as investment in an associate after completion of the Placing (note 12) accounted for under the equity method.

(ii) The provision for impairment represented the impairment of the investment in CCT Land resulting from the reduction in the amount of the higher of value in use and fair value less costs to sell as at 31 December 2014.

(iii) This represented the 9,726,391,124 shares in CCT Land measured at fair value through profit or loss, further details are given in note 31 to the financial statements.

20. INVESTMENT IN AN ASSOCIATE *(continued)*

(iv) The promissory notes receivables are unsecured, interest-free or bearing interest and repayable on their respective maturity dates and listed as follows:

	Group		Company	
HK$ million	**2014**	2013	**2014**	2013
First Note (Note a)	**67**	–	**67**	–
Second Note (Note b)	**860**	–	**–**	–
Third Note (Note c)	**–**	–	**–**	–
Fourth Note (Note d)	**38**	–	**38**	–
Fifth Note (Note e)	**13**	–	**13**	–
Sixth Note (Note f)	**8**	–	**8**	–
	986	–	**126**	–

Notes:

(a) On 1 February 2012, the Company entered into an agreement with CCT Land for sale of the entire shareholding interest and the shareholder's loan in Wiltec Industries Investment Limited ("WIIL"), at a total consideration of approximately HK$67 million, which was satisfied by the First Note issued to the Company by CCT Land. The First Note has a term of five years from the date of issue and carries interest at 3% per annum payable annually. The WIIL and its subsidiaries ("WIIL Group") is engaged in the manufacture and sale of child products. The purpose of the transaction was for CCT Land to acquire the entire interest in WIIL from the Company in order for CCT Land to expand and diversify into the child products business. After completion of the above acquisition at the end of March 2012, members of the WIIL Group have become wholly-owned subsidiaries of CCT Land.

(b) On 19 April 2013, the Company entered into an agreement with CCT Land and CCT Land (China) Holdings Limited ("Land Company") for the subscription of 99.995% of the new shares of the Land Company by CCT Land and the assignment of the shareholder's loan of HK$664 million in the Land Company to CCT Land at a total consideration of HK$900 million, which was satisfied by the Second Note issued to Jade Assets Company Limited (an indirect wholly-owned subsidiary of the Company) by CCT Land as deferred payment of the consideration. The Second Note is unsecured, interest-free and repayable on the maturity dated of the Second Note, which falls on the third anniversary date of the Second Note. The carrying amount of this Second Note at each year end was computed by discounting the face value of the Second Note by imputed interest rate.

(c) On 23 December 2013, the Company entered into a loan agreement with CCT Land for a loan of HK$57 million which was satisfied by the Third Note issued to the Company by CCT Land. The Third Note has a term of three years from the date of issue and carries interest at 3% per annum payable annually. There was no outstanding balance of the Third Note at year end as $30 million of the Third Note was repaid during the year and the balance of $27 million was waived by the Company at year end.

(d) On 3 March 2014, the Company entered into a loan agreement with CCT Land for a loan of HK$38 million which was satisfied by the Fourth Note issued to the Company by CCT Land. The Fourth Note has a term of three years from the date of issue and carries interest at 3% per annum payable annually.

(e) On 6 June 2014, the Company entered into a loan agreement with CCT Land for a loan of HK$12.5 million which was satisfied by the Fifth Note issued to the Company by CCT Land. The Fifth Note has a term of three years from the date of issue and carries interest at 3% per annum payable annually.

(f) On 4 September 2014, the Company entered into a loan agreement with CCT Land for a loan of HK$7.5 million which was satisfied by the Sixth Note issued to the Company by CCT Land. The Sixth Note has a term of three years from the date of issue and carries interest at 3% per annum payable annually.

20. INVESTMENT IN AN ASSOCIATE *(continued)*

The following tables illustrate the summarised financial information in respect of the above associate adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

HK$ million	2014
Current assets	2,041
Non-current assets, excluding goodwill	566
Gain arising from reclassification of investment in CCT Land to interest in an associate	194
Current liabilities	(1,032)
Non-current financial liabilities, excluding trade and other payables and provisions	(1,040)
Non-current liabilities	(115)
Net assets	614
Net assets, excluding goodwill	420
Profit and total comprehensive income for the period from 24 December 2014 to 31 December 2014	5
Reconciliation to the Group's interest in an associate:	
Proportion of the Group's ownership	25.68%

HK$ million	2014
Group's share of net assets of an associate, excluding goodwill	108
Gain arising from reclassification of investment in an associate (less cumulative impairment)	177
Share of profits of an associate	1
Carrying amount of the investment	286

21. CLASSIC CARS HELD FOR INVESTMENT

	Group	
HK$ million	**2014**	2013
Classic cars held for investment, at fair value	**21**	–

The following table illustrates the fair value measurement hierarchy of the Group's classic cars held for investment:

HK$ million	**Fair value measurement as at 31 December 2014 using** Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:				
Classic cars held for investment	–	–	21	21

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2013: Nil).

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

HK$ million	
Carrying amount at 1 January 2014	–
Additions (from acquisition)	21
Carrying amount at 31 December 2014	21

21. CLASSIC CARS HELD FOR INVESTMENT *(continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of classic cars held for investment:

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2014
Classic cars held for investment	Direct comparison method	Transaction price (per unit)	HK$8 million to HK$13 million

Under the direct comparison method, fair value is estimated using the market price of comparable transactions of similar classic cars held for investment and adjusted for the uniqueness of each classic car.

A significant increase/(decrease) in the transaction price would result in a significant increase/(decrease) in the fair value of the classic cars held for investment.

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
HK$ million	**2014**	2013
Listed equity investment in Hong Kong, at fair value	**–**	8
Other assets, at fair value	**4**	5
	4	13

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

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

There was a decline in the market value of the listed equity investment during the year of 2013. The directors considered that such a decline indicated that the listed equity investment had been impaired and an impairment loss of HK$5 million was recognised in the consolidated statement of profit or loss for the year of 2013.

23. HELD-TO-MATURITY DEBT SECURITIES

	Group	
HK$ million	**2014**	2013
Non-current assets		
Unlisted bonds, at amortised cost	**52**	–
Current assets		
Unlisted bonds, at amortised cost	**–**	53

The held-to-maturity debt securities represented RMB denominated bonds which will mature in January 2017. At 31 December 2014, the held-to-maturity debt securities with an aggregate carrying amount of approximately HK$52 million (2013: HK$53 million) were pledged to secure general banking securities granted to the Group (note 36(b)(iv)).

24. INVENTORIES

	Group	
HK$ million	**2014**	2013
Raw materials	**6**	20
Work in progress	**3**	15
Finished goods	**3**	43
	12	78

25. PROPERTIES UNDER DEVELOPMENT

	Group	
HK$ million	**2014**	2013
Properties under development expected to be completed:		
Within normal operating cycle and recoverable within one year included under current assets	**–**	117

At 31 December 2013, all the Group's properties under development are located in Mainland China and are held under medium-term leases.

26. COMPLETED PROPERTIES HELD FOR SALE

At 31 December 2013, all the Group's completed properties held for sale are located in Mainland China and are held under medium-term leases. All the completed properties held for sale are stated at cost.

At 31 December 2013, certain of the Group's completed properties held for sale with an aggregate net carrying amount of approximately HK$712 million were pledged to secure general banking facilities granted to the Group (note 36(b)(vi)).

27. STOCK OF PROPERTIES HELD FOR SALE

All the Group's stock of properties held for sale are located in Hong Kong and are held under long-term leases. All the stock of properties held for sale are stated at cost.

At 31 December 2014, certain of the Group's stock of properties held for sale with an aggregate net carrying amount of approximately HK$381 million (2013: Nil) were pledged to secure general banking facilities granted to the Group (note 36(b)(vii)).

28. STOCK OF CLASSIC CARS HELD FOR SALE

	Group	
HK$ million	**2014**	2013
Stock of classic cars held for sale, at lower of cost and net realisable value	**139**	–

29. TRADE RECEIVABLES

	Group	
HK$ million	**2014**	2013
Trade receivables	**60**	276
Impairment	**(4)**	(8)
	56	268

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two months, extending up to three months for major customers. Each customer has a maximum credit limit. In respect of the CCT Land Group's property development business, trade receivables as at 31 December 2013 were settled based on the terms of the sales and purchase agreements of properties. The Group and the CCT Land Group seek to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had a certain concentration of credit risk as 84% (2013: 21%) and 98% (2013: 54%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest-bearing.

29. TRADE RECEIVABLES *(continued)*

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

	Group			
	2014		2013	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**11**	**20**	94	35
31 to 60 days	**11**	**20**	73	27
61 to 90 days	**11**	**20**	52	20
Over 90 days	**23**	**40**	49	18
	56	**100**	268	100

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

	Group	
HK$ million	**2014**	2013
At 1 January	**8**	5
Impairment losses recognised	**1**	5
Amount written off as uncollectible	**–**	(2)
Disposal of subsidiaries	**(5)**	–
At 31 December	**4**	8

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$4 million (2013: HK$8 million) with a carrying amount before provision of HK$4 million (2013: HK$10 million). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

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

	Group	
HK$ million	**2014**	2013
Neither past due nor impaired	**39**	247
Past due but not impaired — within 6 months	**17**	19
	56	266

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

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

As at 31 December 2014, included in the Group's trade receivables are amounts due from the Group's associates of HK$50 million, which are repayable on similar credit terms to those offered to the major customers of the Group.

30. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
HK$ million	**2014**	2013	**2014**	2013
Prepayments	**1**	217	**–**	–
Deposits and other receivables	**104**	185	**4**	1
	105	402	**4**	1
Current portion	**(81)**	(331)	**(4)**	(1)
Non-current portion	**24**	71	**–**	–

The above balance as at 31 December 2013 included prepayments for the acquisition of land use rights in mainland China amounting to approximately HK$197 million in relation to the CCT Land Group's property development business, which has been discontinued by the Group after completion of the Placing.

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

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
HK$ million	**2014**	2013
Listed shares in Hong Kong, at market value	**165**	2

The above financial assets at 31 December 2014 and 2013 represented listed shares held for sale. The listed shares at the end of 2014 represented the 9,726,391,124 shares in CCT Land, which were held by the Group for sale, after completion of the Placing (note 12) and has been classified as financial assets under current assets. These shares were measured at year end based on the closing market price of $0.017 per share.

The market value of the Group's financial assets at the date of approval of these financial statements was approximately HK$126 million.

Subsequent to the reporting period, on 23 January 2015, the Company announced that its wholly-owned subsidiary, CCT Telecom Securities Limited ("CCT Securities") has entered into a second placing agreement to appoint an independent placing agent to place, on a best effort basis, up to 6,380,000,000 shares in CCT Land out of the 9,726,391,124 existing shares held by CCT Securities, to external professional, institutional and/or individual investors at a price of HK$0.018 per share. Up to the date of approval of these financial statements, no placing shares under this new placing agreement have been successfully placed.

32. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
HK$ million	**2014**	2013	**2014**	2013
Cash and bank balances	**122**	545	**110**	172
Time deposits	**106**	398	**–**	–
	228	943	**110**	172
Less: Time deposits pledged for banking facilities (note 36(a) and note 36(b)(v))				
— included in current assets	**(56)**	(235)	**–**	–
— included in non-current assets	**(50)**	(65)	**–**	–
Cash and cash equivalents	**122**	643	**110**	172

At the end of the reporting period, the cash and cash equivalents and pledged time deposits of the Group denominated in Renminbi ("RMB") amounted to HK$107 million (2013: HK$368 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

33. TRADE AND BILLS PAYABLES

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

	Group			
	2014		2013	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**10**	**44**	125	36
31 to 60 days	**7**	**30**	72	20
61 to 90 days	**3**	**13**	34	10
Over 90 days	**3**	**13**	119	34
	23	**100**	350	100

The trade payables are non-interest bearing, unsecured and are normally settled on 60-day terms.

34. OTHER PAYABLES AND ACCRUALS

HK$ million	Group 2014	Group 2013	Company 2014	Company 2013
Other payables	**43**	173	**–**	62
Accruals	**12**	80	**1**	1
	55	253	**1**	63

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

35. RECEIPTS IN ADVANCE

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

36. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2014			2013		
	Effective interest rate (%)	**Maturity**	**HK$ million**	Effective interest rate (%)	Maturity	HK$ million
Current						
Finance lease payable (note 37)	**3.79**	**2015**	**1**	–	–	–
Bank loans — unsecured	**3.5**	**2015**	**2**	3.50	2014	5
Bank loans — secured	**1.23-2.99**	**2015 or on demand**	**467**	1.28-8.00	2014	806
			470			811
Non-current						
Finance lease payable (note 37)	**3.79**	**2018**	**1**	–	–	–
Bank loans — secured	**1.23-2.99**	**2016-2031**	**611**	1.21-9.23	2015-2033	452
			612			452
			1,082			1,263

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

Company

	2014			2013		
	Effective interest rate (%)	**Maturity**	**HK$ million**	Effective interest rate (%)	Maturity	HK$ million
Current						
Bank loans — secured	**2.49**	**On demand**	**119**	–	–	–

HK$ million	Group 2014	Group 2013	Company 2014	Company 2013
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**469**	811	**119**	–
In the second year	**91**	75	**–**	–
In the third to fifth years, inclusive	**266**	143	**–**	–
Beyond five years	**254**	234	**–**	–
	1,080	1,263	**119**	–
Other borrowings repayable:				
Within one year or on demand	**1**	–	**–**	–
In the second year	**1**	–	**–**	–
	2	–	**–**	–
	1,082	1,263	**119**	–

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

(a) The Group's trading line banking facilities in 2013 amounting to HK$325 million, of which HK$99 million had been utilised as at the end of the reporting period, were secured by the pledge of certain of the Group's time deposits amounting to HK$71 million (note 32). There was no trade line banking facility for the Group outstanding as at 31 December 2014.

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

(i) pledge of certain of the Group's leasehold land and buildings situated in Hong Kong and Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$366 million (2013: HK$511 million) (note 15);

(ii) 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$958 million (2013: HK$787 million) (note 16);

(iii) pledge of the Group's leasehold land situated in mainland China, which had an aggregate carrying amount at 31 December 2013 of approximately HK$97 million (note 17);

(iv) pledge of certain of the Group's held-to-maturity debt securities, which had a carrying amount at the end of the reporting period of approximately HK$52 million (2013: HK$53 million) (note 23);

(v) pledge of certain of the Group's time deposits amounting to HK$106 million (2013: HK$229 million) (note 32);

(vi) pledge of certain of the Group's completed properties held for sale situated in Mainland China, which had an aggregate carrying amount as at 31 December 2013 of approximately HK$712 million (note 26);

(vii) pledge of certain of the Group's stock of properties held for sale situated in Hong Kong, which had an aggregate carrying amount at end of the reporting period of approximately HK$381 million (2013: Nil) (note 27); and

(viii) pledge of certain of the Group's equity interests of a subsidiary with a net asset value as at 31 December 2013 of approximately HK$309 million.

(c) The Group's bank and other borrowings with carrying amounts of HK$1,082 million (2013: HK$777 million) was denominated in Hong Kong dollars. The Group had no bank and other borrowings denominated in United States dollars ("US$") (2013: HK$299 million) and RMB (2013: HK$187 million) as at 31 December 2014.

37. FINANCE LEASE PAYABLES

The Group leased certain of its motor vehicles for business use. At 31 December 2014, these leases were classified as finance leases and had remaining leases of four years. The total future minimum lease payments under finance leases and their present values were as follows:

Group

HK$ million	Minimum lease payments 2014	Present value of minimum lease payments 2014
Amounts payable:		
Within one year	1	1
In the second year	1	1
Total minimum finance lease payments	2	2
Future finance charges	–	
Total net finance lease payables	2	
Portion classified as current liabilities (note 36)	(1)	
Non-current portion (note 36)	1	

38. DEFERRED TAX

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

Deferred tax liabilities

Group

HK$ million	Depreciation allowance in excess of related depreciation	Revaluation of properties	Total
Gross deferred tax liabilities at 1 January 2013	2	25	27
Deferred tax charged to the statement of profit or loss during the year (note 10)	–	12	12
Gross deferred tax liabilities at 31 December 2013 and 1 January 2014	**2**	**37**	**39**
Deferred tax charged to the statement of profit or loss during the year	**(2)**	**11**	**9**
Deferred tax charged to the statement of comprehensive income during the year	**–**	**7**	**7**
Disposal of subsidiaries (note 43)	**–**	**(17)**	**(17)**
Gross deferred tax liabilities at 31 December 2014	**–**	**38**	**38**

Deferred tax assets

Group

HK$ million	Losses available for offsetting against future taxable profits
Gross deferred tax assets at 1 January 2013, 31 December 2013 and 1 January 2014	1
Deferred tax charged to profit or loss during the year	(1)
Gross deferred tax assets as at 31 December 2014	–

The Group and the Company have tax losses of HK$756 million and HK$204 million, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

38. DEFERRED TAX *(continued)*

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

At 31 December 2014, no deferred tax was recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$50 million as at 31 December 2013.

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

39. SHARE CAPITAL

Shares

	Company	
HK$ million	**2014**	2013
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200**	200
Issued and fully paid:		
832,394,907 (2013: 606,144,907) ordinary shares of HK$0.10 each	**83**	61

39. SHARE CAPITAL *(continued)*

A summary of movements in the Company's share capital 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 2013, 31 December 2013 and 1 January 2014	606,144,907	61	12	73
Issue of shares (note a)	151,250,000	15	111	126
Issue of shares (note b)	75,000,000	7	58	65
At 31 December 2014	832,394,907	83	181	264

Notes:

(a) On 19 June 2014, the acquisition of a subsidiary was completed and the settlement of consideration by way of allotment of a total of 151,250,000 new shares of the Company were issued at HK$0.80 per share, credited as fully paid upon issue (note 42).

(b) In November 2014, Capital Force International Limited, a substantial shareholder of the company placed 75,000,000 existing shares of the Company and then subscribed for 75,000,000 new shares issued by the Company, both at a price of HK$0.90 per share. Details of this placing have been disclosed in the Company's announcements dated 12 November 2014 and 21 November 2014.

Share options

Details of the Group's share option schemes and the share options issued under the scheme are included in note 40 to the financial statements.

40. SHARE OPTION SCHEMES OF THE GROUP

Share option scheme of the Company

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

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

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

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

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

Pursuant to the 2011 Scheme, the maximum number of Shares which may be issued upon exercise of all share options to be granted under the 2011 Scheme and any other share option scheme(s) of the Company must not exceed 10% of the total number of Shares in issue as at the date of adoption of the 2011 Scheme. Shares which would have been issuable pursuant to the share options which have lapsed or cancelled in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit. Notwithstanding the foregoing, Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2011 Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the total number of the Shares in issue from time to time. No share option shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded. As at the date of approval of this Annual Report, the total number of Shares available for issue under the 2011 Scheme is 60,614,490, which represents 7.28% of the total issued share capital of the Company as at the date of approval of these financial statements.

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

Share option scheme of the Company *(continued)*

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

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

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

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

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

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

(iii) the nominal value of a Share.

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

As at 31 December 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 year.

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

Share option scheme of CCT Land

As CCT Land was a subsidiary of the Company during most time in 2014 until completion of the Placing in December 2014, details of the CCT Land's share option scheme are set out in this Directors' Report for information of the Shareholders. 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"). The CCT Land 2011 Scheme has become effective since 30 May 2011, the date on which the Listing Committee of the Stock Exchange granted approval for the listing of, and permission to deal in, any shares of CCT Land on the Stock Exchange, which may fall to be allotted and issued by CCT Land pursuant to the exercise of the share options in accordance with the terms and conditions of the CCT Land 2011 Scheme. Unless otherwise cancelled or amended, the CCT Land 2011 Scheme will be valid for a period of 10 years from the date of its adoption.

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

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

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

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

Pursuant to the CCT Land 2011 Scheme, the maximum number of shares which may be issued upon exercise of all share options to be granted under the CCT Land 2011 Scheme and any other share option scheme(s) of CCT Land must not exceed 10% of the total number of the shares of CCT Land in issue as at the adoption date of CCT Land 2011 Scheme. Shares of CCT Land which would have been issuable pursuant to the share options which have lapsed or cancelled in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit. Notwithstanding the foregoing, shares of CCT Land which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the CCT Land 2011 Scheme and any other share option scheme(s) of CCT Land at any time shall not exceed 30% of the total number of the shares of CCT Land in issue from time to time. No share option shall be granted under any scheme(s) of CCT Land or any of its subsidiaries if this will result in the 30% limit being exceeded. On 17 January 2014, CCT Land granted a total of 600,000,000 share options under the CCT Land 2011 Scheme to the directors and the eligible participant of CCT Land to subscribe for shares of CCT Land at an exercise price of HK$0.01 each. As such, as at the date of approval of this Annual Report, the total number of shares of CCT Land available for issue under the CCT Land 2011 Scheme is 5,941,399,399, which represents approximately 9% of the total issued share capital of CCT Land as at the date of approval of these financial statements.

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

Share option scheme of CCT Land *(continued)*

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

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

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

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

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

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

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

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

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

Share option scheme of CCT Land *(continued)*

The CCT Land 2011 Scheme

As at 31 December 2014, 600,000,000 share options were granted and no share options was exercised, cancelled or lapsed under the CCT Land 2011 Scheme.

The following share options were outstanding under the Scheme during the year:

	2014		2013	
	Weighted average exercise price HK$ per share	**Number of options**	Weighted average exercise price HK$ per share	Number of options
At 1 January	**–**	**–**	–	–
Granted during the year	**0.01**	**600,000,000**	–	–
At 31 December	**0.01**	**600,000,000**	–	–

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2014 Number of options	**Exercise price* HK$ per share**	**Exercise period**
600,000,000	0.01	17-1-2014 to 16-1-2024

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

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

Share option scheme of CCT Land *(continued)*

The CCT Land 2011 Scheme (continued)

The fair value of the equity-settled share options granted by CCT Land during the year 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 trends, which may also not necessarily be the actual outcome.

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

As at 31 December 2014, 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 represented approximately 0.92% of the total issued share capital of CCT Land as at 31 December 2014. The exercise in full of the outstanding share options in CCT Land would result in the issue of 600,000,000 additional ordinary shares and an additional share capital of HK$6,000,000 in CCT Land.

Subsequent to the end of the reporting period, a total of 575,000,000 share options in CCT Land were exercised by certain directors of the Company, on 27 January 2015. The weighted average share price at the date of exercise for share options exercised was HK$0.016 per share. Accordingly, there are 25,000,000 share options outstanding under the CCT Land 2011 Scheme as at the date of approval of these financial statements. Based on these outstanding share options, the total number of shares available for issue is 25,000,000 which represents approximately 0.04% of the total issued share capital of CCT Land as at the date of approval of these financial statements.

41. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 52 of the financial statements.

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

(b) Company

HK$ million	Notes	Capital redemption reserve	Share premium account	Capital reserve*	Distributable reserve	Accumulated losses	Total
At 1 January 2013		24	12	741	1,201	(738)	1,240
Total comprehensive loss for the year	11	–	–	–	–	(18)	(18)
2013 interim dividend	13	–	–	–	(18)	–	(18)
2013 special interim dividend	13	–	–	–	(61)	–	(61)
Proposed 2013 final dividend	13	–	–	–	(21)	–	(21)
At 31 December 2013 and 1 January 2014		**24**	**12**	**741**	**1,101**	**(756)**	**1,122**
Total comprehensive loss for the year	11	**–**	**–**	**–**	**–**	**(42)**	**(42)**
Issue of shares	39(a)	**–**	**111**	**–**	**–**	**–**	**111**
Issue of shares	39(b)	**–**	**58**	**–**	**–**	**–**	**58**
2014 interim dividend	13	**–**	**–**	**–**	**(23)**	**–**	**(23)**
Proposed 2014 final dividend	13	**–**	**–**	**–**	**(29)**	**–**	**(29)**
At 31 December 2014		**24**	**181**	**741**	**1,049**	**(798)**	**1,197**

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

42. ACQUISITION OF A SUBSIDIARY THAT IS NOT A BUSINESS

On 9 May 2014, the Company entered into an agreement with registered holders of a company, pursuant to which the registered holders, acting on behalf of the beneficial owner who is Mr. Mak Shiu Tong, Clement, chairman, executive director, chief executive officer and substantial shareholder of the Company, have agreed to sell and the Company agreed to acquire the entire equity interest and shareholder's loan in Cyber Profit (HK) Limited ("Cyber Profit"), at a consideration of HK$121,000,000 by way of issue of 151,250,000 new shares of the Company at HK$0.80 per share, credited as fully paid upon issue and cash consideration of HK$7,126,849 for the assignment of the shareholder's loan. Cyber Profit is engaged in investment and holding of properties which are the two workshops on Ground Floor of MP Industrial Centre, 18 Ka Yip Street, Chai Wan, in Hong Kong. The acquisition was completed on 19 June 2014. As Cyber Profit had not carried out any significant business activities except for holding two properties, the acquisition of Cyber Profit has been accounted for by the Group as an asset acquisition.

The net assets acquired by the Group in the above transaction are as follows:

HK$ million	2014
Net assets acquired:	
Land and buildings (note 15)	123
Investment property (note 16)	28
Other receivables	5
Bank interest-bearing borrowings	(23)
	133
Satisfied by:	
Share consideration at fair value on the completion date of the acquisition	(126)
Cash consideration	(7)
	(133)
An analysis of the net cash outflow of cash and cash equivalents in respect of the asset acquisition is as follows:	
Net outflow of cash and cash equivalents included in cash flows from investing activities	(7)

The Group incurred transaction costs of HK$1 million for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

43. DISPOSAL OF SUBSIDIARIES

(a) The disposal of subsidiaries by the Group in 2014 mainly represented the disposal of the CCT Land Group as a result of the loss of control in CCT Land upon completion of the Placing (note 12).

HK$ million	Notes	2014
Net assets disposed of:		
Property, plant and equipment	15	**233**
Investment properties	16	**155**
Prepaid land lease payments	17	**61**
Goodwill	18	**55**
Inventories		**65**
Properties under development		**266**
Completed properties held for sale		**641**
Trade receivables		**246**
Prepayments, deposits and other receivables		**225**
Pledged time deposits		**193**
Cash and bank balances		**208**
Trade and bills payables		**(442)**
Other payables and accruals		**(109)**
Tax payable		**(7)**
Promissory note payables		**(1,013)**
Interest bearing bank borrowings		**(530)**
Deferred tax liabilities	38	**(17)**
Non-controlling interests		**(136)**
		94
Release of exchange fluctuation reserve upon disposal		**(39)**
Gain on disposal of subsidiaries	6	**520**
		575
Satisfied by:		
Cash		**98**
Reclassified to interest in an associate	20	**302**
Reclassified to financial assets at fair value through profit or loss		**175**
		575

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

Cash consideration	**98**
Cash and bank balances disposed of	**(208)**
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(110)**

43. DISPOSAL OF SUBSIDIARIES *(continued)*

(b) The disposals of subsidiaries by the Group in 2013 are as follows:

HK$ million	Notes	2013
Net liabilities disposed of:		
Property, plant and equipment	15	5
Goodwill	18	32
Prepayments, deposits and other receivables		18
Cash and bank balances		14
Other payables and accruals		(43)
Tax payable		(5)
Derivative financial instruments		(14)
Non-controlling interest		(9)
		(2)
Gain on disposal of subsidiaries	6	33
		31
Satisfied by:		
Cash		18
Other receivables		13
		31

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

Cash consideration	18
Cash and bank balances disposed of	(14)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	4

44. CONTINGENT LIABILITIES

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

	Company	
HK$ million	**2014**	2013
Corporate guarantees given to banks in connection with facilities granted to subsidiaries and associates	**1,375**	1,078

As at 31 December 2014, the banking facilities granted to the subsidiaries and associates subject to corporate guarantees given to the banks by the Company were utilised to the extent of approximately HK$962 million (2013: HK$817 million) and HK$157 million (2013: Nil), respectively.

45. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group are included in note 36 to the financial statements.

46. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements with leases negotiated for terms ranging from two to three years.

As 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

HK$ million	**2014**	2013
Within one year	**12**	–
In the second to fifth years, inclusive	**4**	–
	16	–

(b) As lessee

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

At 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
HK$ million	**2014**	2013
Within one year	**3**	1

47. COMMITMENTS

In addition to the operating lease commitments detailed in note 46 above, the Group had the following commitments at the end of the reporting period:

Capital commitments

	Group	
HK$ million	**2014**	2013
Contracted, but not provided for:		
Leasehold land and building	**40**	2

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

48. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the reporting period.

HK$ million	Notes	2014	2013
Waiver of promissory note receivable from CCT Land	(i)	**27**	–
Acquisition of a subsidiary that is not a business from a director of the Company	(ii)	**133**	–

Notes:

(i) On 23 December 2013, CCT Land entered into an agreement with the Company for a loan of HK$57 million in cash, which was satisfied by the Third Note issued by CCT Land. The terms of the Third Note have been summarised in note 20(iv)(c) to the financial statements. During the year ended 31 December 2014, HK$30 million of the Third Note was repaid and the remaining balance of HK$27 million has been waived by the Company.

(ii) On 9 May 2014, the Company entered into an agreement to acquire of a subsidiary that is not a business from the registered holders, acting on behalf of the beneficial owner who is Mr. Mak Shiu Tong, Clement, chairman, executive director, chief executive office and substantial shareholder of the Company. The amount of HK$133 million representing the fair value of the consideration of the transaction. Details of the agreement are included in note 42 to the financial statements.

(b) Compensation of key management personnel of the Group

HK$ million	2014	2013
Short term employee benefits	**27**	34

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

49. FINANCIAL INSTRUMENTS BY CATEGORY

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

2014

HK$ million	Group				
Financial assets	**Financial assets at fair value through profit or loss — held for trading**	**Loans and receivables**	**Available-for-sale investments**	**Held-to-maturity debt securities**	**Total**
Promissory notes receivables (note 20)	–	986	–	–	986
Available-for-sale investments	–	–	4	–	4
Held-to-maturity debt securities	–	–	–	52	52
Trade receivables	–	56	–	–	56
Financial assets included in prepayments, deposits and other receivables (note 30)	–	104	–	–	104
Financial assets at fair value through profit or loss	165	–	–	–	165
Pledged time deposits	–	106	–	–	106
Cash and cash equivalents	–	122	–	–	122
	165	1,374	4	52	1,595

Financial liabilities

	Financial liabilities at fair value through profit or loss — designated as such upon recognition	Financial liabilities at amortised cost	Total
Trade and bills payables	–	23	23
Other payables and accruals	–	55	55
Interest-bearing bank and other borrowings	–	1,082	1,082
	–	1,160	1,160

49. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2013

HK$ million — **Group**

Financial assets

	Financial assets at fair value through profit or loss — held for trading	Loans and receivables	Available-for-sale investments	Held-to-maturity debt securities	Total
Available-for-sale investments	–	–	13	–	13
Held-to-maturity debt securities	–	–	–	53	53
Trade receivables	–	268	–	–	268
Financial assets included in prepayments, deposits and other receivables (note 30)	–	185	–	–	185
Financial assets at fair value through profit or loss	2	–	–	–	2
Pledged time deposits	–	300	–	–	300
Cash and cash equivalents	–	643	–	–	643
	2	1,396	13	53	1,464

Financial liabilities

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

49. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2014

HK$ million	Company
Financial assets	**Loans and receivables**
Financial assets included in investments in subsidiaries (note 19)	**1,167**
Due from subsidiaries (note 19)	**899**
Cash and cash equivalents	**110**
Financial assets included in prepayments, deposits and other receivables (note 30)	**4**
	2,180

2013

HK$ million	Company
Financial assets	Loans and receivables
Financial assets included in investments in subsidiaries (note 19)	1,163
Due from subsidiaries (note 19)	399
Cash and cash equivalents	172
Financial assets included in prepayments, deposits and other receivables (note 30)	1
	1,735

	Company	
HK$ million	**2014**	2013
Financial liabilities at amortised cost		
Other payables and accruals	**1**	63
Due to subsidiaries	**878**	470
	879	533

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

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

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2014 was assessed to be insignificant.

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

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

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

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

Fair value hierarchy

Group

	Fair value measurement using			
HK$ million	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets measured at fair value as at 31 December 2014:				
Available-for-sale investments:				
Other assets, at fair value	**4**	**–**	**–**	**4**
Financial assets at fair value through profit or loss	**165**	**–**	**–**	**165**
	169	**–**	**–**	**169**
Assets measured at fair value as at 31 December 2013:				
Available-for-sale investments:				
Other assets, at fair value	5	–	–	5
Listed equity investment, at fair value	8	–	–	8
Financial assets at fair value through profit or loss	2	–	–	2
	15	–	–	15

The Company did not have any financial assets measured at fair value as at 31 December 2014 and 2013.

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

Fair value hierarchy *(continued)*

The Group did not have any financial liabilities measured at fair value as at 31 December 2014 and 2013.

The movement in fair value measurement in Level 3 in year 2013 is as follows:

	Group
HK$ million	2013
Derivative financial instrument	
At 1 January	14
Disposal of subsidiaries	(14)
At 31 December	–

The Company did not have any financial liabilities measured at fair value as at 31 December 2014 and 2013.

During the year ended 31 December 2014, there was no transfer of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2013: Nil).

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

Assets for which fair values are disclosed:

Group

HK$ million	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
As at 31 December 2014				
Promissory notes receivables	**–**	**986**	**–**	**986**
Other receivables	**–**	**24**	**–**	**24**
Pledged time deposits	**–**	**50**	**–**	**50**
Held-to-maturity securities	**52**	**–**	**–**	**52**
	52	**1,060**	**–**	**1,112**
As at 31 December 2013				
Other receivables	–	71	–	71
Pledged time deposits	–	65	–	65
Held-to-maturity securities	53	–	–	53
	53	136	–	189

Liabilities for which fair values are disclosed:

Group

HK$ million	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
As at 31 December 2014				
Interest-bearing bank and other borrowings	**–**	**1,082**	**–**	**1,082**
As at 31 December 2013				
Interest-bearing bank and other borrowings	–	1,263	–	1,263

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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

	Group	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$ million
2014		
HK$	**100**	**(11)**
HK$	**(100)**	**11**

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

Interest rate risk *(continued)*

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

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by or expenditure of operating units in currencies other than the units' functional currencies. During the year, the Group did not use any financial instruments for hedging purposes.

A reasonably possible strengthening/(weakening) in the exchange rate of RMB against Hong Kong dollar of 3.59% (2013: 2.51%) would result in decrease/(increase) on the Group's profit/(loss) before tax from continuing operations (due to changes in the fair value of monetary assets and liabilities) by HK$4 million in 2014 (2013: HK$9 million).

Credit risk

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

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

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

There is no significant concentration of credit risk in relation to the Group's financial assets, other than trade receivables. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 29 to the financial statements.

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

Liquidity risk

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

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

As at 31 December 2014

			Group		
HK$ million	**Within one year or on demand**	**In the second year**	**In the third to fifth years, inclusive**	**Beyond five years**	**Total**
Trade and bills payables	**23**	**–**	**–**	**–**	**23**
Other payables and accruals	**55**	**–**	**–**	**–**	**55**
Interest-bearing bank and other borrowings	**495**	**106**	**278**	**260**	**1,139**
	573	**106**	**278**	**260**	**1,217**

As at 31 December 2013

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

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

Liquidity risk *(continued)*

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

	Company	
HK$ million	**2014 Within one year or on demand**	2013 Within one year or on demand
Guarantees given to banks in connection with facilities granted to subsidiaries and associates (note 44)	**1,119**	817
Other payables and accruals	**1**	63
Due to subsidiaries	**878**	470
	1,998	1,350

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments and available-for-sale investments as at 31 December 2014. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

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

	31 December 2014	**High/low 2014**	31 December 2013	High/low 2013
Hong Kong — Hang Seng Index	**23,605**	**25,362/21,137**	23,306	24,112/19,426

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

Equity price risk *(continued)*

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

	Carrying amounts of equity investments HK$ million	Increase/ (decrease) in equity price %	Increase/ (decrease) in profit/(loss) before tax HK$ million	Increase/ (decrease) in total equity HK$ million
2014				
Investments listed in:				
Hong Kong — Held for trading (note 31)	**165**	**19.52**	**32**	**32**
	165	**(19.52)**	**(32)**	**(32)**
2013				
Investments listed in:				
Hong Kong — Held for trading (note 31)	2	14.80	–	–
	2	(14.80)	–	–
— Available-for-sale investments (note 22)	8	14.80	–	1
	8	(14.80)	–	(1)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 2013.

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

Capital management *(continued)*

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

	Group	
HK$ million	**2014**	2013
Interest-bearing bank and other borrowings	**1,082**	1,263
Total borrowings	**1,082**	1,263
Total capital	**2,551**	2,032
Total capital and borrowings	**3,633**	3,295
Gearing ratio	**29.8%**	38.3%

52. EVENTS AFTER THE REPORTING PERIOD

(a) On 23 January 2015, CCT Telecom Securities Limited, an indirect wholly-owned subsidiary of the Company, entered into a placing agreement with an independent third party agent to place up to 6,380,000,000 CCT Land shares that it held (representing approximately 9.75% of the existing issued share capital of CCT Land as at 23 January 2015), on a best efforts basis, at the placing price of HK$0.018 per share. Up to the date of approval of these financial statements, no placing shares under this new placing agreement have been successfully placed.

(b) On 28 August 2014, the Company announced that Dragon Glory Limited, an indirect wholly-owned subsidiary of the Company entered into a provisional sale and purchase agreement with an independent third party vendor to acquire from the vendor the property at Workshop 10 to Workshop 13 on the 2/F., of MP Industrial Centre, 18 Ka Yip Street, Hong Kong (the "Property") for a total transaction costs (including purchase cost and stamp duty and other related costs) of HK$51,700,000. The Property will be used by the Blackbird Automotive Group for expansion of its classic car service center. The purchase of the Property was completed on 7 January 2015.

53. COMPARATIVE AMOUNTS

The comparative consolidated statement of profit or loss and other comprehensive income has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 12). In addition, certain comparative amounts have been reclassified to conform with the current year's presentation.

54. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2015.

other information

PARTICULARS OF GROUP'S INVESTMENT PROPERTIES AS AT 31 DECEMBER 2014

Location	Lot number	Use	Tenure	Attributable interest of the Group
House No. 37, Carpark 50 & 51, No. 56 Repulse Bay Road, Hong Kong	359/16,363th parts of Rural Building Lot No. 172	Residential	Long term lease	100%
House No. 7, Rosecliff, No. 20 Tai Tam Road, Hong Kong	2,310/26,070th parts of Rural Building Lot No. 147	Residential	Long term lease	100%
32nd Floor, Carpark 5, 6 & 11 Fortis Tower 77-79 Gloucester Road, Hong Kong	103/3,100th parts of Inland Lot No. 2782	Commercial	Long term lease	100%
Shop Nos. 297A, 297B, 297C, 297D, 298, 299, 300 and 301 which will be stratified from Unit Nos. 1-45 (inclusive) on the portion of the Basement of the podium of Blocks 1, 2 and 3, City Garden, Hong Kong	1,135/100,180th shares of Inland Lot No. 8580	Commercial	Medium term lease	100%
Shop A on Ground floor, Gramercy, No. 38 Caine Road, Hong Kong	2,150/89,772th of section A of Inland Lot No. 150	Commercial	Long term lease	100%
Shop B on Ground floor, Gramercy, No. 38 Caine Road, Hong Kong	945/89,772th of section A of Inland Lot No. 150	Commercial	Long term lease	100%
Shop A on first floor, Gramercy, No. 38 Caine Road, Hong Kong	2,504/89,772th of section A of Inland Lot No. 150	Commercial	Long term lease	100%
Shop B on first floor, Gramercy, No. 38 Caine Road, Hong Kong	853/89,772th of section A of Inland Lot No. 150	Commercial	Long term lease	100%
Workshop 8 on Ground Floor, MP Industrial Centre, No. 18 Ka Yip Street, Hong Kong	48/8,899th equal and undivided shares of and in Chai Wan Inland Lot No.: 139	Commercial	Long term lease	100%
18th Floor, CCT Telecom Building, No. 11 Wo Shing Street, Shatin, N.T., Hong Kong	14,427/289,200th equal and undivided shares of and in the Remaining Portion of Sha Tin Town Lot No. 17	Commercial	Medium term lease	100%

five year financial summary

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

RESULTS

	Year ended 31 December				
HK$ million	**2014**	2013	2012	2011	2010
CONTINUING OPERATIONS					
REVENUE	**208**	690	140	245	304
PROFIT/(LOSS) BEFORE TAX	**397**	319	16	(120)	45
Income tax expense	**(2)**	(58)	(21)	(3)	(11)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**395**	261	(5)	(123)	34
DISCONTINUED OPERATIONS					
Profit/(loss) for the year from discontinued operations	**(66)**	(60)	(62)	(153)	11
PROFIT/(LOSS) FOR THE YEAR	**329**	201	(67)	(276)	45
Profit/(loss) attributable to:					
Owners of the parent	**358**	232	(31)	(194)	48
Non-controlling interests	**(29)**	(31)	(36)	(82)	(3)
	329	201	(67)	(276)	45

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
HK$ million	**2014**	2013	2012	2011	2010
TOTAL ASSETS	**3,812**	4,217	3,755	4,046	3,900
TOTAL LIABILITIES	**(1,261)**	(2,021)	(1,669)	(1,862)	(1,453)
	2,551	2,196	2,086	2,184	2,447
EQUITY:					
Equity attributable to owners of the parent	**2,551**	2,032	1,833	1,900	2,095
Non-controlling interests	**–**	164	253	284	352
	2,551	2,196	2,086	2,184	2,447

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 is an associate of the Company
"CCT Land Group"	CCT Land and its subsidiaries
"CCT Land Invested Entity"	Any entity in which any member of the CCT Land Group holds any equity interest
"CCT Land 2011 Scheme"	The share option scheme conditionally adopted by CCT Land on 27 May 2011 which took effect on 30 May 2011
"CEO"	The chief executive officer of the Company
"CG Code"	The Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	The chairman of the Company
"Company"	CCT Fortis Holdings Limited
"Director(s)"	The director(s) of the Company
"Executive Director(s)"	The executive director(s) of the Company
"Group"	The Company and its subsidiaries
"HK" or "Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"HK$" or "$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"INED(s)"	Independent non-executive director(s)
"Invested Entity"	Any entity in which any member of the Group holds any equity interest
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange

"Mainland China"	The mainland of the PRC
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules
"N/A"	Not applicable
"Nomination Committee"	The nomination committee of the Company
"ODM"	Original design manufacturing
"Percentage Ratios"	The assets ratio, the profits ratio, the revenue ratio, the consideration ratio and the equity capital ratio as defined under Rule 14.07 of the Listing Rules
"PRC" or "China"	The People's Republic of China
"Remuneration Committee"	The remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	The ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	Holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US"	The United States of America
"US$"	United States dollar(s), the lawful currency of the US
"%"	Per cent.

FINANCIAL TERMS

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