CCT LAND

中建置地集團有限公司

Stock Code : 261

2016

contents

chairman's statement

On behalf of the Board of the Company, I present the annual results of the Group for the year ended 31 December 2016.

2016 was a year overshadowed by unexpected economic and political events. Amidst this backdrop, the revenue of the Group's continuing operations declined 8.2% to HK$735 million. This decrease was the combined effect of the continuing decline in the revenue of the Telecom Product Business, partly offset by the increase in property sales of the Mainland Property Business. Net loss attributable to owners of the parent was HK$150 million, increased by 102.7% as compared with the loss of HK$74 million in the prior year, primarily due to the continuing difficult and challenging operating environment.

The Board does not recommend payment of a final dividend for the year ended 31 December 2016 (2015: nil) as the Group was still in a loss position and the Group intends to conserve cash resources to finance operations and future development of its businesses.

BUSINESS REVIEW

Telecom Product Business

The Telecom Product Business recorded revenue of approximately HK$510 million, representing a year-on-year decrease of 25.9%, primarily due to reduction of sales of cordless phones. This decrease was mainly attributable to the slowing global economy, intensifying competition, impact of devaluation of the euro and the decline of the fixed-line phone market. During the year, the Group considered that it is difficult to grow the Child Product Trading Business and disposed of this business to CCT Fortis under the agreement dated 3 August 2016. At the same time, the manufacturing agreement (as amended and supplemented by the supplemental agreements) was entered with CCT Fortis, under which the Group will continue to manufacture and supply the Child Products to the CCT Fortis Group. As such, the disposal is not expected to have any significant negative impact on the revenue and results of the Group's manufacturing operations. Details of the transaction and the continuing manufacturing transactions have been set out in the Company's circular dated 27 September 2016. The disposal of the Child Product Trading Business was completed on 14 October 2016, and this business was classified as discontinued operation in the 2016 accounts.

In order to combat the negative impact arising from difficult operating environment, the Group has put relentless effort to restructure and resize its manufacturing operations. The objective of our restructuring initiatives is to further bring down our operating costs in line with the declining manufacturing revenue and to improve our productivity and efficiency in the future. In view of the increase in loss of our manufacturing business in the year, we consider it appropriate provision be made for impairment of HK$9 million against the Group's manufacturing plant and equipment.

Shortage of labour in our Huiyang factory and the rising wages and social security costs remained challenges to the manufacturing management although the issue has become stabilised as a result of the Group's continuing efforts to reshape and resize its manufacturing operations.

The Group's investment properties consist of: (i) part of our Huiyang factory complex leased to the CCT Fortis Group for manufacturing of plastic components to supply to the Telecom Product Business; and (ii) the previous Shenzhen R&D center converted into investment properties. These properties generated total rental income of HK$10 million in 2016 to compensate part of our manufacturing overhead. However, fair value losses of HK$34 million in aggregate were recorded based on revaluation of the investment properties at the year end, mainly as a result of devaluation of RMB against HKD and the consolidation of commercial and industrial property market in the PRC.

Despite tough operating environment, the Telecom Product Business was able to achieve an operating EBITDA, excluding the fair value losses on investment properties, impairment provision on plant and machinery and restructuring costs. However, the manufacturing business reported an operating loss of HK$82 million after taking into account the non-cash expenses and provisions including the depreciation, fair value losses on investment properties and impairment provision on plant and machinery. In 2015, the manufacturing department, however, recorded an operating profit of HK$5 million, mainly due to higher turnover, and the absence of the fair value losses and impairment provision in the prior year. Affected by the reduction of sales and intensifying competition, the discontinued operation representing the Child Product Trading Business was able to achieve a break-even position in the year whereas this business unit recorded an operating profit of HK$2 million in the last corresponding year.

The cordless phone market is expected to decline further in 2017. However, the Group remains one of the major manufacturers for cordless phones, through its 25 years of manufacturing history. With state-of-the-art production facilities, a strong R&D team and solid financial position, the CCT Tech Group will continue to leverage its strong manufacturing capabilities to develop new product line, seek for new customers and new markets and maintain its competitiveness.

Mainland Property Business

The Mainland Property Business was established by our previous substantial shareholder, CCT Fortis, in 2007 and was assigned to the Group in 2013. Through ten years' effort, our mainland property business has already established a strong brand reputation as a quality and financially strong developer in Anshan, Liaoning Province, the PRC. All our property projects are located in the Anshan City with details set out below:

Landmark City

Situated in the Tiexi District of the Anshan City, Landmark City enjoys convenient transport access and well-developed comprehensive ancillary facilities, and the project provides comfortable design, low plot ratio and high ratio of greenery and common areas. The project comprises residential buildings, underground car parks and retail shops, with a total gross floor area of approximately 212,000 square meters, built on a site area of 69,117 square meters. Landmark City is divided into three phases, comprising 22 residential towers, offering 2,132 flats and shop units in aggregate, with wide range of sizes from one-bedroom to four-bedroom apartments. Development of the entire Landmark City project has been completed, with the last phase of the project — Phase 3 completed in 2013. Approximately 68% of the entire project has been sold accumulatively. Landmark City is one of the best-selling property projects in the district, far ahead of other local property projects in the district.

Evian Villa

Situated in the Hi-tech Development Zone of the Anshan City, Evian Garden is positioned as a luxurious residential community. Since first launch of the project, the development has received strong market response and have been well praised by the customers for its superior quality, top-notched design, low plot ratio, a greenery ratio of 42% and premium construction materials. In particular, the beautiful premier water system, an artificial lake in the center of the estate, has received accolades from customers and buyers. Evian Villa is and continues to be the top-selling property project in the Hi-tech Zone district. In 2016, the project was awarded again by the Anshan TV Station in its "The Anshan Real Estate Oscar Ceremony" as the "The Year's Best Water Scenery Property Project".

The project has a site area of 74,738 square meters and is divided into two phases, comprising 27 blocks of low-rise apartment buildings, under-ground car parking spaces and retail shops with total gross floor area of 126,000 square meters. Phase 1 comprises 14 blocks of gross floor area of 63,000 square meters and Phase 2 comprises 13 blocks of gross floor area of 63,000 square meters. Evian Villas provide flats and duplex apartments of 670 units in aggregate, comprising 291 units for Phase 1 and 379 units for Phase 2, with wide range of flat types. Development of the Phase 1 was completed in 2011, approximately 60% of which has been sold accumulatively up to 31 December 2016. Development of Phase 2 was commenced in early 2014 and was completed in 2015. The launch of Phase II has attracted strong market attention. Sales of Phase II units have been increasing. Up to 31 December 2016, approximately 45% property units in Phase II have been sold.

Evian Garden

The Evian Garden project is located in the land lot site "DN1" of the Hi-tech Development Zone, Anshan, adjacent to the Evian Villa project. This land site is unique and represents scarce land resource in the Zone. Planning of the project development is in progress and construction is planned to commence in spring this year. With a site area of approximately 83,000 square meters, the project will be developed into a high-end property project comprising luxurious terraced houses and villas, retail shops and car parks, with a total gross floor area of approximately 100,000 square meters. New products will be developed to meet large demand of high-end buyers for improving living environment. Development planning of the project has made good progress. Construction will be commenced in spring 2017. The prices of this new project will be set at the upper end of the market and gross margin is expected to be higher than the existing projects. It is expected the project will attract strong market attention and accolade when it is launched.

Benefited from various supporting measures on property market from the Chinese Government, market sentiment has improved and home buyer confidence has revived, contributing to pick-up in trading volume. We captured the opportunity of the market rebound by launching more property units at reasonable prices and introducing innovative and flexible marketing strategy. As a result, we have achieved contract sale revenue of HK$217 million, rose 92% as compared with HK$113 million in the last corresponding year. Most of the revenue in 2016 came from sale of the Landmark City Phase 2 and Evian Villa Phases 1 and 2 apartments. However, property prices remained under pressure in Anshan, due to its high inventory level whilst some debt-ridden local developers continued to slash property prices in order to get cash to meet their debt obligations. As a result, despite sales increase, our property development unit posted a full-year operating loss of HK$61 million in 2016, compared with the loss of HK$25 million in 2015.

We will launch more property units for sale this year. Capitalizing on our strong brand image in the Anshan property market, we will adopt flexible marketing strategy and will capture market rebound to boost property sales.

Finance Business

The newly established PRC limited company in which the Group has 51% equity interest has commenced its finance business in 2016, which comprises offline and online finance business. The operating and regulatory environment surrounding the online finance business in the mainland China has been evolving and changing. The PRC subsidiary will try to adapt to the changing environment in developing its finance business in the PRC. In 2016, the PRC subsidiary has utilized its registered capital in its offline finance business, which has generated satisfactory revenue. During the year, this new subsidiary recorded revenue of HK$8 million and contributed an operating profit of HK$5 million.

OUTLOOK

Looking forward, the economic outlook is uncertain and is overshadowed by geopolitical development including heightened trade barriers and uncertainties arising from Brexit. Stronger USD and rising interest rate will continue to impact global economy in 2017. However, the changes and reform we have made to our operations in the past few years have made us stronger and more resilient to combat the current uncertain and challenging operating environment.

We will continue to pursue our on-going initiatives to turnaround our manufacturing operations. We have seen some encouraging effect in improving the long-term productivity and competitiveness of the manufacturing unit. We will continue to leverage our strength in manufacturing capability and product R&D and our strong reputation in this business sector to seek new customers and new markets.

As for the Mainland Property Business, high inventory level in Anshan and the cut-price strategies adopted by some local developers continue to pose the greatest risks to our property business. The recent measures introduced by the Chinese Government to cool down the red-hot property market in the first-tier and second-tier cities may impact the property market in Anshan. We will continue to promote our brand value and pursue property quality and service excellence. We will capture any market opportunity and will continue to adopt flexible market strategy to increase property sales. We will commence construction of the premier Evian Garden in spring this year and expect that it will become the market focus when it is launched into the market. If the property market further improve, we may look for opportunity to replenish our land bank.

To combat the current difficulty and challenges faced by our existing core businesses, we will explore and seek new business opportunities in order to broaden our revenue and improve our profitability. On 6 March 2017, an agreement was entered into with the Vendor, under which the Company has conditionally agreed to acquire 51% equity interest in the Target Company. The Target Group owns the renowned European supercar brand “Apollo” and is engaged in the design, development, manufacturing and sale of supercars in the PRC, Europe and internationally. The Target Group also has plan to develop its own electric vehicles and enter into the promising electric vehicle market. If this acquisition proceeds to completion, the Group will enter into the huge and promising automotive business. The Group’s financial position is strong and our gearing ratio remains at a low level. The Group is well-positioned to meet future challenges and grasp new business opportunities to enhance shareholders’ value.

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, 27 March 2017

directors and senior management

EXECUTIVE DIRECTORS

Mr. MAK Shiu Tong, Clement, aged 63, has acted as the Chairman, the CEO and the Executive Director since August 2002. Mr. Mak is a member of the Remuneration Committee and the chairman and a member of the Nomination Committee. He is also a director of certain subsidiaries of the Company. 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 40 years of experience in the electronics manufacturing and distribution industry. Mr. Mak also has extensive experience in diversified businesses, including high-tech telecommunication network business and property development and investment business in Hong Kong and the mainland China. 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 CCT Fortis. Mr. Mak holds a Diploma in Electrical Engineering.

Ms. CHENG Yuk Ching, Flora, aged 63, has been the Executive Director since August 2002. Ms. Cheng is also the deputy chairman of the Company and a director of certain subsidiaries of the Company. Ms. Cheng assists the CEO in overseeing the day-to-day management of the principal businesses of the Group. Ms. Cheng has over 37 years of experience in the electronics industry. She held senior positions in various well-known electronics companies before she joined the Company. Ms. Cheng is also an executive director of CCT Fortis. Ms. Cheng holds a Diploma in Business Administration.

Mr. TAM Ngai Hung, Terry, aged 63, has been the Executive Director and the Group Finance Director since August 2002. He is a member of the Remuneration Committee and the Nomination Committee. He is also a director and company secretary of certain subsidiaries of the Company. Mr. Tam is primarily responsible for the corporate finance, accounting and company secretarial functions of the Group. Mr. Tam has more than 39 years of experience in finance and accounting management, and management experience in diversified businesses. He also possesses substantial knowledge in corporate finance matters, mergers and acquisitions and company secretarial matters. He previously held a number of senior positions in several listed companies before he joined the Company. Mr. Tam is also an executive director of CCT Fortis. Mr. Tam is a fellow of the Association of Chartered Certified Accountants and an associate of both the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Secretaries and Administrators.

Mr. GUAN Huanfei, aged 59, has been the Executive Director since May 2015. Mr. Guan has been a part-time researcher of the Insurance Research Centre of Fudan University since 2004. He has also been appointed as a part-time lecturer of professional degree of Fudan University since 2013. Mr. Guan has extensive experience in the finance and insurance industry in Hong Kong and the PRC. He served various senior managerial positions in the People's Insurance Company of China (Jilin Branch), the business department of Hong Kong and Macao Regional Office of China Insurance Group, Ming An Insurance Company (Hong Kong) Limited and China Pacific Insurance Co., (HK) Ltd. Mr. Guan also held offices at the Bank of Communications, including the deputy chairman of the risk asset management committee, deputy chairman of credit asset management committee, chairman of loan verification committee, deputy general manager of the Bank of Communications Hong Kong Branch, the director of Bank of Communications Trustee Limited, the chairman and chief executive of China BOCOM Insurance Co., Ltd. and an executive director and general manager of BoCommLife Insurance Company Limited. Mr. Guan is also an economic and technical consultant of Jilin Provincial Government. Mr. Guan is currently an INED of China Nonferrous Mining Corporation Limited (stock code: 01258) and Sunwah Kingsway Capital Holdings Limited (stock code: 00188), shares of the two companies are listed on the main board of the Stock Exchange. He is also the chairman emeritus of another main board listed company of the Stock Exchange — Culturecom Holdings Limited (stock code: 00343). Meanwhile, Mr. Guan is the chairman of the board of directors of UCAN.COM Group Limited, a subsidiary of Culturecom Holdings Limited, since July 2013. Mr. Guan obtained a doctor's degree in Economics in 2000 from Wuhan University and was a post-doctoral researcher in Theoretical Economics with Fudan University from 2000 to 2002.

Ms. LAI Mei Kwan, aged 30, has been the Executive Director since May 2015. Ms. Lai has worked with several major banks and a securities firm in Hong Kong and she has gained solid experience in private banking and financial services. Ms. Lai has been appointed as an INED of Jia Meng Holdings Limited (stock code: 08101), a company listed on the Stock Exchange, since September 2016. Ms. Lai graduated from King's College London in 2009 with a Bachelor's Degree of Science in Business Management. She then obtained a Master's Degree of Arts in 2011 from Regents College — European Business School London with concentration in Management with pathway in International Business.

NON-EXECUTIVE DIRECTORS

Mr. TSUI Wing Tak, aged 35, has been the non-executive Director since January 2017. He has over 12 years of experience in the accounting and corporate field. Mr. Tsui has been the chief executive officer of AE Majoris Advisory, which is principally engaged in the provision of corporate advisory services, since January 2012. Mr. Tsui has been appointed as Honorary Trade, Tourism and Investment Consultant on China (Hong Kong and Macau) by Embassy of Uganda since November 2016. He was the company secretary of Northern New Energy Holdings Limited (formerly known as Noble House (China) Holdings Limited) (stock code: 08246), a company listed on the Stock Exchange, from July 2013 to August 2014. He was also the head of internal audit of PPS International (Holdings) Limited (stock code: 08201), a company listed on the Stock Exchange, from December 2012 to June 2015. From August 2004 to January 2012, Mr. Tsui worked in an international accounting firm in Hong Kong with his last position as a manager in auditing. Mr. Tsui graduated from the Hong Kong University of Science and Technology with a degree of bachelor of business administration (honours) in accounting in November 2004. He was admitted as a certified public accountant and a certified public accountant (practicing) of the Hong Kong Institute of Certified Public Accountants in January 2009 and January 2012 respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHOW Siu Ngor, aged 61, has been an INED of the Company since August 2002. Mr. Chow is the chairman and a member of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee. Mr. Chow is an INED of CCT Fortis and REXLot Holdings Limited (stock code: 00555), the shares of which 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. He was previously a non-executive director of China Baoli Technologies Holdings Limited (formerly known as REX Global Entertainment Holdings Limited) (stock code: 00164), a company listed on the main board of the Stock Exchange, and resigned on 22 September 2015.

Mr. LAU Ho Kit, Ivan, aged 58, has been an INED of the Company since August 2002. Mr. Lau is the chairman and a member of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. Mr. Lau has extensive experience in accounting and financial management. He is also an INED of Singamas Container Holdings Limited (stock code: 00716), Glory Mark Hi-Tech (Holdings) Limited (stock code: 08159) and The Grande Holdings Limited (stock code: 00186), the shares of which are listed on the Stock Exchange. Mr. Lau is a practicing accountant in Hong Kong. Mr. Lau holds a Master's Degree in Professional Accounting and is a member of the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales.

Mr. TAM King Ching, Kenny, aged 67, has been an INED of the Company since February 2016. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Tam also serves as an INED of certain listed companies on the main board of the Stock Exchange, namely, CCT Forits, BeijingWest Industries International Limited (stock code: 02339), Hong Kong Shanghai Alliance Holdings Limited (stock code: 01001), Kingmaker Footwear Holdings Limited (stock code: 01170), Shougang Concord Grand (Group) Limited (stock code: 00730), Starlite Holdings Limited (stock code: 00403), West China Cement Limited (stock code: 02233) and Wisdom Education International Holdings Company Limited (stock code: 06068). He is also serving as a member of the Small and Medium Practitioners Committee and the Insolvency SD Vetting Committee in the Hong Kong Institute of Certified Public Accountants. Mr. Tam 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 Hong Kong Institute of Certified Public Accountants and a member of the Chartered Professional Accountants of Ontario, Canada.

Dr. CHOW Ho Wan, Owen, aged 41, has been appointed as an INED of the Company since January 2017. He is the director and chief executive officer of the Sino Fame International Group, the founding chairman of Association of the International Certified Financial Consultants, the managing director of Emerald Capital Ltd and the director of Nebpay Ltd. He also serves as an INED of Hong Wei (Asia) Holdings Company Limited (Stock code: 08191), a company listed on the Stock Exchange. Dr. Chow has obtained Bachelor of Commerce from University of Toronto in 1999, Master of Finance from Chinese University of Hong Kong in 2003, Postgraduate Certificate in Laws (PCCLL) and Bachelor of Laws from Tsinghua University in 2006, and Doctor in Business Administration from European University in 2011. In 2014, Dr. Chow took the Postdoctoral Global Leadership Research Program in University of Oxford. In addition, Dr. Chow has been awarded and admitted as members of the following professional qualifications including Certified Financial Consultants (CFC), Certified Financial Management Planners (CFMP), Certified Banking Risk Management (CBRM), The Institute of Financial Accountants (IFA), Fellow of Hong Kong Institute of Directors (FHKIoD), CPA Australia (ASCPA), Fellow of The Chartered Management Institute (FCMI), Hong Kong Securities and Investment Institute (MHKSI) and Canadian Securities Course (CSC). Being an experienced investment banker, Dr. Chow has been serving in finance, auditing and accounting industries for nearly 20 years. He was in senior positions in big four CPA firms as well as in investment banks including Deutsche Bank, Citi Bank, HSBC and ABN AMRO Bank.

SENIOR MANAGEMENT

Ms. NG Yin Fun, Elaine, aged 55, joined the CCT Tech Group in April 2009. Ms. Ng currently holds the position of Managing Director of the manufacturing division of the Group. She is primarily responsible for leading the business development of the CCT Tech Group's manufacturing business, and oversees and supervises principal functions of the manufacturing business of the CCT Tech Group. Ms. Ng has been in the consumer electronic industry for more than 27 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. PANG Di Yue, aged 48, joined the CCT Tech Group in 1998. Mr. Pang currently holds the position of Manufacturing Director of Huiyang factory, principally in charge of production, process engineering, inventory control and quality assurance of the factory. He previously served in Double Kingdom Holdings Limited, Shenzhen and was responsible for testing engineering, process engineering, production management and quality control. Mr. Pang graduated from Zhanjiang Electronic Professional School with a Design Award in 1987. He has almost 30 years of experience in consumer electronics industry.

Mr. LEE Chi Fat, Raymond, aged 46, has been in service with the group since 2009. Mr. Lee currently holds the position of director of business development division of the Group. He is primarily responsible for sales and marketing activities of the telecom products and baby products. Mr. Lee graduated from Imperial College of Science, Technology and Medicine, University of London, with a Bachelor's Degree of Electronic and Electrical Engineering in 1994. He has more than 20 years of product planning and business development experience in consumer electronics industry.

Mr. HO Yiu Hong, Victor, aged 48, joined the Group in January 2000. Mr. Ho holds the position of Senior Finance Director in CCT Land. He heads the finance and accounting department of the Group. Mr. Ho has over 26 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. CHAN Ka Chai, aged 52, joined the Group in September 2015. Mr. Chan currently holds the position of General Counsel of the Group. Mr. Chan is responsible for giving legal advice on all legal matters of the Group. Mr. Chan is a qualified solicitor in Hong Kong and a member of The Law Society of Hong Kong. Mr. Chan holds a Bachelor of Laws Degree from the University of London and the Postgraduate Certificate in Laws from The University of Hong Kong.

financial review

OVERVIEW OF 2016 FINANCIAL RESULTS AND OTHER COMPREHENSIVE INCOME

HK$ million	2016	2015 (Restated)	% increase/ (decrease)
Continuing operations			
Revenue	**735**	801	(8.2%)
Other expenses, net	**(61)**	(28)	117.9%
Finance costs	**(8)**	(42)	(81.0%)
Loss before tax from continuing operations	**(154)**	(78)	97.4%
Income tax credit	**6**	2	200.0%
Loss for the year from continuing operations	**(148)**	(76)	94.7%
Discontinued operation			
Profit for the year from a discontinued operation	**–**	2	(100.0%)
Loss for the year	**(148)**	(74)	100.0%
Other comprehensive income, net of tax	**(47)**	(49)	(4.1%)
Attributable to:			
Owners of the parent	**(150)**	(74)	102.7%
Non-controlling interests	**2**	–	N/A
Loss for the year	**(148)**	(74)	100.0%

Discussions on the 2016 Financial Results and Other Comprehensive Income

The Group's continuing operations reported revenue of HK$735 million, decreased by 8.2%, due mainly to decline in the sales of the telecom products, compensated largely by increase in property sales in the PRC. Other expenses surged to HK$61 million in 2016, representing an increase of 117.9% compared with the HK$28 million in 2015. This large increase was primarily attributable to non-cash fair value loss on investment properties of HK$34 million and impairment loss on plant and equipment of HK$9 million. Finance costs of HK$8 million, fell HK$34 million or 81% compared with last corresponding year, primarily because of the capitalisation of the promissory notes by issue of the interest-free Convertible Bonds in the prior year. Loss before tax from continuing operations rose 97.4% to HK$154 million. The discontinued operation, representing the Child Product Trading Business which was disposed of to the CCT Fortis in 2016, was in a break-even position up to the date of disposal, whereas this business contributed a profit of HK$2 million in the comparable year. Reported net loss attributable to owners of the parent was HK$150 million, an increase of 102.7% compared with HK$74 million in the last corresponding year, mainly due to the decrease in the manufacturing revenue, increase in loss of the Mainland Property Business and the fair value loss and impairment provisions as explained above.

Net other comprehensive loss reported in the Consolidated Statement of Comprehensive Income represented the unrealised exchange loss of HK$47 million arising from the translation of the accounts of the subsidiaries in the mainland China, as a result of devaluation of RMB during the year. The RMB unrealised translation loss reduced by 4.1% compared with 2015. Since the year end, the RMB exchange rate has stabilised.

ANALYSIS BY BUSINESS SEGMENT

HK$ million	Revenue from continuing operations 2016 Amount	2016 Relative %	2015 Amount (Restated)	2015 Relative %	% change
Telecom Product Business	**510**	**69.4%**	688	85.9%	(25.9%)
Mainland Property Business	**217**	**29.5%**	113	14.1%	92.0%
Finance Business	**8**	**1.1%**	–	–	N/A
Total	**735**	**100.0%**	801	100.0%	(8.2%)

HK$ million	Operating profit/(loss) of continuing operations* 2016	2015 (Restated)	% change
Telecom Product Business	**(82)**	5	N/A
Mainland Property Business	**(61)**	(25)	144.0%
Finance Business	**5**	–	N/A
Total	**(138)**	(20)	590.0%

* The operating result represented operating profit/(loss) before finance costs, corporate and other unallocated expenses and taxation.

Sales of telecom products continued to decline and recorded revenue of HK$510 million, fell by HK$178 million or 25.9%, primarily attributable to slow global economy, weak demand of cordless phones, intensified competition and devaluation of euro. In 2016, the operating loss of the manufacturing business soared to HK$82 million as opposed to an operating profit of HK$5 million in 2015. The surge in loss was primarily caused by the reduction of revenue, fair value loss arising from revaluation of investment properties, impairment provision on plant and machinery and restructuring costs.

The Mainland Property Business achieved increase in revenue of HK$104 million or 92.0% to HK$217 million, as a result of higher sales of flat units, amid rebound in property demand in Anshan. Operating loss increased by HK$36 million to HK$61 million, led primarily by lower sale prices amidst price-cutting strategy of the debt-ridden local property developers.

The finance business commenced in the year was able to deliver an operating profit of HK$5 million, against revenue of HK$8 million.

ANALYSIS BY GEOGRAPHICAL SEGMENT

HK$ million	Revenue of continuing operations 2016 Amount	2016 Relative %	2015 Amount (Restated)	2015 Relative %	% Change
Europe	**295**	**40.1%**	371	46.3%	(20.5%)
Mainland China	**290**	**39.5%**	198	24.7%	46.5%
North America	**117**	**15.9%**	139	17.4%	(15.8%)
Asian Pacific and others	**33**	**4.5%**	93	11.6%	(64.5%)
Total	**735**	**100.0%**	801	100.0%	(8.2%)

Europe market continued to be the Group's largest market, contributed revenue of HK$295 million, a decrease of HK$76 million compared with the previous year, caused mainly by lower sales of telecom products. The second largest market region of the Group is the mainland China. This market region contributed 39.5% of the Group's total revenue, representing HK$290 million, an increase of HK$92 million or 46.5% compared with 2015, mainly as a result of higher sales of property units in Anshan. Sales to North American market and Asian Pacific region fell by 15.8% and 64.5%, respectively, to HK$117 million and HK$33 million, respectively, due mainly to reduction of sales of telecom products to these market regions.

CONVERTIBLE BONDS

During the year ended 31 December 2016, the Convertible Bonds with a principal amount of HK$420 million (2015: HK$180 million) were converted into 42,000,000,000 (2015: 18,000,000,000) Shares, resulting in an additional share capital of HK$420 million (2015: HK$180 million).

At the end of the reporting period, the Company had outstanding Convertible Bonds with a principal amount of HK$496 million (2015: HK$916 million) , the conversion in full of which would, under the present capital structure of the Company, result in the issue of 49,567,100,000 (2015: HK$91,567,100,000) additional Shares and additional share capital of HK$496 million (2015: HK$916 million) at the current conversion price of HK$0.01 per conversion Share (subject to adjustments pursuant to the terms of the Convertible Bonds). The following table set out the shareholding structure of the Company: (i) as at 31 December 2016, and (ii) for illustrative purpose only, the structure immediately after the issue of the 49,567,100,000 Shares upon full conversion of all the outstanding Convertible Bonds as at 31 December 2016 at the conversion price of HK$0.01 per conversion share, assuming that there is no other changes to the share capital of the Company from 31 December 2016 to date of the allotment and issue of the conversion Shares:

Shareholders	As at 31 December 2016		Immediately after conversion of the all the outstanding Convertible Bonds and issue of the conversion Shares	
	No. of shares	%	No. of shares	%
Director — Tam Ngai Hung, Terry	10,000,000	0.01	10,000,000	0.01
Ideal Master and its close associate	5,070,000,000	3.78	54,637,100,000	29.72
Public shareholders	129,198,993,990	96.21	129,198,993,990	70.27
Total	134,278,993,990	100.00	183,846,093,990	100.00

Notes:

(a) The Convertible Bonds cannot be converted into Shares if a mandatory offer obligations is triggered on the part to the bondholder which exercised the conversion rights.

(b) As the Convertible Bonds are not redeemable and the Company has no repayment obligations in relation to the Convertible Bonds, the outstanding Convertible Bonds will not have any effect on the financial and liquidity position of the Group.

(c) As the bondholder(s) has no right to demand redemption or prepayment of the interest-free Convertible Bonds, which will be automatically converted into the Shares on the Maturity Date, the market price of the Shares will not have any bearing on the decision of the bondholder as to whether to exercise the conversion rights in respect of the Convertible Bonds.

OVERVIEW OF SIGNIFICANT CHANGES TO KEY ITEMS IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$ million	2016	2015	% increase/ (decrease)
Property, plant and equipment	**114**	151	(24.5%)
Investment properties	**299**	333	(10.2%)
Goodwill	**80**	80	–
Properties under development	**361**	–	N/A
Properties held for sale	**753**	983	(23.4%)
Prepayment, deposits and other receivables	**79**	345	(77.1%)
Current and non-current pledged time deposits	**107**	109	(1.8%)
Cash and cash equivalents	**131**	185	(29.2%)
Current and non-current interest-bearing bank and other borrowings	**360**	364	(1.1%)
Deferred tax liabilities	**100**	110	(9.1%)
Equity attributable to owners of the parent	**1,386**	1,583	(12.4%)
— Share capital	**1,343**	923	45.5%
— Convertible bonds	**496**	916	(45.9%)
— Reserves	**(453)**	(256)	77.0%

Discussions on significant changes to key items in Consolidated Statement of Financial Position

As at 31 December 2016, the property, plant and equipment balance decreased by HK$37 million, compared with 31 December 2015, attributable mainly to depreciation for the year and the impairment provision made against plant and machinery.

The balance of the investment properties at year end was HK$299 million, fell HK$34 million as a result of fair value loss arising from revaluation at year end.

Goodwill as at 31 December 2015 and 2016 was HK$80 million. This goodwill was recognised on the acquisition of the finance business in 2015, which was able to contribute profit in its first year of operations in 2016.

Properties under development as at 31 December 2016 was HK$361 million, represented the carrying value of the Evian Garden project, the development of which was commenced during the year. There was no balance of the properties under development one year earlier as Evian Villa Phase 2 had been completed and all its development costs were transferred to completed properties held for sale in 2015.

Properties held for sale was HK$753 million, decreased HK$230 million or 23.4%, attributable to properties sold and further devaluation of RMB during the year.

Prepayments, deposits and other receivables reduced by HK$266 million to HK$79 million as at 31 December 2016, primarily attributable to the transfer of prepayment for acquisition of the land use right of Evian Garden (land lot DN1) to properties under development upon the commencement of development of Evian Garden project during the year.

Pledged time deposits balance was broadly unchanged. The slight decrease primarily due to the impact of RMB devaluation on the RMB deposits.

Cash balance reduced by 29.2% to HK$131 million at the end of 2016. The net decrease primarily represented funds used in the Group's principal businesses and net repayment of bank borrowings.

Bank and other borrowings were HK$360 million, representing HK$4 million or 1.1% lower than the bank borrowings in 2015. The net decrease represents net repayment of some of the bank borrowings during the year.

Deferred tax liabilities were HK$100 million, broadly unchanged from 2015. This balance comprised estimated deferred tax liability arising from the assignment of the Anshan property projects into the Group in 2013 and deferred tax liability on the fair value gain of the investment property.

Equity attributable to owners of the parent at the end of the year stood at HK$1,386 million, down 12.4%, due primarily to net loss and other comprehensive loss for 2016.

CAPITAL STRUCTURE AND GEARING RATIO

	2016		2015	
HK$ million	**Amount**	**Relative %**	Amount	Relative %
Bank borrowings	**359**	**20.5%**	362	18.6%
Finance lease payable	**1**	**0.1%**	2	0.1%
Total borrowings	**360**	**20.6%**	364	18.7%
Equity including the convertible bonds	**1,386**	**79.4%**	1,583	81.3%
Total capital employed	**1,746**	**100.0%**	1,947	100.0%

The Group's total borrowings in 2016 were broadly unchanged from 2015. The Group maintained a low gearing ratio of 20.6% as at 31 December 2016, marginally increased from the gearing ratio of 18.7% one year earlier, mainly as a result of reduction of equity due to loss for the year.

The maturity profile of the outstanding borrowings falling due within one year, in the second to the fifth year amounted to HK$278 million and HK$82 million, respectively (2015: HK$296 million and HK$68 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

LIQUIDITY AND FINANCIAL RESOURCES

HK$ million	**2016**	2015
Current assets	**1,617**	1,813
Current liabilities	**550**	660
Current ratio	**294.0%**	274.7%

The Group's current ratio further improved to 294.0% (2015: 274.7%) in the year, as a result of percentage decrease of current liabilities more than the percentage decrease of the current assets. This high current ratio indicated the liquid position of the Group's assets. Among the total cash balance of HK$238 million (2015: HK$294 million), deposits with an aggregate amount of HK$107 million (2015: HK$109 million) were pledged for banking facilities.

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

CAPITAL COMMITMENTS

The Group has no capital commitment as at 31 December 2016 (2015: nil).

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 2016, the Group's receipts were mainly denominated in US dollar and RMB. Payments were mainly made in HKD, US dollar and RMB. Cash was generally placed in short-term deposits denominated in HKD and RMB. In 2016, the Group's borrowings were mainly denominated in HKD, US dollar and RMB and interest on the borrowing was principally determined on a floating rate basis.

The objective of the Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. The Group does not have any significant interest rate risk at present as the interest rates currently remain at low level. In terms of foreign exchange exposures, the Group is principally exposed to two major currencies, namely the US dollar and RMB in terms of receipts and the RMB in terms of expenditures. Since the HKD remains pegged to the US dollar, the exchange exposure to US currency is minimal.

As for RMB exposure, the current devaluation of RMB benefits our manufacturing business as our factory wages and overhead are paid in RMB. However, devaluation of RMB was one of the reasons for the fair value loss on investment properties in 2016. The impact the devaluation of RMB to the Mainland Property Business is considered to be part of the costs of doing business in China. There was translation loss of HK$47 million as a result of translation of the accounts of the Group's PRC subsidiaries. The RMB currency has been stabilised recently and it is not expected that there will be any further devaluation of RMB to a large extent in the near future. The Group has not entered into any high-risk exchange derivatives.

ACQUISITION AND DISPOSAL OF MATERIAL SUBSIDIARIES AND ASSOCIATES

Save for the disposal of the subsidiaries engaged in Child Product Trading Business, 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 financial review of this Annual Report, the Group did not hold any significant investment as at 31 December 2016 (2015: nil).

PLEDGE OF ASSETS

As at 31 December 2016, certain of the Group's assets with a net book value of HK$1,212 million (2015: HK$1,122 million), net asset value of HK$349 million of a subsidiary of the Company (2015: HK$385 million) and time deposits of the Group of HK$107 million (2015: HK$109 million) were pledged to secure the general banking facilities granted to the Group to finance operations.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group as at 31 December 2016 was 1,526 (2015: 1,492). 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 2016, there were outstanding share options of 15,000,000 shares.

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 2016 are set out below:

	Number of employees
Nil–HK$1,000,000	3
HK$1,000,001–HK$2,000,000	1
HK$2,000,001–HK$3,000,000	1
	5

sustainable operations and development

SUSTAINABILITY STRATEGY

The Group regards sustainability as a core strategy in maintaining and developing the Company for the long term and our efforts in fulfilling corporate social responsibility will contribute to the long term value to the Company and the community in which we operate.

ENVIRONMENTAL PROTECTION AND PRODUCT SAFETY

Our environmental objective is to operate and develop our business in a manner that minimises the impacts to the environment and natural resources. We endeavor to improve our operation efficiency and our products in order to maximise productivity and minimize wastages. Our policy is to ensure that our operations comply with relevant environmental laws, rules and regulations. As for product quality and safety, we provide high quality products and comply fully with the relevant international and local health, quality and safety standards. The Group has adopted a set of precise processes to evaluate production process design, with a view to minimise pollution and impacts to the environment and wastages.

Our factory is compliant of ISO9001 and ISO 14001. Our factory runs the **RoHS** program (The restriction of the use of certain Hazardous Substances in Electrical and Electronic Equipment), **WEEE** program (Waste of Electrical and Electronic Equipment — Recycle of waste labelling for all products) and **REACH** program (a program for the restriction of use of banned materials). We have obtained relevant safety and quality certifications for our products.

As for our mainland property projects, we commit to pursue excellence in our products and services. The property projects are designed and built in strict compliance with all the relevant laws and regulations regarding environmental protection and safety. Construction material are carefully selected to meet a high standard of safety and quality which at least comply with the local standard and even higher. During construction, on-site supervision and inspection is conducted on a weekly basis to check and ensure quality of construction is met to a high standard.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS THAT HAVE A SIGNIFICANT IMPACT ON THE COMPANY

It is the Company's policy to comply with all the relevant laws and regulations in the places where we operate. The management always keeps abreast of the latest development in the laws and regulations which are relevant and have a significant impact on the Group. During the year, there was no significant non-compliance of any laws, regulations or rules that have a significant impact on the Group and its operations.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group has committed to produce and deliver premium products and services to customers to meet their satisfaction and expectation.

With our 25 years' manufacturing experience in telecom and electronic products, we have established a long history of partnership relationship with our customers and suppliers. We work closely and strategically with our customers from product design to the manufacturing of the final products to ensure that the products will meet with market expectation at the competitive prices.

As for Mainland Property Business, CCT Land strives in delivering premium customer experience with superior products and excellent service. We have established a very good reputation as a quality developer with strong financial position and support from the Hong Kong holding company. We regard our customers as friends, care their needs with heart and provide valued-added after-sale services. Social and caring activities are held for customers from time to time to promote customer relationship and loyalty. Our efforts have generated benefits to the goodwill and promote sales of our property units as over 50% of new sales of flats came from referral from existing customers.

RELATIONSHIP WITH EMPLOYEES

We treasure our employees which are one of the most valuable assets to the Group. We offer competitive remuneration package, provident fund, welfare and benefits and comply with all the relevant labour laws and regulations which apply to our operations. Our key management personnel have worked with the Group for a long time.

We encourage staff training and development. Hong Kong employees are encouraged to join external training in job-related courses, seminars and programmes. A comprehensive training programme is in place for new workers in China. In addition, training courses and seminars are organized for different grades of employees from time to time.

Our factory has provided various sport and recreational facilities for enjoyment of employees during their leisure time. A staff club has been established, which organize various recreational and social activities from time to time for the staff and workers.

WORKPLACE QUALITY

The Group has placed significant resources in providing a safe, healthy, clean and comfortable workplace for our employees, in Hong Kong and in China. A safety committee has been established in our factory to maintain and monitor safety of the production facilities and the quarters and living areas of workers.

A corporate social responsibility report will be published on the Stock Exchange's website and the Company's website within three months after publication of Company's annual report.

corporate information

COMPANY NAME
CCT Land Holdings Limited

BOARD OF DIRECTORS

Executive Directors
Mak Shiu Tong, Clement *(Chairman and CEO)*
Cheng Yuk Ching, Flora *(Deputy Chairman)*
Tam Ngai Hung, Terry
Guan Huanfei
Lai Mei Kwan

Non-executive Director
Tsui Wing Tak

Independent Non-executive Directors
Chow Siu Ngor
Lau Ho Kit, Ivan
Tam King Ching, Kenny
Chow Ho Wan, Owen

COMPANY SECRETARY
Lee Wai Yan

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

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
31/F., Fortis Tower
77–79 Gloucester Road
Hong Kong

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tricor Tengis Limited
Level 22, Hopewell Centre
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Hong Kong

TELEPHONE NUMBER
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FAX NUMBER
+852 2102 8100

COMPANY WEBSITE
www.cctland.com

STOCK CODE
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corporate governance report

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 2016, except for the following minor 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 2016.

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 composes of five Executive Directors (including the Chairman), one non-executive Director and four INEDs with a balance of skills and experience appropriate for the requirements of the Group. Furthermore, the roles of the managing director and the general managers of the Company's major operating subsidiaries are performed by other individuals. The Board believes that there is no need to segregate the roles of the Chairman and the CEO as the balance of power and authority is already ensured by the current structure. Furthermore, the Board believes that the combined roles of Mr. Mak enhance the communication between the Board and the management and ensure the effective execution of the Board's strategy by the management because of Mr. Mak's extensive business experience.

Code Provision A.4.2

The Code Provision A.4.2 provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the bye-laws of the Company, any Director appointed to fill a casual vacancy shall hold office only until the next following AGM of the Company and shall then be eligible for re-election. The Board considers that such a deviation is not material as casual vacancy of Directors seldom happens and duration between appointment to fill casual vacancy and the immediate following AGM of the Company is less than one year and is considered to be short.

Pursuant to the bye-laws of the Company, the Chairman and the managing Director (who is currently assumed by Mr. Mak Shiu Tong, Clement) shall not be subject to retirement by rotation or not be taken into account in determining the number of Directors to retire in each year. The Board considers that the continuity of the Chairman and his leadership will be essential for the stability of the key management of the Group. On the other hand, the Board will ensure that all Directors save for the Chairman will rotate at least once every three years in order to comply with the Code Provision A.4.2.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its code of conduct regarding the securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code adopted by the Company throughout the financial year ended 31 December 2016.

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 external control and risk management systems 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 but not limited to 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 2016, the Board held 13 meetings.

The Board members have also attended the Shareholders' meeting to answer questions from Shareholders. During the financial year ended 31 December 2016, the Company held 2 Shareholders' meetings. The attendance of each of the Directors at the Board's meetings (either in person or by phone) and at the Shareholders' meetings is set out as follows:

	Number of Meetings Attended/Held	
Name of the Directors	**Board**	**Shareholders**
Mak Shiu Tong, Clement	9/13	2/2
Cheng Yuk Ching, Flora	13/13	2/2
Tam Ngai Hung, Terry	13/13	2/2
Ong Ban Poh, Michael	0/2	0/0
Guan Huanfei	12/13	2/2
Lai Mei Kwan	13/13	2/2
Chow Siu Ngor	12/13	2/2
Lau Ho Kit, Ivan	13/13	2/2
William Robert Majcher	0/2	0/0
Tam King Ching, Kenny	10/10	2/2

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

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

THE BOARD *(continued)*

Board's Composition

As at the date of this Annual Report, the Board was composed of five Executive Directors, one non-executive Director and four INEDs. The biographical details of all current Directors are set out in the "Directors and Senior Management" section of this Annual Report. During the period from 1 January 2016 to the date of this Annual Report, there were the following changes to the composition of the Board:

Name of Directors	Details of changes
Tam King Ching, Kenny	Appointed as an INED of the Company and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee with effect from 29 February 2016
Ong Ban Poh, Michael	Resigned as an Executive Director with effect from 29 February 2016
William Robert Majcher	Resigned as an INED of the Company and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee with effect from 29 February 2016
Tsui Wing Tak	Appointed as an non-executive Director with effect from 13 January 2017
Chow Ho Wan, Owen	Appointed as an INED of the Company with effect from 13 January 2017

The Board's composition has maintained a balance and diversity of skills, expertise, experience and qualifications appropriate of the requirements, promotion and development of the businesses of the Group.

All the Directors are appointed for a specific term of not more than three years. Save for the Chairman and the managing Director (both roles currently being 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 regarding 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 2016 from Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Tam King Ching, Kenny in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all INEDs of the Company are independent within the definition of the Listing Rules.

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of a sufficient number of the INEDs and 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 of directors throughout the financial year ended 31 December 2016.

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

THE BOARD *(continued)*

Directors' continuing professional development

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

According to the records provided by the Directors, a summary of training received by the Directors for the year ended 31 December 2016 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 organized by external parties**
Mak Shiu Tong, Clement	✓	
Cheng Yuk Ching, Flora	✓	
Tam Ngai Hung, Terry	✓	✓
Ong Bah Poh, Michael	✓	
Guan Huanfei	✓	
Lai Mei Kwan	✓	
Chow Siu Ngor	✓	✓
Lau Ho Kit, Ivan	✓	✓
William Robert Majcher	✓	
Tam King Ching, Kenny	✓	✓

The training participated by the Directors in 2016 is relevant to their duties and responsibilities as a director of the Company.

THE CHAIRMAN AND THE CEO

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

RE-ELECTION AND RETIREMENT OF THE DIRECTORS

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

BOARD COMMITTEES

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

Remuneration Committee

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

The Remuneration Committee is composed of five members who are three INEDs and two Executive Directors. During the period from 1 January 2016 to the date of this Annual Report, the members of the Remuneration Committee were Mr. Chow Siu Ngor (INED), Mr. Lau Ho Kit, Ivan (INED), Mr. William Robert Majcher (a former INED who served the committee from 1 January 2016 to the date of his resignation on 29 February 2016), Mr. Tam King Ching, Kenny (INED) (served the committee since the date of his appointment on 29 February 2016), Mr. Mak Shiu Tong, Clement (Executive Director) and Mr. Tam Ngai Hung, Terry (Executive Director). The Remuneration Committee is currently chaired by Mr. Chow who is an INED of the Company.

During the financial year ended 31 December 2016, the Remuneration Committee held one meeting and its main work during 2016 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; and

(ii) reviewing and making recommendations to the Board on the remuneration package of the Directors and senior management of the Group.

For the sake of good corporate governance practice, none of the members of the Remuneration Committee participated in the discussions and decision on matters relating to his or her remuneration.

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

The attendance record of the members at meeting of the Remuneration Committee in 2016 is set out as follows:

Members of the Remuneration Committee	Number of meeting attended/held
Chow Siu Ngor	1/1
Lau Ho Kit, Ivan	1/1
William Robert Majcher	0/0
Tam King Ching, Kenny	1/1
Mak Shiu Tong, Clement	1/1
Tam Ngai Hung, Terry	1/1

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 who include Directors and senior management.

Audit Committee

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

The main responsibilities of the Audit Committee include, inter alia, (i) reviewing the financial statements of the Group's interim and annual reports before submitting them to the Board for approval; (ii) reviewing and making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and the terms of engagement including the remuneration of the external auditors; (iii) discussing with the external auditors the nature and scope of the audit; (iv) monitoring and assessing the independence and objectivity of the external auditors and the effectiveness of the audit process in accordance with the applicable standards; (v) reviewing and monitoring the financial reporting and the reporting judgment contained in them; (vi) reviewing the financial controls, risk management and internal control systems (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 is composed of three members who are three INEDs. During the period from 1 January 2016 to the date of this Annual Report, the members of the Audit Committee were Mr. Chow Siu Ngor (INED), Mr. Lau Ho Kit, Ivan (INED), Mr. William Robert Majcher (a former INED who served the committee from 1 January 2016 to date of his resignation on 29 February 2016) and Mr. Tam King Ching, Kenny (INED) (served the committee since the date of his appointment on 29 February 2016). Each of Mr. Lau Ho Kit, Ivan and Mr. Tam King Ching, Kenny is a qualified accountant with extensive accounting and financial experience. The Audit Committee is currently chaired by Mr. Lau. All members of the Audit Committee hold the relevant industry or legal, accounting and financial experience necessary to advise on the Board's strategies and other related matters. All members of the Audit Committee have complete and unrestricted access to the internal and external auditors and all employees of the Company.

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

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

During the financial year ended 31 December 2016, the Audit Committee held three meetings and its main work during 2016 included reviewing:

(i) the 2015 annual report, including the Corporate Governance Report, Directors' Report and the Financial Statements, as well as the related results announcement;

(ii) the 2016 interim report and interim results announcement;

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

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

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

The attendance record of the members at the meetings of the Audit Committee in 2016 is set out as follows:

Members of the Audit Committee	Number of meetings attended/held
Lau Ho Kit, Ivan	3/3
Chow Siu Ngor	3/3
William Robert Majcher	1/1
Tam King Ching, Kenny	2/2

Nomination Committee

The Company has established a Nomination Committee since 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 the INEDs of the Company; 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.

BOARD COMMITTEES *(continued)*

Nomination Committee *(continued)*

The Nomination Committee is composed of five members who are three INEDs and two Executive Directors. During the period from 1 January 2016 to the date of this Annual Report, the members of the Nomination Committee were Mr. Chow Siu Ngor (INED), Mr. Lau Ho Kit, Ivan (INED), Mr. William Robert Majcher (a former INED who served the committee from 1 January 2016 to the date of his resignation on 29 February 2016) , Mr. Tam King Ching, Kenny (INED) (served the committee since the date of his appointment on 29 February 2016), Mr. Mak Shiu Tong, Clement (Executive Director) and Mr. Tam Ngai Hung, Terry (Executive Director). The Nomination Committee is currently chaired by Mr. Mak. The nomination of the new Directors during the year has broadened the diversity of the Board's composition in the perspectives of gender, age, cultural and educational background, ethnicity, professional experience, skills knowledge and length of service.

During the financial year ended 31 December 2016, the Nomination Committee held two meetings and its main work during 2016 included:

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

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

(iii) nomination of new Directors to be appointed to the Board.

The attendance record of the members at the meeting of the Nomination Committee in 2016 is set out as follows:

Members of the Nomination Committee	Number of meetings attended/held
Chow Siu Ngor	2/2
Lau Ho Kit, Ivan	2/2
William Robert Majcher	0/1
Tam King Ching, Kenny	1/1
Mak Shiu Tong, Clement	2/2
Tam Ngai Hung, Terry	2/2

CORPORATE GOVERNANCE FUNCTIONS

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

During the financial year ended 31 December 2016, the Board held one meeting 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 meeting in 2016 is set out as follows:

Directors	Number of meeting attended/held
Mak Shiu Tong, Clement	1/1
Cheng Yuk Ching, Flora	1/1
Tam Ngai Hung, Terry	1/1
Ong Ban Poh, Michael	0/0
Guan Huanfei	1/1
Lai Mei Kwan	1/1
Chow Siu Ngor	1/1
Lau Ho Kit, Ivan	1/1
William Robert Majcher	0/0
Tam King Ching, Kenny	1/1

AUDITOR'S REMUNERATION

The remuneration paid to the external auditors of the Company, Ernst & Young, for the year ended 31 December 2016 is set out as follows:

Services rendered	Fees paid/payable HK$'000
Audit services	2,100
Non-audit services:	
Tax compliance services	77
Other services	–
Total	2,177

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 Auditor's 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 risk management and internal control systems on an ongoing basis and reviewing their effectiveness. The Group's risk management and internal control systems have 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, internal audit and financial reporting functions.

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.

Objective of Risk Management and Internal Control

The Company recognises the importance of risk management and internal control in the achievement of its strategic goals. The Company maintains a conservative approach to manage and align risk to its strategy of achieving sustainability and delivering long-term returns to shareholders.

INTERNAL CONTROL AND INTERNAL AUDIT *(continued)*

Process and procedure for Risk Management and Internal Control

1. The Board has the overall responsibility for evaluating the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems.

2. The Board through the Audit Committee, reviews the adequacy the Group's risk management and internal controls systems.

3. The Group employs an enterprise risk management framework to manage risk.

4. The management of business unit/divisions are responsible for the day-to-day management of operational risks and implementation of mitigation measures.

5. All division heads are required to provide a confirmation annually to the Board on the effectiveness of the risk management and internal control systems.

6. The internal audit department of the Group is responsible for review and appraising effectiveness of risk management and internal controls systems and report results to the Board through the Audit Committee.

Top and Emerging Risks

The top and emerging risks framework helps enable the Group to identify current and forward-looking risk so that the Group may take actions that either prevents them, crystallising or limits their effect. Top risks are those that may have a material impact on the financial results, reputation or business model of the Group in the year ahead. Emerging risks are those that have large unknown components any may form beyond a one-year horizon. If these risks were to occur, they could occur have material effect on the Group. The Group's top and emerging risks are summarized as follows:

— geopolitical risks;
— global economic outlook and capital flows;
— financial market risks including adverse changes on foreign exchange and interest rate hike which affect the Group's operations;
— major changes of government policies that have significant impact on the Group's operation;
— information technology security and risks; and
— business risk.

The above top and emerging risks were reviewed by the Audit Committee and discussed by the Board in the year ended 31 December 2016. Measures have been formulated and implemented to mitigate such risks. These risks will be changed to respond to changes in the Group's business and the external environment.

COMPANY SECRETARY

Mr. Tam Ngai Hung, Terry who is the Executive Director, was appointed as the company secretary of the Company on 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 2016.

Subsequent to the financial year-end, Ms. Lee Wai Yan has been appointed as the company secretary of the Company to replace Mr. Tam with effect from 9 February 2017. Ms. Lee is an employee of the Company who is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Immediately before the aforesaid appointment, Ms. Lee was the assistant company secretary of the Company.

SHAREHOLDERS' RIGHTS

Right to convene special general meeting

Shareholder(s) may convene a special general meeting on requisition, as provided by the Companies Act 1981 of Bermuda.

Right to put enquiries to the Board

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

Right to put forward proposals at general meetings

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

report of the directors

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the design and development, manufacture and sale of telecom, electronic and infant and baby products, property development in mainland China, and online and offline finance business. On 14 October 2016, the Company completed the disposal of Child Product Trading Business to CCT Fortis. Other than the disposal of Child Product Trading Business during the year, there was no significant change in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 is set out on pages 2 to 5 and pages 10 to 19.

RESULTS

The Group's loss for the year ended 31 December 2016 and the Group's financial position at that date are set out in the financial statements on pages 57 to 129.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 132. This summary does not form part of the audited financial statements.

EQUITY-LINKED AGREEMENT

The Company has entered into the Subscription and Settlement Agreement with and among CCT Fortis, Jade Assets, CCT Securities and Glory Merit in relation to the issue and subscription of the Convertible Bonds with aggregate principal amount of HK$1,095,671,000 in settlement of the promissory notes previously due by the Company to Jade Assets and Glory Merit. The Convertible Bonds are interest free, have a term of three years from the date of issue and are not redeemable. Subject to the CB Conditions, bondholder(s) of the Convertible Bonds has a right to convert the Convertible Bonds into the Shares at the initial conversion price of HK$0.01 per conversion share (subject to adjustment pursuant to the CB Conditions). The conversion shares will be allotted and issued upon conversion of the Convertible Bonds, credited as fully paid and will rank pari passu with all existing shares of the Company. The Convertible Bonds with the aggregate principal amount of HK$1,095,671,000 were issued on 7 December 2015.

EQUITY-LINKED AGREEMENT *(continued)*

During the year, 42,000,000,000 new Shares were converted by the bondholders at HK$0.01 per Share. Details of movements and conversions of the Company's Convertible Bonds during the year are set out in note 32 to the financial statements.

Other than the Convertible Bonds disclosed above and the share option scheme disclosed in other section of this directors' report, no other equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

SHARE CAPITAL

An aggregate of 42,000,000,000 new Shares were allotted and issued under the Company's specific mandate at the conversion price of HK$0.01 per Share to the bondholders upon conversion of the Convertible Bonds of principle amount of HK$420,000,000 during the year.

Details of the shares issued by the Company during the year are disclosed in note 30 to the consolidated financial statements.

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

Save for the new Shares as allotted and issued as mentioned in the "Share Capital" section of this directors' report, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed Shares during the year.

DISTRIBUTABLE RESERVES

At 31 December 2016, the Company had no reserve available for distribution in accordance with the provisions of the Companies Act 1981 of Bermuda. The Company's share premium account, in the amount to HK$341 million, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group did not make any charitable contributions (2015: nil)

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	
	2016	2015	**2016**	2015
Largest customer	**16%**	20%		
Five largest customers in aggregate	**37%**	55%		
Largest supplier			**7%**	7%
Five largest suppliers in aggregate			**24%**	24%

CCT Fortis had beneficial interests in one (2015: one) of the five largest suppliers of the Group.

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

DIRECTORS

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

Executive Directors:
Mak Shiu Tong, Clement
Cheng Yuk Ching, Flora
Tam Ngai Hung, Terry
Ong Ban Poh, Michael (resigned on 29 February 2016)
Guan Huanfei
Lai Mei Kwan

Non-executive Director:
Tsui Wing Tak (appointed on 13 January 2017)

Independent non-executive Directors:
Chow Siu Ngor
Lau Ho Kit, Ivan
William Robert Majcher (resigned on 29 February 2016)
Tam King Ching, Kenny (appointed on 29 February 2016)
Chow Ho Wan, Owen (appointed on 13 January 2017)

In accordance with the bye-laws of the Company, Mr. Guan Huanfei, Ms. Lai Mei Kwan and Mr. Chow Siu Ngor, together with the newly appointed Directors namely Mr. Tsui Wing Tak and Dr. Chow Ho Wan, Owen will retire and, being eligible, offer themselves for re-election at the forthcoming AGM of the Company.

In accordance with the bye-laws of the Company, save for the Chairman and the managing Director (both roles currently being 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, all Directors are subject to retirement by rotation and re-election at the AGM of the Company.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 6 to 9 of this Annual Report.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

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.

SHARE OPTION SCHEME

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

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

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

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

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

Pursuant to the 2011 Scheme, the maximum number of Shares which may be issued upon exercise of all share options to be granted under the 2011 Scheme and any other share option scheme(s) of the Company must not exceed 10% of the total number of Shares in issue as at the date of adoption of the 2011 Scheme. Shares which would have been issuable pursuant to the share options which have lapsed or cancelled in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit. Notwithstanding the foregoing, Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2011 Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the total number of the Shares in issue from time to time. No share option shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded. The Company granted a total of 600,000,000 share options at an exercise price of HK$0.01 per Share on 17 January 2014 and a total of 5,940,000,000 share options at an exercise price of HK$0.011 per Share on 18 January 2017 to the Eligible Participants respectively. As such, as at the date of this Annual Report, the total number of share options available for grant under the 2011 Scheme is 1,399,399, which represents approximately 0.001% of the total issued share capital of the Company as at the date of this Annual Report.

SHARE OPTION SCHEME *(continued)*

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

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

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

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

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

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

(iii) the nominal value of a Share.

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

SHARE OPTION SCHEME *(continued)*

The 2011 Scheme

A total of 600,000,000 share options were granted under the 2011 Scheme on 17 January 2014. No options were granted during the year ended 31 December 2016. Details of the movements of the share options granted to the Directors and the other eligible participant under the 2011 Scheme during the year were as follows:

Name or category of the participants	Number of share options: Outstanding as at 1 January 2016	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2016	Date of grant of the share options	Exercise period of the share options	Exercise price of the share options HK$ per share	Fair value of the share options granted to each category of participants as at the date of grant HK$
Independent non-executive Directors									
Chow Siu Ngor	5,000,000	–	–	–	5,000,000	17/1/2014	17/1/2014–16/1/2024	0.01	
Lau Ho Kit, Ivan	5,000,000	–	–	–	5,000,000	17/1/2014	17/1/2014–16/1/2024	0.01	
Tam King Ching, Kenny	5,000,000	–	–	–	5,000,000	17/1/2014	17/1/2014–16/1/2024	0.01	
Total	15,000,000	–	–	–	15,000,000				60,000

Save as disclosed above, no share options was exercised, cancelled or lapsed under the 2011 Scheme during the year ended 31 December 2016.

SHARE OPTION SCHEME *(continued)*

The 2011 Scheme *(continued)*

The fair value of the equity-settled share options granted on 17 January 2014 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 (years)	5.00
Weighted average share price (HK$ per share)	0.01

The expected life of the share 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.

There were 15,000,000 share options outstanding under the 2011 Scheme as at 31 December 2016, and the total number of Shares available for issue is 15,000,000 which represented approximately 0.011% of the total issued share capital of the Company as at 31 December 2016.

Subsequent to the financial year-end, a total of 5,940,000,000 share options were granted to the eligible participants at the exercise price of HK$0.011 per Share on 18 January 2017 under the 2011 Scheme. The total number of Shares available for issue upon exercise of the outstanding 5,955,000,000 share options under the 2011 Scheme is 5,955,000,000 Shares, which represented approximately 4.43% of the total issued share capital of the Company as at the date of the Annual Report. The exercise in full of the outstanding share options in the Company would result in the issue of 5,955,000,000 additional ordinary shares and an additional share capital and share premium (before issue expense) of HK$65,490,000 in the Company.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, 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:

Interests and short positions in the Shares and the underlying Shares as at 31 December 2016

(i) *Long positions in the Shares:*

Name of the Directors	Number of the Shares interested and nature of interest Personal	Corporate	Total	Approximate percentage of the total issued share capital of the Company (%)
Mak Shiu Tong, Clement ("Mr. Mak") (Note)	—	14,000,000,000	14,000,000,000	10.43
Tam Ngai Hung, Terry	10,000,000	—	10,000,000	0.01

Note: The interest disclosed represented the security interest of CCT Securities in the 14,000,000,000 Shares held by the beneficial owners. CCT Securities is an indirect wholly-owned subsidiary of CCT Fortis. Mr. Mak is deemed to have a security interest on the aforesaid 14,000,000,000 Shares under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of CCT Fortis through his interest in the shareholding of approximately 52.15% of the total issued share capital in CCT Fortis as at 31 December 2016.

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

Name of the Directors	Date of grant of the share options	Exercise period of the share options	Exercise price per Share HK$	Number of the share options outstanding	Number of the total underlying Shares	Approximate percentage of the total issued share capital of the Company (%)
Chow Siu Ngor	17/1/2014	17/1/2014–16/1/2024	0.01	5,000,000	5,000,000	Below 0.01
Lau Ho Kit, Ivan	17/1/2014	17/1/2014–16/1/2024	0.01	5,000,000	5,000,000	Below 0.01
Tam King Ching, Kenny	17/1/2014	17/1/2014–16/1/2024	0.01	5,000,000	5,000,000	Below 0.01

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

Interests and short positions in the Shares and the underlying Shares as at 31 December 2016 *(continued)*

(iii) Long positions in the underlying Shares of the Convertible Bonds issued by the Company:

Name of the Directors	Number of the underlying Shares interested and nature of interest			Approximate percentage of the total issued share capital of the Company
	Personal	Corporate	Total	(%)
Mr. Mak (Note)	—	49,567,100,000	49,567,100,000	36.91

Note: The interest disclosed represented security interest of CCT Securities in the 49,567,100,000 underlying Shares at the conversion price of HK$0.01 per conversion share (subject to adjustments pursuant to the CB Conditions) in respect of the Convertible Bonds with the principal amount of HK$495,671,000 held by Ideal Master. CCT Securities is an indirect wholly-owned subsidiary of CCT Fortis. Mr. Mak is deemed to have a security interest in 49,567,100,000 underlying Shares under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of CCT Fortis through his interest in the shareholding of approximately 52.15% of the total issued share capital in CCT Fortis as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, none of the Directors and chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2016, 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:

Interests and short positions in the Shares and the underlying Shares as at 31 December 2016

(i) Long positions in the Shares:

Name of the Shareholders	Number of the Shares held	Approximate percentage of the total issued share capital of the Company (%)
CCT Fortis (Note 1)	14,000,000,000	10.43
CCT Capital International Holdings Limited (Note 1)	14,000,000,000	10.43
CCT Securities (Note 1)	14,000,000,000	10.43
Sungzhan Limited (Note 2)	5,070,000,000	3.78
Choi Sung Fung (Note 2)	5,070,000,000	3.78

Notes:

1. The interest disclosed represented the security interest which CCT Securities has on the 14,000,000,000 Shares. CCT Securities is a direct wholly-owned subsidiary of CCT Capital International Holdings Limited, which in turn is a direct wholly-owned subsidiary of CCT Fortis. The aforesaid security interest of such Shares has also been disclosed under the section headed "Directors' interests in Shares and underlying Shares" above.

2. The interest disclosed represented 5,070,000,000 Shares held by Sungzhan Limited. Mr. Choi Sung Fung is deemed to be interested in aforesaid Shares under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Sungzhan Limited through his interest in the entire issued share capital of Sungzhan Limited as at 31 December 2016.

(ii) Long positions in the underlying Shares of the Convertible Bonds issued by the Company:

Name of the Shareholders	Number of the underlying Shares held	Approximate percentage of the total issued share capital of the Company (%)
Choi Sung Fung (Notes 1 and 2)	49,567,100,000	36.91
Ideal Master (Notes 1 and 2)	49,567,100,000	36.91
CCT Fortis (Notes 3 and 4)	49,567,100,000	36.91
CCT Capital International Holdings Limited (Notes 3 and 4)	49,567,100,000	36.91
CCT Securities (Note 3)	49,567,100,000	36.91

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(continued)*

Interests and short positions in the Shares and the underlying Shares as at 31 December 2016 *(continued)*

(ii) Long positions in the underlying Shares of the Convertible Bonds issued by the Company: (continued)

Notes:

1. The interest disclosed represented 49,567,100,000 underlying Shares at the conversion price of HK$0.01 per conversion share (subject to adjustments pursuant to the CB Conditions) in respect of the Convertible Bonds with an aggregate principal amount of HK$495,671,000 held by Ideal Master.

2. Mr. Choi Sung Fung is deemed to be interested in such underlying Shares under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Ideal Master through his interest in the entire issued share capital of Ideal Master as at 31 December 2016.

3. CCT Securities has a security interest on the 49,567,100,000 underlying Shares in respect of the Convertible Bonds with an aggregate principal amount of HK$495,671,000 held by Ideal Master.

4. CCT Fortis is deemed considered to have a security interest in 49,567,100,000 underlying Shares as CCT Securities is a direct wholly-owned subsidiary of CCT Capital International Holdings Limited, which in turn is a direct wholly-owned subsidiary of CCT Fortis. The aforesaid security interest of 49,567,100,000 underlying Shares has also been disclosed under the section headed "Directors' interests in Shares and underlying Shares" above.

Save for Mr. Mak, Ms. Cheng Yuk Ching, Flora and Mr. Tam Ngai Hung, Terry who are also directors of CCT Fortis, CCT Capital International Holdings Limited and CCT Securities and Mr. Chow Siu Ngor and Mr. Tam King Ching, Kenny who are also directors of CCT Fortis, no other Director is a director or employee of the above substantial shareholders which has an interest or short position in the Shares and 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.

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 2016, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

As Mr. Mak is an executive Director of the Company, he is a connected person of CCT Land under the Listing Rules. As at 31 December 2016, Mr. Mak held approximately 52.15% of the total number of issued shares of CCT Fortis. As such, CCT Fortis is a close associate of Mr. Mak and is therefore a connected person of CCT Land under the Listing Rules. Transactions between CCT Land and CCT Fortis constitute connected transactions for CCT Land under the Listing Rules. During the two years ended 31 December 2016 and 2015, the Company and certain of its indirect wholly-owned subsidiaries had entered the following connected transactions and continuing connected transactions with CCT Fortis and certain subsidiaries of CCT Fortis.

		Year ended 31 December	
HK$ million	Notes	**2016**	2015
Wholly-owned subsidiaries of CCT Fortis:			
Continuing connected transactions:			
Purchase of components	(i)	**83.3**	75.5
Factory rental income	(ii)	**6.0**	6.0
Sales of Child Products	(iii)	**20.5**	—
Connected transactions:			
Security and guarantee for the payment, performance and discharge of all the undertakings, obligations and liabilities under the financial assistance provided by the CCT Fortis Group	(iv)	**147.1**	1,211.2
Issuance of convertible bonds	(v)	**—**	795.7
CCT Fortis:			
Connected transactions:			
Disposal of Child Product Trading Business	(vi)	**24.0**	—
Continuing connected transactions:			
Management information system service fee	(vii)	**6.0**	6.0

Notes:

(i) The components were purchased by the Group from a wholly-owned subsidiary of CCT Fortis, based on terms and conditions of a manufacturing agreement (the "Component Manufacturing Agreement") dated 9 October 2012 entered into between the Company and CCT Fortis. The Component Manufacturing Agreement has a term of three years commenced from 1 January 2013 to 31 December 2015, pursuant to which CCT Fortis agreed to manufacture and supply through members of the CCT Fortis Group certain plastic casings, components and any other component products and toolings to the Group for the production of telecom and electronic products. The Component Manufacturing Agreement was renewed on 9 November 2015 by a new Component Manufacturing Agreement for a term of three years commenced from 1 January 2016 to 31 December 2018. The terms and conditions of the renewed Component Manufacturing Agreement are similar to the previous agreement.

The purchase prices of plastic casings, components and any other component products were determined based on the direct material costs plus a mark-up of no more than 250%. The tooling charges for the production of telecom and electronic products for the Group were determined based on the total costs plus a mark-up of no more than 50%.

(ii) The factory rental income was charged to Shine Best Developments Limited ("Shine Best"), an indirect wholly-owned subsidiary of CCT Fortis, by CCT Enterprise Limited ("CCT Ent"), an indirect wholly-owned subsidiary of the Company, for the provision of factory space in Huiyang City, Guangdong Province, the mainland China, at rent determined in accordance with the terms and conditions set out in a tenancy agreement (the "Huiyang Tenancy Agreement") entered into between Shine Best and CCT Ent on 30 September 2011, which had a term of three years commenced from 1 January 2012 to 31 December 2014. The Huiyang Tenancy Agreement was renewed on 10 December 2014 by a new Huiyany Tenancy Agreement, for a term of three years commenced from 1 January 2015 to 31 December 2017. The terms and conditions of the renewed Huiyang Tenancy Agreement are similar to the previous agreement. The factory building was leased by CCT Ent to Shine Best for use by the CCT Fortis Group for manufacturing of plastic components to supply to the Group for manufacturing of telecom products.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(continued)*

Notes: (continued)

(iii) This represented transaction amount for the supply of Child Products which were manufactured by the Group for the CCT Fortis Group during 2016. On 3 August 2016, CCT Tech Global Holdings Limited ("CCT Global"), a wholly-owned subsidiary of the Company entered into a manufacturing agreement ("Child Products Manufacturing Agreement") which had a term commenced from 14 October 2016 (being the date on which the disposal of Child Product Trading Business to CCT Fortis or its nominee(s) as described in paragraph (vi) below was completed) to 31 December 2018. On 31 August 2016, 14 September 2016 and 4 October 2016, CCT Global and CCT Fortis entered into the first supplemental manufacturing agreement, the second supplemental manufacturing agreement and the third supplemental manufacturing agreement (collectively as the "Supplemental Manufacturing Agreements"), respectively, pursuant to which the parties to the Supplemental Manufacturing Agreements agreed to amend and supplement the pricing terms and policies of the Child Products Manufacturing Agreement. In respect of the transactions contemplated Child Products Manufacturing Agreement as amended and supplemented by the Supplemental Manufacturing Agreements, the price of the Child Products to be manufactured and supplied by the Group for the CCT Fortis Group will be the higher of the sum of the direct material costs plus a mark-up no more than 250% of the direct material costs or the selling prices that CCT Fortis sells to independent third parties less a discount of up to 10%. The prices for the continuing connected transactions conducted under the Child Products Manufacturing Agreement (as amended and supplemented by the Supplemental Manufacturing Agreements during the year have been set in accordance with the pricing terms described above.

(iv) On 28 May 2015, the Deed was entered into by the Company as chargor, CCT Tech Global Holdings Limited ("CCT Global"), a wholly-owned subsidiary of the Company, as guarantor in favour of Jade Assets and CCT Fortis as chargees, under which the Company, as beneficial owner of all existing issued shares of CCT Global (the "Charged Shares"), has agreed to mortgage the Charged Shares as continuing security for the payment, performance and discharge of all the undertakings, obligations and liabilities of the Company (the "Secured Obligations") under the promissory notes and the corporate guarantees of the principal amount of HK$1,065,671,000 and HK$145,550,000 (the "Financial Assistance") provided by the CCT Fortis Group for the benefit of the Group and CCT Global has irrevocably and unconditionally agreed to guarantee the due and punctual payment of each and every sum falls due by the Company under the Secured Obligations. The Deed was approved by the independent shareholders of the Company in a special general meeting held on 6 July 2015 and has become effective since that date. Since the cancellation of the promissory notes as settlement for the issuance of the Convertible Bonds, the amounts of the security and guarantee have been reduced to approximately HK$147,100,000 as at 31 December 2015. The amounts of the security and guarantee remained unchanged for the year ended 31 December 2016, which represented the corporate guarantees on certain of the Group's bank borrowings.

(v) On 27 October 2015 and 10 November 2015, the Company entered into an agreement and a supplementary agreement, respectively, with CCT Fortis, Jade Assets, CCT Securities and Glory Merit for the full settlement of all outstanding principal and accrued interest of the promissory notes previously due by the Company to Jade Assets and Glory Merit by issue of the convertible bonds. The principal amount of convertible bonds is HK$1,095,671,000 of which HK$795,671,000 was issued to CCT Securities and HK$300,000,000 was issued to Glory Merit. The convertible bonds are interest-free and convertible at the option of the bondholders into ordinary shares from the date of issue of convertible bonds to the third anniversary of the date of issue of convertible bonds, on the basis of one ordinary share for every HK$0.01 bond held (subject to adjustments pursuant to the terms and condition of the convertible bonds). The agreements and all the transactions contemplated under the agreements were approved by the independent shareholders of the Company in a special general meeting held on 4 December 2015 and the issue of convertible bonds was completed on 7 December 2015.

(vi) On 3 August 2016, CCT Global entered into an agreement (the "Disposal Agreement") with CCT Fortis, under which CCT Global conditionally agreed to sell and CCT Fortis or its nominee conditionally agreed to purchase the entire issued share capital of Suremark Holdings Limited ("Suremark"), which was an indirect wholly-owned subsidiary of the company before completion of the Disposal Agreement. The consideration for the disposal under the Disposal Agreement was HK$24,000,000 and was satisfied by set-off against the interest-free loan of HK$24,000,000 which was due from the Company to CCT Fortis on the date of the Disposal Agreement. Suremark is engaged through its subsidiaries (the "Suremark Group"), namely Wiltec Industrial Limited and Wiltec Industries (HK) Limited in the trading and sale of the Child Products. The transaction under the Disposal Agreement was completed on 14 October 2016 and the Suremark Group together with the Child Product Trading Business has been transferred to the CCT Fortis Group. After the disposal, the Group continues to manufacture and supply the Child Products to the CCT Fortis Group under the terms of the Child Products Manufacturing Agreement as amended and supplemented by the Supplemental Manufacturing Agreements described in paragraph (iii) above.

(vii) The management information system service fee was charged to CCT Fortis by the Company for the provision of general management information system support, network and software consultation and hardware maintenance services. The fee was determined in accordance with the terms and conditions set out in the agreement entered into between CCT Fortis and the Company on 30 September 2011 (the "MIS Agreement"), which had a term of three years commenced from 1 January 2012 to 31 December 2014. The MIS Agreement was renewed on 10 December 2014 by a new MIS Agreement, for a term of three years commenced from 1 January 2015 to 31 December 2017. The terms and conditions of the renewed MIS Agreement are similar to the previous agreement.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(continued)*

The transactions contemplated under the Component Manufacturing Agreement are referred to as the "Component Manufacturing Transactions". The transactions contemplated under the Child Products Manufacturing Agreement (as amended and supplemented by the Supplemental Manufacturing Agreements) are referred to as the "Child Products Manufacturing Transactions". The transactions contemplated under the Huiyang Tenancy Agreement and the MIS Agreement are collectively referred to as the "Administrative Transactions".

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

(a) the aggregate value of the Component Manufacturing Transactions for the year ended 31 December 2016 as indicated in note (i) above did not exceed the approved cap amount of HK$135.0 million;

(b) the aggregate value of the Child Products Manufacturing Transactions for the year ended 31 December 2016 as indicated in note (iii) above did not exceed the approved cap amount of HK$50.0 million;

(c) the annual consideration of each of the Administrative Transactions for the year ended 31 December 2016 as indicated in notes (ii) and (vii) above did not exceed the approved cap amount of HK$8.0 million and HK$10.0 million, respectively;

(d) the Component Manufacturing Transactions, Child Products Manufacturing Transactions and Administrative Transactions were entered into in the usual and ordinary course of businesses of the Group;

(e) the Component Manufacturing Transactions, Child Products Manufacturing Transactions and Administrative Transactions were conducted on normal commercial terms or better; and

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

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with all the Code Provisions under the CG Code throughout the year from 1 January 2016 to 31 December 2016, except for the minor 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 DIRECTORS PURSUANT TO RULE 13.51(B)(1) OF THE LISTING RULES

Mr. Lau Ho Kit, Ivan was appointed as an INED of The Grande Holdings Limited (stock code: 00186) (a company listed on the Stock Exchange) on 25 July 2016.

Ms. Lai Mei Kwan was appointed as an INED of Jia Meng Holdings Limited (stock code: 08101) (a company listed on the Stock Exchange) on 21 September 2016.

Mr. Tam King Ching, Kenny was appointed as an INED of Widsom Education International Holdings Company Limited (stock code: 06068) (a company listed on the Stock Exchange) on 3 January 2017.

CHANGE IN DIRECTORS

Name of Directors	Details of Changes
Tam King Ching, Kenny	appointed as an INED of the Company and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee with effect from 29 February 2016
Ong Ban Poh, Michael	resigned as an Executive Director with effect from 29 February 2016
William Robert Majcher	resigned as an INED of the Company and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee with effect from 29 February 2016
Tsui Wing Tak	appointed as an non-executive Director with effect from 13 January 2017
Chow Ho Wan, Owen	appointed as an INED of the Company with effect from 13 January 2017

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.

PERMITTED INDEMNITY PROVISION

The Company's bye-laws provide that each Director or other officer of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of his or her duty in office. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

MANAGEMENT CONTRACTS

Save for employment contracts, no other contracts, relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

AUDITORS

The financial statements for the year ended 31 December 2016 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
27 March 2017

independent auditor's report

EY 安永

To the shareholders of CCT Land Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of CCT Land Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 57 to 129, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

To the shareholders of CCT Land Holdings Limited

(Incorporated in Bermuda with limited liability)

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill	
As at 31 December 2016, goodwill relating to the finance business cash-generating unit was stated at the carrying amount of HK$80 million. Management is required to test the goodwill for impairment on an annual basis. The impairment test involves complex and subjective management judgements and a high degree of management estimation to determine the value in use of the cash-generating unit, including estimates about the future market or economic conditions and future cash flows. Management is also required to determine a suitable discount rate in order to calculate the present value of the cash flows. Related disclosures are included in note 3 and note 17 to the consolidated financial statements.	Our audit procedures included testing the key assumptions used in the cash flow projection, including the growth rates and discount rate applied. We tested the sensitivity of a reasonably possible change in the growth rate in respect of the volume of sales to the recoverable amount of the cash-generating unit, and also involved our internal valuation specialists to assist us in evaluating the discount rate used in valuation. We also assessed the disclosures on the impairment testing, specifically the key assumptions that had the most significant effect on the determination of the recoverable amount of the goodwill, such as the discount rate and growth rates.
Impairment assessment of loans and interest receivables	
The Group commenced its finance business in early 2016. The provision for impairment of loans and interest receivables (the "receivables") arising from the finance business is based on an ongoing evaluation of their collectability and involves significant management judgement. A number of factors are considered in assessing the estimated ultimate realisation of the receivables, including the aging of the balance, the existence of disputes, the creditworthiness and the past collection history of the customer and whether there are guarantees. As at 31 December 2016, the balance of the loans receivable and interest receivables was HK$53 million and HK$5 million, respectively. Related disclosures are included in note 3 and note 21 to the consolidated financial statements.	We evaluated the Group's policy for determining impairment provisions for the receivables and tested the Group's internal controls over the credit control of the receivables. Our procedures included obtaining management's assessment about the financial strength of customers with significant overdue balances, testing the aging analysis of the balances, reviewing the repayment history, and checking the recoverability of outstanding debtors through the examination of subsequent settlements. We also assessed, where applicable, if the guarantees would cover the receivables. We also checked the consistency of the application of the Group's policy for the impairment of the receivables against the policy. We then assessed the impairment provision.

To the shareholders of CCT Land Holdings Limited

(Incorporated in Bermuda with limited liability)

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Fair value of investment properties and net realisable value of properties held for sale and properties under development	
As at 31 December 2016, the Group had investment properties, stated at a fair value, of HK$299 million; properties held for sale, stated at the lower of cost and net realisable value, of HK$753 million; and properties under development, stated at the lower of cost and net realisable value, of HK$361 million. These properties in aggregate represented 66% of the Group's total assets. Significant management judgement and estimation are required to determine the fair value of the investment properties and the net realisable value of the properties held for sale and properties under development. In respect of the fair value of the investment properties, in the absence of current prices in an active market for similar properties, management takes into account factors including the term rent and yield, and the reversionary rent and yield. To support their assessment of the fair value of the investment properties, an external valuer was engaged by management to determine their valuation. In respect of the net realisable value of the properties held for sale and properties under development, management takes into account factors including the estimated cost of completion, future sales proceeds, the applicable discount rate, and the expected time of sale. To support their assessment of the net realisable values of the properties held for sale and properties under development, an external valuer was engaged by management to determine their valuation. Related disclosures are included in note 3, note 15, note 19 and note 20 to the consolidated financial statements.	In respect of the investment properties, we evaluated the objectivity, independence and competency of the external valuer, and also involved our internal valuation specialists to assist us in evaluating and testing the assumptions and methodologies used in the valuations. We assessed the term rent and reversionary rent by comparing to the rental agreements and the term yield and reversionary yield by assessing the inputs used for their determination, which included referencing to market data for recent proposed leasing and sale transactions for similar properties. We also assessed the disclosures relating to the significant inputs for the valuation of the investment properties. In respect of the properties held for sale and properties under development, we evaluated the objectivity, independence and competency of the external valuer, and also involved our internal valuation specialists to assist us in evaluating and testing the assumptions and methodologies used in the valuations. We also assessed the sensitivity of management's estimates and assumptions, to evaluate whether a reasonably possible change in assumptions could cause the carrying amounts to exceed their recoverable amounts. Also, where available, we corroborated the realisable value by making reference to recent sales transactions for similar properties.

To the shareholders of CCT Land Holdings Limited
(Incorporated in Bermuda with limited liability)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

To the shareholders of CCT Land Holdings Limited
(Incorporated in Bermuda with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

To the shareholders of CCT Land Holdings Limited
(Incorporated in Bermuda with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chiu, Caroline Su Yuen.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
27 March 2017

consolidated statement of profit or loss

Year ended 31 December 2016

HK$ million	Notes	2016	2015 (Restated)
CONTINUING OPERATIONS			
REVENUE	5	**735**	801
Cost of sales		**(731)**	(741)
Gross profit		**4**	60
Other income and gains, net		**24**	33
Selling and distribution expenses		**(22)**	(19)
Administrative expenses		**(91)**	(82)
Other expenses, net		**(61)**	(28)
Finance costs	7	**(8)**	(42)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	**(154)**	(78)
Income tax credit	10	**6**	2
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(148)**	(76)
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	11	**–**	2
LOSS FOR THE YEAR		**(148)**	(74)
Attributable to:			
Owners of the parent		**(150)**	(74)
Non-controlling interest		**2**	–
		(148)	(74)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted			
— For loss for the year		**(HK0.12 cent)**	(HK0.10 cent)
— For loss from continuing operations		**(HK0.12 cent)**	(HK0.10 cent)

consolidated statement of comprehensive income

Year ended 31 December 2016

HK$ million	2016	2015
LOSS FOR THE YEAR	**(148)**	(74)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:		
Exchange differences on translation of foreign operations	**(47)**	(49)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(47)**	(49)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(195)**	(123)
Attributable to:		
Owners of the parent	**(197)**	(123)
Non-controlling interest	**2**	–
	(195)	(123)

consolidated statement of financial position

31 December 2016

HK$ million	Notes	2016	2015
ASSETS			
Non-current assets			
Property, plant and equipment	14	**114**	151
Investment properties	15	**299**	333
Prepaid land lease payments	16	**39**	40
Goodwill	17	**80**	80
Pledged time deposits	24	**–**	4
Total non-current assets		**532**	608
Current assets			
Inventories	18	**38**	46
Properties under development	19	**361**	–
Properties held for sale	20	**753**	983
Trade and loans receivables	21	**142**	135
Prepayments, deposits and other receivables	22	**79**	345
Financial assets at fair value through profit or loss	23	**6**	14
Pledged time deposits	24	**107**	105
Cash and cash equivalents	24	**131**	185
Total current assets		**1,617**	1,813
Total assets		**2,149**	2,421
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital	30	**1,343**	923
Convertible bonds	32	**496**	916
Reserves	33	**(453)**	(256)
		1,386	1,583
Non-controlling interest		**31**	–
Total equity		**1,417**	1,583
Non-current liabilities			
Interest-bearing bank and other borrowings	27	**82**	68
Deferred tax liabilities	29	**100**	110
Total non-current liabilities		**182**	178
Current liabilities			
Trade and bills payables	25	**182**	234
Tax payable		**7**	6
Other payables and accruals	26	**83**	124
Interest-bearing bank and other borrowings	27	**278**	296
Total current liabilities		**550**	660
Total liabilities		**732**	838
Total equity and liabilities		**2,149**	2,421
Net current assets		**1,067**	1,153
Total assets less current liabilities		**1,599**	1,761

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

consolidated statement of changes in equity

Year ended 31 December 2016

	Attributable to owners of the parent										
HK$ million	Issued capital	Convertible bonds	Share premium account	Capital reserve	Share option reserve	Asset revaluation reserve[#]	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interest	Total equity
At 1 January 2015	654	–	238	733	2	19	(6)	(1,220)	420	–	420
Loss for the year	–	–	–	–	–	–	–	(74)	(74)	–	(74)
Other comprehensive income for the year:											
Exchange differences related to foreign operations	–	–	–	–	–	–	(49)	–	(49)	–	(49)
Total comprehensive income for the year	–	–	–	–	–	–	(49)	(74)	(123)	–	(123)
Exercise of share options (note 30(b))	6	–	2	–	(2)	–	–	–	6	–	6
Placement of new shares (note 30(c))	43	–	64	–	–	–	–	–	107	–	107
Share issue expenses (note 30)	–	–	(3)	–	–	–	–	–	(3)	–	(3)
Issuance of convertible bonds (note 32)	–	1,096	–	–	–	–	–	–	1,096	–	1,096
Conversion of convertible bonds (note 32)	180	(180)	–	–	–	–	–	–	–	–	–
Acquisition of a subsidiary (note 34)	40	–	40	–	–	–	–	–	80	–	80
At 31 December 2015 and 1 January 2016	**923**	**916**	**341***	**733***	**–*/****	**19***	**(55)***	**(1,294)***	**1,583**	**–**	**1,583**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(150)**	**(150)**	**2**	**(148)**
Other comprehensive income for the year:											
Exchange differences related to foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(47)**	**–**	**(47)**	**–**	**(47)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(47)**	**(150)**	**(197)**	**2**	**(195)**
Capital injection by a non-controlling shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**29**	**29**
Conversion of convertible bonds (note 32)	**420**	**(420)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2016	**1,343**	**496**	**341***	**733***	**–*/****	**19***	**(102)***	**(1,444)***	**1,386**	**31**	**1,417**

[#] The asset revaluation reserve arose from a change in use from an owner-occupied property to an investment property carried at fair value.

* The sum total of these reserve accounts represent the consolidated deficits of HK$453 million (2015: deficits of HK$256 million) in the consolidated statement of financial position.

** Less than HK$1 million

consolidated statement of cash flows

Year ended 31 December 2016

HK$ million	Notes	2016	2015 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:			
From continuing operations		**(154)**	(78)
From discontinued operation		**–**	2
Adjustments for:			
Finance costs	7	**8**	42
Interest income		**(10)**	(4)
Depreciation	6	**29**	32
Amortisation of prepaid land lease payments	6	**1**	1
Fair value loss, net:			
Financial assets at fair value through profit or loss	6	**2**	–
Impairment loss on property, plant and equipment	6	**9**	–
Changes in fair value of investment properties	6	**34**	–
Impairment of trade receivables, net	6	**2**	–
Provision for slow-moving and obsolete inventories	6	**1**	3
Write-off of accruals	6	**–**	(22)
Loss on extinguishment of the promissory notes	6	**–**	12
Exchange differences on intercompany loans		**(12)**	–
		(90)	(12)
Decrease in inventories		**7**	16
Increase in properties under development		**(102)**	(104)
Decrease in properties held for sale		**225**	101
(Increase)/decrease in trade and loans receivables		**(4)**	111
Decrease/(increase) in prepayments, deposits and other receivables		**4**	(44)
Decrease in trade and bills payables		**(80)**	(200)
(Decrease)/increase in other payables and accruals		**(39)**	44
Cash used in operations		**(79)**	(88)
Interest received		**3**	4
Interest paid		**(8)**	(18)
Mainland China tax paid		**(3)**	(4)
Net cash flows used in operating activities		**(87)**	(106)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(1)**	(8)
Proceeds from disposal of items of property, plant and equipment		**–**	3
Proceeds from disposal of financial assets at fair value through profit or loss		**10**	–
Acquisition of financial assets at fair value through profit or loss		**(4)**	(14)
Decrease in pledged time deposits		**2**	84
Net cash flows from investing activities		**7**	65

HK$ million	Note	2016	2015
Net cash flows from investing activities		7	65
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		226	235
New trust receipts loans		62	76
Proceeds from exercise of share options		–	6
Proceeds from placing of new shares		–	107
Share issue expenses		–	(3)
Capital injection by a non-controlling shareholder		29	–
Repayment of bank loans and trust receipts loans		(286)	(473)
Issuance of promissory notes		–	75
Repayment of promissory notes		–	(5)
Net cash flows from financing activities		31	18
NET DECREASE IN CASH AND CASH EQUIVALENTS		(49)	(23)
Cash and cash equivalents at beginning of year		185	208
Effect of foreign exchange rate changes, net		(5)	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		131	185
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	110	157
Non-pledged time deposits with original maturity of less than three months when acquired		21	28
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		131	185

notes to financial statements

1. CORPORATE AND GROUP INFORMATION

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

- manufacture and sale of telecom, electronic and infant and child products;
- development and sale of properties;
- online and offline finance business; and
- trading and sale of child products (discontinued during the year ended 31 December 2016 (note 11))

Information about subsidiaries
Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
CCT Land (Anshan) Property Development Company Limited*/**	PRC/Mainland China	RMB200,000,000 Registered^	–	100	Property development
CCT Land Development (Anshan) Company Limited*/**	PRC/Mainland China	HK$380,000,000 Registered^	–	100	Property development
CCT Marketing Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	–	100	Trading of telecom products
CCT Tech (HK) Limited	Hong Kong	HK$2,600,000 Ordinary	–	100	Sourcing of telecom products, raw materials and components
CCT Tech Advanced Products Limited*	Hong Kong	HK$2 Ordinary	–	100	Research and development on telecom and electronic products
Huizhou Wiltec Electronics Company Limited*/**	PRC/Mainland China	HK$18,500,000 Registered^	–	100	Holding of investment property

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Huiyang CCT Telecommunications Products Co., Ltd.*/**	PRC/Mainland China	HK$120,000,000 Registered^	–	100	Manufacture of telecom products
Shenzhen Qianhai Huiyitong Financial Services Co., Ltd.*/**	PRC/Mainland China	RMB100,000,000 Registered^^	–	51	Provision of online and offline finance services

^ Registered as wholly-foreign-owned enterprises under the People's Republic of China (the "PRC") law.
^^ Registered as a sino-foreign joint venture under the PRC law.
* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.
** The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as these companies do not register any official English names.

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.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties 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 2016. 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).

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) 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 a 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 applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

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

(c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations:* Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

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

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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 is currently assessing the impact of the standard upon adoption.

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 previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

HKFRS 15 establishes a new five-step model to account for 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. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

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

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

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

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

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

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.

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.

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.

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 properties held for sale.

Properties held for sale

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

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

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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 operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Financial assets

The Group's financial assets include trade and loans receivables, other receivables, deposits, financial assets at fair value through profit or loss, pledged time deposits and cash and cash equivalents.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of 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 assets to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Mandatorily convertible bonds

Mandatorily convertible bond issued by the Company is an instrument that, at a certain time in the future, converts into shares of the Company. A mandatorily convertible bond is recognised as equity at its entirety if the fixed stated principal will be settled through delivery of a fixed number of the Company's own shares; the principal of the convertible bond is in the same currency as the functional currency of the Company; and the interest on the bond is payable only at the discretion of the Company. On initial recognition, the bond is measured at fair value, net of transaction costs, and included in shareholders' equity. The carrying amount of the bond is not remeasured in subsequent years.

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.

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

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

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

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. 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.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits

Pension schemes

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

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

Borrowing costs

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional 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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars 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.

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

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.

Research and development costs

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

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

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

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

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

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

(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; and

(e) income from the rendering of services, when the service are rendered.

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);

(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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments — Group as lessor

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

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

Judgements *(continued)*

Classification between investment property and owner-occupied property

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

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

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

Estimation uncertainty

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

Impairment of goodwill

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

Impairment of non-financial assets (other than goodwill)

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

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

Estimation uncertainty *(continued)*

Estimation of fair value of investment properties

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

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

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

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

Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. There are no deferred tax assets relating to recognised tax losses at 31 December 2016 (2015: nil). The amount of unrecognised tax losses at 31 December 2016 was HK$56 million (2015: HK$41 million). Further details are contained in note 29 to the financial statements.

Valuation of properties under development and properties held for sale

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

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Land appreciation taxes

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

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

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

Estimation uncertainty *(continued)*

Impairment of trade and loans receivables

The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the aging of its trade and loans receivables balances, customers' creditworthiness, and historical write-off experience. Management reassesses the adequacy of provision on a regular basis. The identification of impairment of receivables requires the use of judgements and estimates. Where the expectations are different from the original estimates, such differences will impact on the carrying values of receivables and the impairment of receivables recognised in the periods in which such estimates have been changed. Details of trade and loans receivables are set out in note 21 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

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

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

(c) the finance business segment which is engaged in the online and offline finance business; and

(d) the child product trading segment which is engaged in the trading and sale of child products (discontinued during the year ended 31 December 2016 (note 11)).

During the year, the board of directors of the Company has resolved that resources would continuously be deployed to finance business and accordingly, the finance business is designated by the board of directors as one of the principal activities of the Group. The results of the finance business are also separately reviewed and evaluated for management reporting purpose. Accordingly, the presentation of segment information for the year ended 31 December 2015 has been restated to reflect this change of segment composition.

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

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

4. OPERATING SEGMENT INFORMATION *(continued)*

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

	Continuing operations								Discontinued operation					
	Telecom and electronic products		Property development		Finance business		Total continuing operations		Trading of child products		Reconciliations		Total	
HK$ million	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Segment revenue														
Sales to external customers	**510**	688	**217**	113	**8**	–	**735**	801	**126**	159	**(121)**	(150)	**740**	810
Other revenue	**24**	31	**–**	–	**–**	–	**24**	31	**–**	1	**–**	2	**24**	34
	534	719	**217**	113	**8**	–	**759**	832	**126**	160	**(121)**	(148)	**764**	844
Operating profit/(loss)	**(82)**	5	**(61)**	(25)	**5**	–	**(138)**	(20)	**–**	2	**–**	–	**(138)**	(18)
Loss on extinguishment of the promissory notes	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(12)	**–**	(12)
Finance costs	**(8)**	(13)	**–**	(29)*	**–**	–	**(8)**	(42)	**–**	–	**–**	–	**(8)**	(42)
Reconciled items:														
Corporate and other unallocated expenses	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(8)**	(4)	**(8)**	(4)
(Loss)/profit before tax	**(90)**	(8)	**(61)**	(54)	**5**	–	**(146)**	(62)	**–**	2	**(8)**	(16)	**(154)**	(76)
Income tax credit							**6**	2	**–**	–	**–**	–	**6**	2
(Loss)/profit for the year							**(140)**	(60)	**–**	2	**(8)**	(16)	**(148)**	(74)
Other segment information:														
Bank interest income	**2**	4	**–**	–	**–**	–	**2**	4	**–**	–	**–**	–	**2**	4
Expenditure for non-current assets	**1**	8	**–**	–	**–**	–	**1**	8	**–**	–	**–**	–	**1**	8
Depreciation and amortisation	**(30)**	(33)	**–**	–	**–**	–	**(30)**	(33)	**–**	–	**–**	–	**(30)**	(33)
Other material non-cash items:														
Impairment of trade receivables	**1**	(2)	**(3)**	2	**–**	–	**(2)**	–	**–**	–	**–**	–	**(2)**	–
Fair value loss on investment properties	**(34)**	–	**–**	–	**–**	–	**(34)**	–	**–**	–	**–**	–	**(34)**	–
Loss on extinguishment of the promissory notes	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(12)	**–**	(12)
Provision for slow-moving and obsolete inventories	**(1)**	(3)	**–**	–	**–**	–	**(1)**	(3)	**–**	–	**–**	–	**(1)**	(3)
Impairment of property, plant and equipment	**(9)**	–	**–**	–	**–**	–	**(9)**	–	**–**	–	**–**	–	**(9)**	–

* Included a notional interest of HK$24 million in the discounted amount of a promissory note arising from the passage of time.

4. OPERATING SEGMENT INFORMATION *(continued)*

	Continuing operations								Discontinued operation					
	Telecom and electronic products		Property development		Finance business		Total continuing operations		Trading of child products		Reconciliations		Total	
HK$ million	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Segment assets	**810**	941	**1,183**	1,308	**141**	80	**2,134**	2,329	**–**	46	**–**	–	**2,134**	2,375
Reconciled items:														
Corporate and other unallocated assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**15**	46	**15**	46
Total assets	**810**	941	**1,183**	1,308	**141**	80	**2,134**	2,329	**–**	46	**15**	46	**2,149**	2,421
Segment liabilities	**417**	431	**208**	273	**–#**	1	**625**	705	**–**	17	**–**	–	**625**	722
Reconciled items:														
Corporate and other unallocated liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**107**	116	**107**	116
Total liabilities	**417**	431	**208**	273	**–#**	1	**625**	705	**–**	17	**107**	116	**732**	838

Less than HK$1 million

Geographical information

(a) *Revenue from external customers*

HK$ million	**2016**	2015 (Restated)
Europe	**295**	371
Mainland China	**290**	198
North America	**117**	139
Asia Pacific and others	**33**	93
	735	801

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

(b) *Non-current assets*

HK$ million	**2016**	2015
Hong Kong	**6**	8
Mainland China	**526**	596
	532	604

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

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

Information about major customers

For the year ended 31 December 2016, revenue from continuing operations of approximately HK$120 million and HK$81 million (2015: HK$163 million and HK$99 million) was derived from sales by the telecom and electronic products segment to two (2015: two) customers, which individually accounted for over 10% of the Group's total revenue.

5. **REVENUE**

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts and interest income, and gross proceeds from the sale of properties during the year.

An analysis of revenue from continuing operations is as follows:

HK$ million	**2016**	2015 (Restated)
Manufacture and sale of telecom, electronic and child products	**508**	684
Sale of properties	**217**	113
Interest income from loans receivable	**8**	–
Bank interest income	**2**	4
	735	801

6. LOSS BEFORE TAX

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

HK$ million	Notes	2016	2015 (Restated)
Cost of inventories sold		**488**	625
Cost of properties sold		**242**	113
Depreciation	14	**29**	32
Amortisation of prepaid land lease payments	16	**1**	1
Minimum lease payments under operating leases		**2**	2
Research and development costs:			
Current year expenditure		**14**	20
Auditor's remuneration		**2**	2
Employee benefit expense (excluding directors' and chief executive's remuneration — note 8):			
Wages and salaries		**112**	137
Pension scheme contributions***		**7**	12
		119	149
Impairment of trade receivables, net*	21	**2**	–
Provision for slow-moving and obsolete inventories		**1**	3
Foreign exchange differences, net		**(3)**	5
Gross rental income**		**(10)**	(10)
Changes in fair value of investment properties*	15	**34**	–
Fair value loss, net:			
Financial assets at fair value through profit or loss*		**2**	–
Impairment loss on property, plant and equipment*	14	**9**	–
Write-off of accruals		**–**	(22)
Loss on extinguishment of the promissory notes*		**–**	12

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

** Included in "Other income and gains, net" 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.

Less than HK$1 million

7. FINANCE COSTS

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

HK$ million	2016	2015
Interest on bank loans	8	13
Interest on promissory notes	–	5
Total interest expense on financial liabilities not at fair value through profit or loss	8	18
Interest of the discounted amount of a promissory note arising from the passage of time	–	24
	8	42

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

HK$ million	2016	2015
Fees:		
Executive directors and chief executive	1	1
Independent non-executive directors	1	1
	2	2
Executive directors' and chief executive's other emoluments:		
Salaries, allowances and benefits in kind	5	5
Pension scheme contributions	–#	–#
	5	5
	7	7

Less than HK$1 million

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
2016	
Chow Siu Ngor	**240**
Lau Ho Kit, Ivan	**240**
William Robert Majcher (resigned on 29 February 2016)	**40**
Tam King Ching, Kenny (appointed on 29 February 2016)	**–**
	520
2015	
Chow Siu Ngor	240
Lau Ho Kit, Ivan	240
Chen Li (resigned on 17 June 2015)	120
William Robert Majcher (appointed on 17 June 2015 and resigned on 29 February 2016)	129
	729

There were no other emoluments payable to the independent non-executive directors during the year (2015: nil).

(b) Executive directors and chief executive

HK$ million	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
2016				
Mak Shiu Tong, Clement — chief executive	**–**	**3.0**	**–**	**3.0**
Tam Ngai Hung, Terry	**–**	**1.1**	**–**	**1.1**
Cheng Yuk Ching, Flora	**–**	**1.1**	**–**	**1.1**
Guan Huanfei	**0.6**	**–**	**–**	**0.6**
Lai Mei Kwan	**0.6**	**–**	**–**	**0.6**
	1.2	**5.2**	**–**	**6.4**

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

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

HK$ million	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
2015				
Mak Shiu Tong, Clement — chief executive	–	3.0	–	3.0
Tam Ngai Hung, Terry	–	1.2	–	1.2
Cheng Yuk Ching, Flora	–	1.2	–	1.2
Ong Ban Poh, Michael (appointed on 16 April 2015 and resigned on 29 February 2016)	0.2	–	–	0.2
Guan Huanfei (appointed on 11 May 2015)	0.4	–	–	0.4
Lai Mei Kwan (appointed on 26 May 2015)	0.4	–	–	0.4
	1.0	5.4	–	6.4

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2015: nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2015: three) directors (one (2015: one) of them is also the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2015: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

HK$ million	**2016**	2015
Salaries, allowances and benefits in kind	**3**	3

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

	Number of employees	
	2016	2015
HK$1,000,001 to HK$1,500,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	1
	2	2

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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 jurisdictions in which the Group operates.

HK$ million	2016	2015
Current — Mainland China		
Mainland China land appreciation tax	4	3
Deferred (note 29)	(10)	(5)
Total tax credit for the year from continuing operations	(6)	(2)

A reconciliation of the tax expense applicable to loss before tax from continuing operations at the statutory rates for the jurisdictions 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:

2016

HK$ million	Hong Kong	%	The PRC, excluding Hong Kong	%	Total	%
Loss before tax from continuing operations	(14.4)		(139.6)		(154.0)	
Tax at the statutory tax rate	(2.4)	16.5	(34.9)	25.0	(37.3)	24.2
Income not subject to tax	(0.1)	0.7	(0.5)	0.4	(0.6)	0.4
Expenses not deductible for tax	2.2	(15.1)	12.1	(8.7)	14.3	(9.3)
Tax losses not recognised	0.7	(4.9)	17.9	(12.8)	18.6	(12.1)
Land appreciation taxes	–	–	(1.1)	0.8	(1.1)	0.8
Tax charge/(credit) at the Group's effective rate	0.4	(2.8)	(6.5)	4.7	(6.1)	4.0

10. INCOME TAX *(continued)*

2015

HK$ million	Hong Kong	%	The PRC, excluding Hong Kong	%	Total	%
	(Restated)		(Restated)		(Restated)	
Loss before tax from continuing operations	(55.5)		(23.0)		(78.5)	
Tax at the statutory tax rate	(9.2)	16.5	(5.8)	25.0	(15.0)	19.1
Income not subject to tax	(0.2)	0.4	(2.1)	9.1	(2.3)	2.9
Expenses not deductible for tax	8.6	(15.5)	1.2	(5.2)	9.8	(12.4)
Tax losses not recognised	0.8	(1.4)	2.0	(8.6)	2.8	(3.6)
Adjustments in respect of current tax of previous periods	–	–	(0.1)	0.5	(0.1)	0.1
Land appreciation taxes	–	–	2.6	(11.3)	2.6	(3.3)
Tax credit at the Group's effective rate	–	–	(2.2)	9.5	(2.2)	2.8

11. DISCONTINUED OPERATION

On 3 August 2016, the Group entered into an agreement with CCT Fortis Holdings Limited ("CCT Fortis"), the then shareholder of the Group, pursuant to which the Group conditionally agreed to dispose of its entire issued share capital of Suremark Holdings Limited ("Suremark") to CCT Fortis or a nominee designated by CCT Fortis, for a consideration of HK$24,000,000, being satisfied by way of set-off the interest-free loan of HK$24,000,000 due by the Company to CCT Fortis (the "Transaction"). The Transaction was completed on 14 October 2016 and the entire issued share capital of Suremark was transferred to a nominee designated by CCT Fortis.

Suremark is principally engaged through its subsidiaries, namely Wiltec Industrial Limited and Wiltec Industries (HK) Limited (collectively the "Suremark Group"), in the Child Product Trading Business.

11. DISCONTINUED OPERATION *(continued)*

With the disposal of the Suremark Group, the results from the Suremark Group were no longer included in the Group's results subsequent to the completion of the Transaction.

The results of the Suremark Group attributable to the Group for the year up to the date of completion of the Transaction are presented below:

HK$ million	**2016**	2015
Revenue	**126**	159
Expenses	**(126)**	(157)
Profit before tax	**–#**	2
Income tax expense	**–**	–
Profit for the year from the discontinued operation	**–#**	2

HK$ million	**2016**	2015
Profit attributable to ordinary equity holders of the parent from the discontinued operation, used in the basic and diluted earnings per share calculation	**–#**	2

\# Less than HK$1 million

	Number of shares	
	2016	2015
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation (note 13)	**123,181,459,743**	70,897,583,031
Earnings per share:		
Basic from the discontinued operation	**HK0.00 cent***	HK0.00 cent*
Diluted from the discontinued operation	**HK0.00 cent***	HK0.00 cent*

* Less than HK0.01 cent

11. DISCONTINUED OPERATION *(continued)*

The net cash flows incurred by the Suremark Group up to the date of completion of the Transaction are as follows:

HK$ million	**2016**	2015
Operating activities	**2**	2
Financing activities	**(7)**	(5)
Net cash outflows	**(5)**	(3)

12. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2016 (2015: nil).

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

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

HK$ million	**2016**	2015
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculation		
From continuing operations	**(150)**	(76)
From discontinued operation	**–**	2
Total	**(150)**	(74)

	Number of shares	
	2016	2015
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**123,181,459,743**	70,897,583,031

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2016 and 2015 in respect of a dilution as the impact of the outstanding share options and convertible bonds had an anti-dilutive effect on the basic loss per share amounts presented.

14. PROPERTY, PLANT AND EQUIPMENT

HK$ million	Buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
31 December 2016							
At 31 December 2015 and 1 January 2016:							
Cost	390	161	146	97	14	–	808
Accumulated depreciation and impairment	(263)	(150)	(146)	(89)	(9)	–	(657)
Net carrying amount	127	11	–	8	5	–	151
At 1 January 2016, net of accumulated depreciation and impairment	127	11	–	8	5	–	151
Additions	–	–	–	–	1	–	1
Disposal of subsidiaries (note 35)	–#	–#	–#	–#	–#	–	–#
Impairment	–	(7)	–	(1)	(1)	–	(9)
Depreciation provided during the year	(22)	(4)	–	(2)	(1)	–	(29)
At 31 December 2016, net of accumulated depreciation and impairment	105	–	–	5	4	–	114
At 31 December 2016:							
Cost	383	157	137	91	13	–	781
Accumulated depreciation and impairment	(278)	(157)	(137)	(86)	(9)	–	(667)
Net carrying amount	105	–	–	5	4	–	114

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

HK$ million	Buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
31 December 2015							
At 1 January 2015:							
Cost	387	204	151	93	14	3	852
Accumulated depreciation and impairment	(242)	(184)	(150)	(87)	(11)	–	(674)
Net carrying amount	145	20	1	6	3	3	178
At 1 January 2015, net of accumulated depreciation and impairment	145	20	1	6	3	3	178
Additions	–	–	–	4	4	–	8
Disposal	–	(2)	–	–	(1)	–	(3)
Depreciation provided during the year	(21)	(7)	(1)	(2)	(1)	–	(32)
Transfer	3	–	–	–	–	(3)	–
At 31 December 2015, net of accumulated depreciation and impairment	127	11	–	8	5	–	151
At 31 December 2015:							
Cost	390	161	146	97	14	–	808
Accumulated depreciation and impairment	(263)	(150)	(146)	(89)	(9)	–	(657)
Net carrying amount	127	11	–	8	5	–	151

Less than HK$1 million

The net carrying amount of motor vehicles held under finance lease included in the total amount of motor vehicles at 31 December 2016 was HK$1 million (2015: HK$2 million).

At 31 December 2016, the Group's buildings with a net carrying amount of approximately HK$105 million (2015: HK$127 million) were pledged to secure certain general banking facilities granted to the Group (note 27(a)(i)).

15. INVESTMENT PROPERTIES

HK$ million	2016	2015
Carrying amount at 1 January	**333**	333
Net loss from a fair value adjustment (note 6)	**(34)**	–
Carrying amount at 31 December	**299**	333

The Group's investment properties consist of a commercial property and an industrial property in mainland China. The directors of the Company have determined that the investment properties consist of two classes of asset, i.e., commercial and industrial, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2016 based on valuations performed by Grant Sherman Appraisal Limited, an independent professionally qualified valuer, at HK$299 million. 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.

The commercial property is leased to third parties under operating leases, further summary details of which are included in note 38(a) to the financial statements.

The industrial property is leased to an indirectly wholly-owned subsidiary of CCT Fortis under an operating lease, further summary details of which are included in note 38(a) and note 40(a)(ii) to the financial statements.

At 31 December 2016 and 2015, the Group's investment properties were pledged to secure certain general banking facilities granted to the Group (note 27(a)(ii)).

15. INVESTMENT PROPERTIES *(continued)*

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 2016 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 property	–	–	137	137
Industrial property	–	–	162	162
	–	–	299	299

	Fair value measurement as at 31 December 2015 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 property	–	–	155	155
Industrial property	–	–	178	178
	–	–	333	333

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 (2015: nil).

15. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

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

HK$ million	Commercial property	Industrial property
Carrying amount at 1 January 2015, 31 December 2015 and 1 January 2016	155	178
Net loss from a fair value adjustment recognised in other expenses in profit or loss	(18)	(16)
Carrying amount at 31 December 2016	**137**	**162**

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

2016	Valuation technique	Significant unobservable input	
Commercial property	**Income approach**	**Term rent (per annum)**	**HK$3 million**
		Term yield	**4.5%–5%**
		Reversionary rent (per annum)	**HK$6 million**
		Reversionary yield	**5%–5.5%**
Industrial property	**Income approach**	**Term rent (per annum)**	**HK$6 million**
		Term yield	**2.5%–3%**
		Reversionary rent (per annum)	**HK$7 million**
		Reversionary yield	**3%–3.5%**

2015	Valuation technique	Significant unobservable input	
Commercial property	Income approach	Term rent (per annum)	HK$5 million
		Term yield	4%–4.5%
		Reversionary rent (per annum)	HK$7 million
		Reversionary yield	4.5%–5%
Industrial property	Income approach	Term rent (per annum)	HK$6 million
		Term yield	2.5%–3%
		Reversionary rent (per annum)	HK$8 million
		Reversionary yield	3%–3.5%

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

Under the income approach, fair value is estimated by making reference to the current rent passing of the property interest and the reversionary potential of the tenancies.

A significant increase/(decrease) in the term rent, term yield, reversionary rent and reversionary yield would result in a significant increase/(decrease) in the fair value of the investment properties.

16. PREPAID LAND LEASE PAYMENTS

HK$ million	2016	2015
Carrying amount at 1 January	**41**	42
Recognised during the year	**(1)**	(1)
Carrying amount at 31 December	**40**	41
Current portion included in prepayments, deposits and other receivables	**(1)**	(1)
Non-current portion	**39**	40

At 31 December 2016 and 2015, the Group's leasehold land was pledged to secure certain general banking facilities granted to the Group (note 27(a)(iii)).

17. GOODWILL

HK$ million	2016	2015
At 1 January		
Cost	**103**	23
Accumulated impairment	**(23)**	(23)
Net carrying amount	**80**	–
Cost at 1 January, net of accumulated impairment	**80**	–
Acquisition of a subsidiary (note 34)	**–**	80
Net carrying amount at 31 December	**80**	80
At 31 December		
Cost	**103**	103
Accumulated impairment	**(23)**	(23)
Net carrying amount	**80**	80

17. GOODWILL *(continued)*

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating unit for the finance business for impairment testing. The recoverable amount of the cash-generating unit of the finance business is determined based on value in use calculations using cash flow projections based on financial budgets covering a nine-year period approved by senior management which is extrapolated using declining growth rates from sixth to ninth year and adopted a terminal growth rate of 3% beyond the ninth year. Management believes that this forecast period is justified due to the long-term nature of the finance business. The pre-tax discount rate applied to the cash flow projections of the finance business is 24.0% (2015: 24.0%).

Assumptions were used in the value in use calculation of the finance business cash-generating unit for 31 December 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Gross transaction volume — The gross transaction volume of the online finance services is projected based on management's expectations for market development.

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

The determination of the recoverable amount of the finance business is particularly sensitive to changes in the following key assumptions:

— An increase of 1.8% in the pre-tax discount rate would cause the recoverable amount of the cash-generating unit to exceed its carrying amount; and

— A reduction of 9.7% in annual growth rates of transaction volume from 2018 to 2021 would cause the recoverable amount of the cash-generating unit to exceed its carrying amount.

18. INVENTORIES

HK$ million	2016	2015
Raw materials	**10**	18
Work in progress	**5**	7
Finished goods	**23**	21
	38	46

19. PROPERTIES UNDER DEVELOPMENT

HK$ million	2016	2015
Properties under development expected to be completed within normal operating cycle, included under current assets and recoverable:		
After one year	**361**	–

20. PROPERTIES HELD FOR SALE

All the properties held for sale are stated at cost.

At 31 December 2016, the Group's properties held for sale situated in mainland China, which had with an aggregate carrying amount at the end of the reporting period of approximately HK$407 million (2015: HK$621 million) have been pledged to secure certain of the Group's bank borrowings (note 27(a)(v)).

21. TRADE AND LOANS RECEIVABLES

HK$ million	Notes	2016	2015
Trade receivables	(a)	**92**	141
Impairment	(a)	**(8)**	(6)
		84	135
Loans receivable	(b)	**53**	–
Interest receivables	(b)	**5**	–
		58	–
Total trade and loans receivables		**142**	135

21. TRADE AND LOANS RECEIVABLES *(continued)*

Notes:

(a) The Group's trading terms with its customers of telecom and electronic operation are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two months, extending up to three months for major customers. Each customer has a maximum credit limit. In respect of the Group's property development business, trade receivables are settled based on the terms of the sale and purchase agreements of properties.

The Group seeks to maintain strict control over its outstanding receivables and has a credit policy to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral and other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2016		2015	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**18**	**21**	41	30
31 to 60 days	**24**	**29**	43	32
61 to 90 days	**13**	**15**	39	29
Over 90 days	**29**	**35**	12	9
	84	**100**	135	100

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

HK$ million	**2016**	2015
At 1 January	**6**	6
Impairment losses recognised (note 6)	**4**	2
Impairment losses reversed (note 6)	**(2)**	(2)
At 31 December	**8**	6

Included in the above provision for impairment is a provision for individually impaired trade receivables of HK$8 million (2015: HK$6 million) with a carrying amount before provision of HK$8 million (2015: HK$6 million).

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

HK$ million	**2016**	2015
Neither past due nor impaired	**67**	122
Past due but not impaired — within six months	**17**	13
	84	135

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

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

(b) The Group's loans and interest receivables, which arise from the finance business in the PRC, are denominated in RMB. The credit period is generally within one year. As at 31 December 2016, the loans and interest receivables of HK$58 million were neither past due nor impaired and relate to a few number of customers that have a good track record with the Group. The loans and interest receivables were unsecured, interest-bearing and were repayable with fixed terms as agreed with customers. The maximum exposure to credit risk at the reporting date is the carrying value of the loans and interest receivables mentioned above.

In view of the aforementioned and the fact that the Group's loans and interest receivables relate to a few number of major customers, there is concentration of credit risk and further details are discussed in note 43 to the financial statements.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

HK$ million	Notes	2016	2015
Prepayments	(a)	**11**	310
Deposits and other receivables	(b)	**68**	35
		79	345

Notes:

(a) Included in prepayments as at 31 December 2015 was a prepayment for the acquisition of land use rights in mainland China amounting to approximately HK$299 million in relation to the Group's property development business. The carrying amount was transferred to properties under development during the year.

(b) Included in deposits and other receivables as at 31 December 2015 was a receivable from CCT Plastic Limited ("CCT Plastic"), a wholly-owned subsidiary of CCT Fortis, in relation to quality issues of plastic components supplied by CCT Plastic to the Group amounting to approximately HK$24 million, which had been subsequently settled.

(c) As at 31 December 2016, included in other receivables was an interest-free loan advanced to a contractor amounting to approximately HK$50 million, which has been settled subsequent to the reporting period.

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.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

HK$ million	2016	2015
Listed equity investments, at market value	**6**	14

The above equity investments at 31 December 2016 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

Assuming the portfolio of the Group's listed equity investments has remained unchanged, the market value of the Group's equity investments at the date of approval of these financial statements was approximately HK$7 million.

24. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

HK$ million	2016	2015
Cash and bank balances	110	157
Time deposits	128	137
	238	294
Less: Pledged time deposits (note 27):		
Pledged for long term bank loans	–	(4)
Pledged for short term bank loans and banking facilities	(107)	(105)
Cash and cash equivalents	131	185

At the end of the reporting period, the cash and cash equivalents and pledged time deposits of the Group denominated in Renminbi ("RMB") were HK$69 million (2015: HK$52 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

25. TRADE AND BILLS PAYABLES

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

	2016		2015	
HK$ million	Balance	Percentage	Balance	Percentage
Current to 30 days	35	19	44	19
31 to 60 days	28	15	34	14
61 to 90 days	23	13	23	10
Over 90 days	96	53	133	57
	182	100	234	100

As at 31 December 2016, included in the trade and bills payables are trade payables of HK$25 million (2015: HK$7 million) due to CCT Plastic, which are unsecured, interest-free and repayable within 90 days from the invoice date.

The trade payables are non-interest-bearing and are normally settled on terms ranging from 30 to 120 days.

26. OTHER PAYABLES AND ACCRUALS

HK$ million	2016	2015
Other payables	**24**	14
Accruals	**43**	35
Receipts in advance	**16**	75
	83	124

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

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016			2015		
	Effective interest rate (%)	**Maturity**	**HK$ million**	Effective interest rate (%)	Maturity	HK$ million
Current						
Finance lease payables (note 28)	**3.78-3.88**	**2017**	**–#**	3.78-3.88	2016	–#
Bank loans — secured	**1.83-9.00**	**2017**	**278**	1.67-9.00	2016	296
			278			296
Non-current						
Finance lease payables (note 28)	**3.78-3.88**	**2018-2020**	**1**	3.78-3.88	2017-2020	2
Bank loans — secured	**8.08**	**2019**	**81**	4.26-6.15	2017	66
			82			68
			360			364

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

HK$ million	2016	2015
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**278**	296
In the second year	**–**	66
In the third to fifth years, inclusive	**81**	–
	359	362
Other borrowings repayable:		
Within one year	**–#**	–#
In the second year	**–#**	1
In the third to fifth years, inclusive	**1**	1
	1	2
	360	364

\# Less than HK$1 million

Notes:

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

(i) the pledge of the Group's buildings situated in Hong Kong and mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$105 million (2015: HK$127 million) (note 14);

(ii) the pledge of the Group's investment properties situated in mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$299 million (2015: HK$333 million) (note 15);

(iii) the pledge of the Group's leasehold land situated in mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$40 million (2015: HK$41 million) (note 16);

(iv) the pledge of the Group's property under development situated in mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$361 million (note 19);

(v) the pledge of the Group's properties held for sale situated in mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$407 million (2015: HK$621 million) (note 20);

(vi) the pledge of certain of the Group's time deposits amounting to HK$36 million (2015: HK$38 million) (note 24); and

(vii) the pledge of the equity interests of a subsidiary of the Company with a net asset value of HK$349 million (2015: HK$385 million).

In addition, CCT Fortis has guaranteed certain of the Group's bank borrowings up to HK$147 million (2015: HK$147 million) as at the end of the reporting period.

(b) The Group's trading line banking facilities amounting to HK$200 million (2015: HK$275 million), of which HK$57 million (2015: HK$115 million) has been utilised as at the end of the reporting period, are secured by the pledge of certain of the Group's time deposits amounting to HK$71 million (2015: HK$71 million) (note 24).

(c) The Group's bank and other borrowings with carrying amounts of HK$51 million (2015: HK$67 million), HK$115 million (2015: HK$188 million) and HK$194 million (2015: HK$109 million) are denominated in HK$, United States dollars ("US$") and RMB, respectively.

28. FINANCE LEASE PAYABLES

The Group leased a motor vehicle for business use. This lease was classified as a finance lease.

At 31 December 2016, the total future minimum lease payments under a finance lease and their present values were as follows:

HK$ million	**Minimum lease payments 2016**	Minimum lease payments 2015	**Present value of minimum lease payments 2016**	Present value of minimum lease payments 2015
Amounts payable:				
Within one year	**0.3**	0.4	**0.3**	0.4
In the second year	**0.3**	0.5	**0.3**	0.4
In the third to fifth years, inclusive	**0.6**	0.9	**0.5**	0.9
Total minimum finance lease payments	**1.2**	1.8	**1.1**	1.7
Future finance charges	**(0.1)**	(0.1)		
Total net finance lease payables	**1.1**	1.7		
Portion classified as current liabilities (note 27)	**(0.3)**	(0.4)		
Non-current portion (note 27)	**0.8**	1.3		

29. DEFERRED TAX

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

Deferred tax liabilities

HK$ million	Fair value adjustments arising from business combination	Revaluation on investment properties	Total
Gross deferred tax liabilities at 1 January 2015	98	17	115
Deferred tax credited to statement of profit or loss during the year (note 10)	(5)	–	(5)
Gross deferred tax liabilities at 31 December 2015 and 1 January 2016	**93**	**17**	**110**
Deferred tax credited to statement of profit or loss during the year (note 10)	**(10)**	**–**	**(10)**
Gross deferred tax liabilities at 31 December 2016	**83**	**17**	**100**

The Group has tax losses arising in Hong Kong of HK$18 million that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in mainland China of HK$116 million that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

At 31 December 2016 and 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in mainland China for which deferred tax liabilities have not been recognised was approximately HK$9 million (2015: HK$26 million).

30. SHARE CAPITAL

Shares

HK$ million	2016	2015
Authorised:		
300,000,000,000 (2015: 300,000,000,000) ordinary shares of HK$0.01 each (note (a))	**3,000**	3,000
Issued and fully paid:		
134,278,993,990 (2015: 92,278,993,990) ordinary shares of HK$0.01 each	**1,343**	923

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Issued capital** HK$ million	**Share premium account** HK$ million	**Total** HK$ million
At 1 January 2015	65,413,993,990	654	238	892
Exercise of share options (note (b))	585,000,000	6	2	8
Placement of new shares (note (c))	4,280,000,000	43	64	107
Acquisition of a subsidiary (note 34)	4,000,000,000	40	40	80
Conversion of convertible bonds (note 32)	18,000,000,000	180	–	180
	92,278,993,990	923	344	1,267
Share issue expenses	–	–	(3)	(3)
At 31 December 2015 and 1 January 2016	92,278,993,990	923	341	1,264
Conversion of convertible bonds (note 32)	**42,000,000,000**	**420**	**–**	**420**
At 31 December 2016	**134,278,993,990**	**1,343**	**341**	**1,684**

Notes:

(a) Pursuant to an ordinary resolution passed on 4 December 2015, the authorised share capital of the Company was increased from HK$1,200 million to HK$3,000 million by the creation of 180,000,000,000 additional shares of HK$0.01 each, ranking pari passu in all respects with the existing shares of the Company.

(b) The subscription rights attaching to 585,000,000 share options were exercised at the subscription price of HK$0.01 per share (note 31), resulting in the issue of 585,000,000 shares for a total cash consideration, before expenses, of HK$6 million.

(c) On 11 May 2015, the Company entered into a placing agreement with Kingsway Financial Services Group Limited (the "Placing Agent") pursuant to which, the Placing Agent agreed to procure independent placees to subscribe for an aggregate of 4,280,000,000 new ordinary shares of the Company at a price of HK$0.025 per share. The placing was completed on 18 May 2015 and raised a total of approximately HK$107 million, before expenses, to finance working capital and business investment of the Group.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 31 to the financial statements.

31. SHARE OPTION SCHEME

At the annual general meeting ("AGM") of the Company held on 27 May 2011, the shareholders of the Company approved the adoption of the share option scheme (the "2011 Scheme"). The adoption of the 2011 Scheme was also approved on 27 May 2011 by the shareholders of CCT Fortis, which was the then ultimate holding company of the Company. The 2011 Scheme then became effective on 30 May 2011. This is 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. At the date of approval of these financial statements, the total number Shares available for issue under the 2011 Scheme is 1,399,399, which represents approximately 0.001% of the total issued share capital of the Company as at the date of approval of these financial statements.

31. SHARE OPTION SCHEME *(continued)*

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

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

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

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

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

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

(iii) the nominal value of a Share.

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

31. SHARE OPTION SCHEME *(continued)*

The 2011 Scheme

As at 31 December 2016, no share options were exercised, cancelled nor lapsed under the 2011 Scheme.

The following share options were outstanding under the 2011 Scheme during the year:

	2016		2015	
	Weighted average exercise price HK$ per share	**Number of options**	Weighted average exercise price HK$ per share	Number of options
At 1 January	**0.01**	**15,000,000**	0.01	600,000,000
Exercised during the year	**–**	**–**	0.01	(585,000,000)
At 31 December	**0.01**	**15,000,000**	0.01	15,000,000

The weighted average share price at the date of exercise for share options exercised during the prior year was HK$0.017 per share. There were no share options exercised in the current year.

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

2016

Number of options	**Exercise price* HK$ per share**	**Exercise period**
15,000,000	**0.01**	**17/1/2014–16/1/2024**

2015

Number of options	Exercise price* HK$ per share	Exercise period
15,000,000	0.01	17/1/2014–16/1/2024

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

31. SHARE OPTION SCHEME *(continued)*

At the end of the reporting period, the Company had 15,000,000 share options outstanding under the 2011 Scheme, which represented approximately 0.011% of the total issued share capital of the Company as at 31 December 2016. The exercise in full of the outstanding share options in the Company would result in the issue of 15,000,000 additional ordinary shares and an additional share capital of HK$150,000 in the Company (before issue expenses).

Subsequent to the end of the reporting period, on 18 January 2017, 5,940,000,000 share options under the 2011 Scheme were granted to the directors and the eligible participants (the "Grantees"). These share options vest on 18 January 2017 and have an exercise price of HK$0.011 per share and an exercise period ranging from 18 January 2017 to 17 January 2027. The price of the Company's shares at the date of grant was HK$0.01 per share. No share options were exercised, cancelled or lapsed subsequent to the end of the reporting period.

At the date of approval of these financial statements, the Company had 5,955,000,000 share options outstanding under 2011 Scheme, which represented approximately 4.43% of the Company's shares in issue as at the date of approval of these financial statements.

32. CONVERTIBLE BONDS

The movements in convertible bonds are as follows:

HK$ million	**2016**	2015
At 1 January	**916**	–
Issue of convertible bonds	**–**	1,096
Conversion to ordinary shares of the Company	**(420)**	(180)
At 31 December	**496**	916

On 7 December 2015, the Company issued convertible bonds with an aggregate principal amount of approximately HK$1,096 million, of which HK$796 million was issued to CCT Telecom Securities Limited, an indirect wholly-owned subsidiary of CCT Fortis, and HK$300 million was issued to an independent third party, for the settlement of the promissory notes with an outstanding principal and accrued interest as at 7 December 2015 amounting to HK$1,084 million. The maturity date of the convertible bonds is on the third anniversary of the date of issue of the convertible bonds, i.e. 7 December 2018 (the "Maturity Date"). The convertible bonds bear no interest on the principal amount. No security or guarantee is given in respect of the convertible bonds. The bonds are convertible at the option of the bondholders into ordinary shares at the initial conversion price of HK$0.01 per conversion share (subject to adjustments pursuant to the terms of the convertible bonds) and the bonds shall not be redeemable at the option of the Company at any time on or before the Maturity Date. Any convertible bonds not converted will be automatically converted into ordinary share of the Company on the above basis on the Maturity Date.

During the year ended 31 December 2016, convertible bonds with a principal amount of HK$420 million (2015: HK$180 million) were converted into 42,000,000,000 (2015: 18,000,000,000) ordinary shares, resulting in an additional share capital of HK$420 million (2015: HK$180 million).

32. CONVERTIBLE BONDS *(continued)*

At the end of the reporting period, the Company had outstanding convertible bonds with a principal amount of HK$496 million (2015: HK$916 million) and the conversion in full of the outstanding convertible bonds would, under the present capital structure of the Company, result in the issue of 49,567,100,000 (2015: 91,567,100,000) additional ordinary shares of the Company and additional share capital of HK$496 million (2015: HK$916 million).

Subsequent to the end of the reporting period, none of the outstanding convertible bonds was converted into ordinary shares.

At the date of approval of these financial statements, the Company had outstanding convertible bonds with a principal amount of approximately HK$496 million and the conversion in full of the outstanding convertible bonds would, under the present capital structure of the Company, result in the issue of 49,567,100,000 additional ordinary shares of the Company and additional share capital of HK$496 million.

33. RESERVES

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 60 of the financial statements.

34. BUSINESS COMBINATION

On 9 September 2015, the Group entered into an agreement (the "Agreement") with two independent third parties, Dynasty East Limited ("Dynasty East"), as the vendor, and Mr. Li Yunsheng ("Mr. Li"), as the guarantor, for the acquisition of 100% equity interest in Gold Direct Limited ("Gold Direct") and its subsidiary, Rich Ease Limited ("Rich Ease"), at a consideration of HK$68 million, which was satisfied by the issuance of 4,000,000,000 new ordinary shares of the Company at HK$0.017 per share.

Pursuant to the Agreement, both Dynasty East and Mr. Li have undertaken to the Group the following:

(i) arrange to establish a sino-foreign joint venture in the PRC (the "PRC Subsidiary"). The PRC Subsidiary will be engaged in operation of interest finance business through online and offline peer-to-peer lending platform.

(ii) procure 深圳前海萬譽創金融服務股份有限公司 (Shenzhen Qianhai Wan Yu Chuang Jin Financial Service Corporation Limited* ("Shenzhen Wan Yu")), a limited company established in the PRC and owned by Mr. Li and other Chinese nationals, to transfer the senior management team who is experienced in the finance business to the PRC Subsidiary; and

(iii) Shenzhen Wan Yu will not be engaged in the finance business which competes with the PRC Subsidiary upon (i) and (ii) having been completed.

At the same time, the Group agreed to contribute through Rich Ease up to RMB51 million for a 51% shareholding in the PRC Subsidiary. The PRC Subsidiary, namely Shenzhen Qianhai Huiyitong Financial Services Co., Ltd., was set up on 19 October 2015 with a registered capital of RMB100 million and the first instalment of RMB25.5 million (equivalent to HK$30.4 million) was injected into the PRC Subsidiary by the Group during the year ended 31 December 2015.

34. BUSINESS COMBINATION *(continued)*

Before the conclusion of the Agreement, Shenzhen Wan Yu had already established a team of senior management which has extensive experience in internet and finance business in the PRC and was prepared to commence its operation by establishing an internet "peer-to-peer" lending platform. Due to various legal restrictions for a foreigner to invest into Shenzhen Wan Yu and in view that setting up a new joint venture was more efficient and convenient, the directors have agreed with Mr. Li a new joint venture be established and Shenzhen Wan Yu will transfer the team of senior management to the joint venture once it is set up. Subsequent to the establishment of the PRC Subsidiary, Shenzhen Wan Yu has transferred to the PRC Subsidiary the team of senior management and the finance business.

Details of the acquisition are set out in the announcements of the Company dated 9 September 2015, 21 September 2015, 24 September 2015 and 20 October 2015.

As at the date of completion of the acquisition, on 24 September 2015, Gold Direct and its subsidiary did not have any identifiable assets and liabilities and therefore, the fair value of the consideration of HK$80 million, representing 4,000,000,000 new ordinary shares issued at HK$0.02 per share on 24 September 2015, was recognised as the goodwill on acquisition. The acquisition was made as part of the Group's strategy to diversify and broaden its revenue sources and to enhance the value to the shareholders because the finance service represents a new and innovative business sector with excellent business prospects and enormous growth potential which is encouraged by the PRC Government.

* The English name of the company represents the best effort made by management of the Company to directly translate its Chinese name as this company does not register any official English names.

35. DISPOSAL OF SUBSIDIARIES

The disposal of subsidiaries by the Group represented the disposal of subsidiaries engaged in the Child Product Trading Business during the year ended 31 December 2016. The consideration of HK$24 million was satisfied by the way of set-off the interest-free loan of HK$24 million due by the Company to CCT Fortis, details of which are set out in note 11 to the financial statements.

HK$ million	
Net assets disposed of:	
Property, plant and equipment	**–#**
Inventories	**3**
Trade and bills receivables	**25**
Cash and bank balances	**12**
Other payables and accruals	**(2)**
Bank loan	**(14)**
	24

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

HK$ million	
Cash and bank balances disposed of	**12**

\# Less than HK$1 million

36. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

(a) During the year ended 31 December 2015, the Company fully settled the promissory notes with outstanding principals and accrued interest of HK$1,084 million by the issuance of convertible bonds of HK$1,096 million, resulting in the loss on extinguishment of the promissory notes of HK$12 million.

(b) During the year ended 31 December 2016, the consideration receivable of HK$24 million for the disposal of certain subsidiaries engaged in the Child Product Trading Business was satisfied by the way of set-off of the interest-free loan of HK$24 million due by the Company to CCT Fortis.

37. PLEDGE OF ASSETS

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

38. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

HK$ million	**2016**	2015
Within one year	**6**	8
In the second to fifth years, inclusive	**7**	4
After five years	**–#**	–
	13	12

38. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

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

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

HK$ million	**2016**	2015
Within one year	**1**	2
In the second to fifth years, inclusive	**–**	–#
	1	2

Less than HK$1 million

39. COMMITMENTS

At 31 December 2016 and 2015, the Group did not have any significant capital commitments.

40. RELATED PARTY TRANSACTIONS

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

HK$ million	Notes	2016	2015
Wholly-owned subsidiaries of CCT Fortis:			
Continuing connected transactions:			
Purchase of components	(i)	**83.3**	75.5
Factory rental income	(ii)	**6.0**	6.0
Office rental expenses	(iii)	**1.3**	1.3
Sales of Child Products	(viii)	**20.5**	–
Connected transactions:			
Security and guarantee for the payment, performance and discharge of all the undertakings, obligations and liabilities under the financial assistance provided by the CCT Fortis Group	(x)	**147.1**	1,211.2
Issuance of convertible bonds	(v)	**–**	795.7
Quality claim income	(vii)	**–**	23.7
CCT Fortis:			
Continuing connected transaction:			
Management information system service fee	(iv)	**6.0**	6.0
Connected transaction:			
Disposal of Child Product Trading Business	(ix)	**24.0**	–
Exempted connected transactions:			
Issuance of promissory notes	(v)	**–**	75.0
Interest on promissory notes	(vi)	**–**	5.0

Notes:

(i) The components were purchased by the Group from a wholly-owned subsidiary of CCT Fortis, based on terms and conditions of a manufacturing agreement (the "Component Manufacturing Agreement") dated 9 October 2012 entered into between the Company and CCT Fortis. The Component Manufacturing Agreement which has a term of three years commenced from 1 January 2013 to 31 December 2015, pursuant to which CCT Fortis agreed to manufacture and supply through members of the CCT Fortis Group certain plastic casings, components and any other component products and toolings to the Group for the production of telecom and electronic products. The Component Manufacturing Agreement was renewed on 9 November 2015 by a new Component Manufacturing Agreement for a term of three years commenced from 1 January 2016 to 31 December 2018. The terms and conditions of the renewed Component Manufacturing Agreement are similar to the previous agreement. The purchase prices of plastic casings, components and any other component products were determined based on the direct material costs plus a mark-up of no more than 250%. The tooling charges for the production of telecom and electronic products for the Group were determined based on the total costs plus a mark-up of no more than 50%.

(ii) The factory rental income was charged to Shine Best Developments Limited ("Shine Best"), an indirect wholly-owned subsidiary of CCT Fortis, by CCT Enterprise Limited ("CCT Ent"), an indirect wholly-owned subsidiary of the Company, for the provision of factory space in Huiyang City, Guangdong Province, the mainland China, at a rent determined in accordance with the terms and conditions set out in a tenancy agreement (the "Huiyang Tenancy Agreement") entered into between Shine Best and CCT Ent on 10 December 2014, which had a term of three years commenced from 1 January 2015 to 31 December 2017. The factory building was leased by CCT Ent to Shine Best for use by the CCT Fortis Group for the manufacturing of plastic components to supply to the Group for manufacturing of telecom products.

(iii) The office rental expenses were charged to the Company by Goldbay Investments Limited ("Goldbay"), an indirect wholly-owned subsidiary of CCT Fortis, for the provision of office space in Hong Kong, at a rent determined in accordance with the terms and conditions set out in the tenancy agreement entered into between the Company and Goldbay on 10 December 2014 (the "Hong Kong Tenancy Agreement"), which had a term of three years from 1 January 2015 to 31 December 2017.

(iv) The management information system service fee was charged to CCT Fortis by the Company for the provision of general management information system support, network and software consultation and hardware maintenance services. The fee was determined in accordance with the terms and conditions set out in the agreement entered into between CCT Fortis and the Company on 10 December 2014 (the "MIS Agreement"), which had a term of three years from 1 January 2015 to 31 December 2017.

40. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes:*(continued)*

(v) On 2 January 2015, 12 May 2015, 8 June 2015 and 3 July 2015, the Company entered into agreements with CCT Fortis for loans in cash of HK$20 million, HK$25 million, HK$10 million and HK$20 million, respectively, which were satisfied by 3-year promissory notes with face value of HK$20 million, HK$25 million, HK$10 million and HK$20 million, respectively. The promissory notes carried interest at a rate of 3% per annum payable annually. During the year ended 31 December 2015, the promissory notes were transferred by CCT Fortis to an independent third party and the outstanding principal amounts of the promissory notes were fully settled by the issuance of convertible bonds (details of the convertible bonds have been summarised in note 32 to the financial statements).

(vi) During the year ended 31 December 2015, interest expense of HK$5 million has been accrued for the promissory notes issued to CCT Fortis and an independent third party.

(vii) During the year ended 31 December 2015, the quality claim income was charged to CCT Plastic by CCT Tech (HK) Limited ("CCT (HK)"), an indirect wholly-owned subsidiary of the Company, in relation to quality issues on plastic components supplied by CCT Plastic to CCT (HK) under the terms and conditions in the Component Manufacturing Agreement described in note (i) above. The quality claim income was determined with reference to the selling price of the related components supplied.

(viii) This represented transaction amount for the supply of Child Products which were manufactured by the Group to the CCT Fortis Group during 2016. On 3 August 2016, CCT Tech Global Holdings Limited ("CCT Global"), a wholly-owned subsidiary of the Company entered into a manufacturing agreement ("Child Products Manufacturing Agreement") which had a term commenced from 14 October 2016 (being the date on which the disposal of Child Product Trading Business to CCT Fortis or its nominee(s) as described in paragraph (ix) below was completed) to 31 December 2018. On 31 August 2016, 14 September 2016 and 4 October 2016, CCT Global and CCT Fortis entered into the first supplemental manufacturing agreement, the second supplemental manufacturing agreement and the third supplemental manufacturing agreement (collectively as the "Supplemental Manufacturing Agreements"), respectively, pursuant to which the parties to the Supplemental Manufacturing Agreements agreed to amend and supplement the pricing terms and policies of the Child Products Manufacturing Agreement. In respect of the transactions contemplated Child Products Manufacturing Agreement as amended and supplemented by the Supplemental Manufacturing Agreements, the price of the Child Products to be manufactured and supplied by the Group for the CCT Fortis Group will be the higher of the sum of the direct material costs plus a mark-up no more than 250% of the direct material costs or the selling prices that CCT Fortis sells to independent third parties less a discount of up to 10%.

(ix) On 3 August 2016, the Group entered into an agreement with CCT Fortis to dispose of its entire issued share capital of Suremark to CCT Fortis or a nominee designated by CCT Fortis. The Transaction was completed on 14 October 2016 and the entire issued share capital of Suremark was transferred to a nominee designated by CCT Fortis. Details of the Transaction are disclosed in note 11 to the financial statement.

(x) On 28 May 2015, the Deed was entered into by the Company as chargor, CCT Tech Global Holdings Limited ("CCT Global"), a wholly-owned subsidiary of the Company, as guarantor in favour of Jade Assets and CCT Fortis as chargees, under which the Company, as beneficial owner of all existing issued shares of CCT Global (the "Charged Shares"), has agreed to mortgage the Charged Shares as continuing security for the payment, performance and discharge of all the undertakings, obligations and liabilities of the Company (the "Secured Obligations") under the promissory notes and the corporate guarantees of the principal amount of HK$1,065,671,000 and HK$145,550,000 (the "Financial Assistance") provided by the CCT Fortis Group for the benefit of the Group and CCT Global has irrevocably and unconditionally agreed to guarantee the due and punctual payment of each and every sum falls due by the Company under the Secured Obligations. The Deed was approved by the independent shareholders of the Company in a special general meeting held on 6 July 2015 and has become effective since that date. Since the cancellation of the promissory notes as settlement for the issuance of the convertible bonds (details of the convertible bonds have been set out in note 32 of the financial statements), the amounts of the security and guarantee have been reduced to approximately HK$147,100,000 as at 31 December 2015. The amounts of the security and guarantee remained unchanged for the year ended 31 December 2016, which represented the corporate guarantees on certain of the Group's bank borrowings.

The related party transactions in respect of items (i), (ii) ,(iv), (v), (viii), (ix) and (x) also constitute non-exempt connected transactions and continuing connected transactions as defined in Chapter 14A of the Listing Rules, for which the Company has complied with the requirements under Chapter 14A of the Listing Rules in relation to those non-exempt connected transactions and the continuing connected transactions.

(b) Outstanding balances with related parties:

Details of the Group's balances with CCT Fortis and its subsidiaries at the end of the reporting period are disclosed in notes 22 and 25 to the financial statements.

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

HK$ million	**2016**	2015
Short term employee benefits	**11**	13

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

41. FINANCIAL INSTRUMENTS BY CATEGORY

Other than financial assets at fair value through profit or loss as disclosed in note 23 to the financial statements, all financial assets and liabilities of the Group as at 31 December 2016 and 2015, are loans and receivables, and financial liabilities at amortised cost, respectively.

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

The fair values of promissory notes and the non-current portions of interest-bearing bank and other borrowings and pledged time deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The carrying amounts of promissory notes and the non-current portions of interest-bearing bank and other borrowings and pledged time deposits approximate to their fair values. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2016 was assessed to be insignificant.

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

Fair value hierarchy

	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 2016:				
Financial assets at fair value through profit or loss	**6**	**–**	**–**	**6**
Assets measured at fair value as at 31 December 2015:				
Financial assets at fair value through profit or loss	14	–	–	14

The Group did not have any financial liabilities measured at fair value as at 31 December 2016 and 2015.

During the year ended 31 December 2016, there were no transfers 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 (2015: nil).

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax HK$ million
2016		
HK$	**100**	**1**
HK$	**(100)**	**(1)**
RMB	**100**	**2**
RMB	**(100)**	**(2)**
US$	**100**	**1**
US$	**(100)**	**(1)**
2015		
HK$	100	1
HK$	(100)	(1)
RMB	100	1
RMB	(100)	(1)
US$	100	2
US$	(100)	(2)

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

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by or expenditure of operating units in currencies other than the units' functional currencies. During the year, the Group did not use any financial instruments for hedging purposes.

A reasonably possible increase/decrease of 7.23% (2015: 5.92%) in the exchange rate between RMB and HK$ would result in an increase/decrease (2015: increase/decrease) on the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) by HK$1 million (2015: HK$2 million) in 2016.

Credit risk

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

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

In addition, management has overall responsibility oversees the credit quality of the Group's loan portfolio. The Group reviews the recoverable amount of loans receivable individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

At 31 December 2016, the Group had concentrations of credit risk as 26% (2015: 32%) and 81% (2015: 74%) of the Group's trade and loans receivables were due from the Group's largest external customer and five largest external customers, respectively.

Liquidity risk

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

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

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

Liquidity risk *(continued)*

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

As at 31 December 2016

HK$ million	**Within one year or on demand**	**In the second year**	**In the third to fifth years**	**Total**
Trade and bills payables (note 25)	**182**	**–**	**–**	**182**
Other payables and accruals	**67**	**–**	**–**	**67**
Interest-bearing bank and other borrowings	**298**	**7**	**88**	**393**
	547	**7**	**88**	**642**

As at 31 December 2015

HK$ million	Within one year or on demand	In the second year	In the third to fifth years	Total
Trade and bills payables (note 25)	234	–	–	234
Other payables and accruals	49	–	–	49
Interest-bearing bank and other borrowings	312	72	1	385
	595	72	1	668

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

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

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

HK$ million	**2016**	2015
Interest-bearing bank and other borrowings	**360**	364
Total borrowings	**360**	364
Total capital	**1,386**	1,583
Total capital and borrowings	**1,746**	1,947
Gearing ratio	**20.6%**	18.7%

44. EVENTS AFTER REPORTING PERIOD

(a) On 18 January 2017, the Company granted 5,940,000,000 share options under the 2011 Scheme to the Grantees.

(b) On 6 March 2017, the Group entered into an agreement (the "Agreement") with Double Joy Global Limited (the "Vendor"), an independent third party, under which the Group conditionally agrees to purchase 51% equity interests in Sino Partner Global Limited (the "Target Company") for a total consideration of HK$1,468,000,000 to be settled by the issue of the promissory notes to be issued in favour of the Vendor or designated nominee(s) at completion of the transaction. The Target Company and its subsidiaries are engaged in the design, development, manufacturing and sale of supercars for sale in the PRC, Europe and internationally. As at the date of approval of these financial statements, the acquisition has not yet been completed.

Details of the transaction are set out in the Company's announcement dated 6 March 2017.

45. COMPARATIVE AMOUNTS

The comparative consolidated statement of profit or loss and consolidated statement of comprehensive income have been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 11). In addition, as further explained in note 4 to the financial statements, due to the changes in the designation of the principal activities and segment composition during the year, certain comparative amounts have been reclassified to conform with the current year's presentation.

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

HK$ million	2016	2015
ASSETS		
Non-current assets		
Investments in subsidiaries	**1,365**	1,616
Current assets		
Prepayments and other receivables	**7**	1
Cash and cash equivalents	**14**	15
Total current assets	**21**	16
Total assets	**1,386**	1,632
EQUITY AND LIABILITIES		
Issued capital	**1,343**	923
Convertible bonds (note)	**496**	916
Reserves (note)	**(453)**	(207)
Total equity	**1,386**	1,632
Current liabilities		
Accruals	**–**	–
Total current liabilities	**–**	–
Total liabilities	**–**	–
Total equity and liabilities	**1,386**	1,632
Net current assets	**21**	16
Total assets less current liabilities	**1,386**	1,632

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's convertible bonds and reserves is as follows:

HK$ million	Convertible bonds	Special reserve	Share premium account	Share option reserve	Accumulated losses	Total
At 1 January 2015	–	(56)	238	2	(418)	(234)
Loss for the year and total comprehensive income for the year	–	–	–	–	(74)	(74)
Exercise of share options (note 30(b))	–	–	2	(2)	–	–
Placement of new shares (note 30(c))	–	–	64	–	–	64
Share issue expenses (note 30)	–	–	(3)	–	–	(3)
Issuance of convertible bonds (note 32)	1,096	–	–	–	–	1,096
Conversion of convertible bonds (note 32)	(180)	–	–	–	–	(180)
Acquisition of a subsidiary (note 34)	–	–	40	–	–	40
At 31 December 2015 and 1 January 2016	**916**	**(56)**	**341**	**–#**	**(492)**	**709**
Loss for the year and total comprehensive income for the year	**–**	**–**	**–**	**–**	**(246)**	**(246)**
Conversion of convertible bonds (note 32)	**(420)**	**–**	**–**	**–**	**–**	**(420)**
At 31 December 2016	**496**	**(56)**	**341**	**–#**	**(738)**	**43**

Less than HK$1 million

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2017.

other information

PARTICULARS OF INVESTMENT PROPERTIES AS AT 31 DECEMBER 2016

Locations	Lot number	Uses	Tenure	Attributable interest of the Group
A factory complex located at Sanhe Development District, Danshui Town, Huiyang City, Guangdong Province, Mainland China	0302002	Industrial	Medium term lease	100%
Units 501-513 on 5/F, Podium of Shen Hua Commercial Building, Luohu District, Shenzhen, Mainland China	N/A	Commercial	Medium term lease	100%

PARTICULARS OF PROPERTIES UNDER DEVELOPMENT AS AT 31 DECEMBER 2016

Name of projects	Locations	Uses	Site area (square metres) (approximately)	Gross floor area (square metres) (approximately)	Stage of completion	Attributable interest of the Group
Evian Garden	A parcel of land located at north of Yueling Road, Gaoxin District, Anshan City, Liaoning Province, Mainland China	Residential, commercial and car parks	83,000	99,980	Under construction	100%

PARTICULARS OF PROPERTIES HELD FOR SALE AS AT 31 DECEMBER 2016

Name of projects	Locations	Uses	Site area (square metres) (approximately)	Gross floor area (square metres) (approximately)	Stage of completion	Attributable interest of the Group
Landmark City Phases I and II	No. 253 Jiu Dao Road, Tiexi District, Anshan City, Liaoning Province, Mainland China	Residential and commercial	5,000	14,000	Completed	100%
Landmark City Phase III	No. 253 Jiu Dao Road, Tiexi District, Anshan City, Liaoning Province, Mainland China	Residential, commercial and car parks	20,000	60,000	Completed	100%
Evian Villa Phase I	No. 37 Qian Ye Street, Gaoxin District, Anshan City, Liaoning Province, Mainland China	Residential and car parks	22,000	34,000	Completed	100%
Evian Villa Phase II	No. 37 Qian Ye Street, Gaoxin District, Anshan City, Liaoning Province, Mainland China	Residential, commercial and car parks	23,000	43,000	Completed	100%

five year financial summary

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

RESULTS

	Year ended 31 December				
HK$ million	**2016**	2015	2014	2013	2012
CONTINUING OPERATIONS					
REVENUE	**735**	801	1,023	1,182	1,342
Cost of sales	**(731)**	(741)	(991)	(1,127)	(1,297)
Gross profit	**4**	60	32	55	45
Other income and gains, net	**24**	33	106	54	43
Selling and distribution expenses	**(22)**	(19)	(25)	(22)	(32)
Administrative expenses	**(91)**	(82)	(81)	(64)	(59)
Other expenses, net	**(61)**	(28)	(31)	(18)	(4)
Finance costs, net	**(8)**	(42)	(47)	(36)	(17)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**(154)**	(78)	(46)	(31)	(24)
Income tax credit/(expense)	**6**	2	(10)	(1)	(34)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(148)**	(76)	(56)	(32)	(58)
DISCONTINUED OPERATION					
Profit for the year from a discontinued operation	**–**	2	3	1	–
LOSS FOR THE YEAR	**(148)**	(74)	(53)	(31)	(58)
Attributable to:					
Owners of the parent	**(150)**	(74)	(53)	(31)	(58)
Non-controlling interest	**2**	–	–	–	–
	(148)	(74)	(53)	(31)	(58)

ASSETS, LIABILITIES AND NON-CONTROLLING INTEREST

	As at 31 December				
HK$ million	**2016**	2015	2014	2013	2012
TOTAL ASSETS	**2,149**	2,421	2,607	2,655	1,470
TOTAL LIABILITIES	**(732)**	(838)	(2,187)	(2,184)	(979)
NON-CONTROLLING INTEREST	**(31)**	–	–	–	–
	1,386	1,583	420	471	491

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
"CB Conditions"	The terms and conditions of the Convertible Bonds
"CCT Fortis"	CCT Fortis Holdings Limited, a company listed on the main board of the Stock Exchange
"CCT Fortis Group"	CCT Fortis and its subsidiaries, from time to time
"CCT Securities"	CCT Telecom Securities Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of CCT Fortis
"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
"Child Products"	Feeding, health care, hygiene, safety, toy and other related products for infants and babies
"Child Product Trading Business"	The business of trading and sale of Child Products
"Company"	CCT Land Holdings Limited
"Convertible Bonds"	The zero coupon convertible bonds in the aggregate principal amount of HK$1,095,671,000 issued by the Company on 7 December 2015, which are interest-free, have a maturity date falling due on the third anniversary of the issue date, not redeemable, and convertible into shares of the Company at the conversion price of HK$0.01 per conversion share (subject to adjustments pursuant to the CB Conditions)
"Director(s)"	The director(s) of the Company
"Executive Director(s)"	The executive director(s) of the Company
"Finance Business"	The online and offline finance business engaged by the PRC joint venture in which the Company has indirect interest of 51%
"Glory Merit"	Glory Merit International Investment Limited, a company incorporated in the British Virgin Island with limited liability, a third party independent to the Company and CCT Fortis
"Group"	The Company and its subsidiaries
"HK" or "Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"HK$" or "$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Ideal Master"	Ideal Master Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is held by Mr. Choi Sung Fung
"INED(s)"	Independent non-executive director(s)

“Invested Entity”	Any entity in which any member of the Group holds any equity interest
“Jade Assets”	Jade Assets Company Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of CCT Fortis
“Listing Committee”	The listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mainland Property Business”	The development and sale of residential and commercial properties in the mainland China
“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
“Percentage Ratios”	The assets ratio, the profits ratio, the revenue ratio, the consideration ratio and the equity capital ratio as defined under Rule 14.07 of the Listing Rules
“PRC” or “China”	The People’s Republic of China
“Remuneration Committee”	The remuneration committee of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	The ordinary share(s) of HK$0.01 each in the share capital of the Company
“Shareholder(s)”	Holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription and Settlement Agreement”	The agreement dated 27 October 2015 (as amended by the supplemental agreement dated 10 November 2015) entered into by and among Jade Assets, CCT Securities, Glory Merit, CCT Fortis and the Company, under which the Company agreed to issue and CCT Securities and Glory Merit agreed to subscribe for the Convertible Bonds in settlement of the promissory notes payable by the Company to Jade Assets and Glory Merit
“Telecom Product Business”	The development, design, manufacturing and sale of telecom, electronic, and the Child Products
“US”	The United States of America
“US$”	United States dollar(s), the lawful currency of the US
“%”	Per cent.

FINANCIAL TERMS

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