CCT LAND

中 建 置 地 集 團 有 限 公 司

Stock Code : 261

2017

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 2017.

In 2017, the Group recorded revenue of HK$580 million, representing a decrease of 21.1% as compared with the last corresponding year. Loss attributable to the owners of the parent was HK$198 million, representing an increase of 32.0% as compared with the last corresponding year.

The Board does not recommend payment of a final dividend for the year ended 31 December 2017 (2016: nil).

BUSINESS REVIEW

2017 was another year of transformation for the Group. During 2017, we initiated the following strategic moves to realign the Group's business directions:

1. The Group completed a major step in the restructuring of the telecom products business by disposing of the Products Manufacturing Operations in August 2017. After the Transaction, the Group will continue to carry on the Products Trading Business. The Company has derived significant advantages from the Transaction, which include: (i) disposal of the loss-making manufacturing business; (ii) relief of the future financial burden in respect of the expenses and costs of the manufacturing business; and (iii) further improvement of the Group's financial position from receipt of the consideration of the Transaction.

2. On 5 December 2017, the Company announced its decision to enter into the electric vehicle business and its cooperation with Ideenion Automobil AG ("**Ideenion**"), a reputable design company and solution provider based in Germany, to design and develop the EV prototype. The Company considers that the EV business has excellent prospects and enormous growth potentials, particularly in China, due to its huge automotive market and the continuing favourable policies implemented by the Chinese Government to support the use of EV in China.

3. On 12 December 2017, the Company announced its plan to expand into the financial sector in Hong Kong, in order to broaden source of its revenue and improve its profitability. The Company is in the process of applying for a money lender license in Hong Kong and if the license is granted, it will enter into growing money lending business in Hong Kong.

The Company will invest into the aforesaid new businesses and it is considered that benefits from the above initiatives will be materialised in the future. A review of the operations of the Company's existing businesses is set out below.

The Products Manufacturing Operations and the Products Trading Business

The Products Manufacturing Operations, which was disposed of by the Company by way of the Transaction, were accounted for as discontinued operations. During the period from 1 January 2017 to completion of the Transaction in August 2017, the Products Manufacturing Operations incurred an operating loss of HK$37 million (2016: operating loss of HK$74 million). The unsatisfactory results of the discontinued operations were mainly led by the shortage of labour in China, rising wages and manufacturing costs and the absence of any preferential treatments given by the Chinese Government to foreign manufacturing enterprises as in the past.

After completion of the Transaction, the Group continues to carry on the Products Trading Business and continue to obtain supply of the Products and the Child Products from the Enterprise Group on an outsource basis. In 2017, this business recorded an operating loss of HK$4 million (2016: HK$8 million) against revenue of HK$414 million (2016: HK$510 million).

Mainland Property Business

During 2017, the property market sentiment, especially in the second-tier and third-tier cities like Anshan, was affected by the cooling measures introduced by the Chinese Government to curb speculation. In addition, due to the cut-price and low- or no-down- payment strategies adopted by some local developers, the unit selling prices for our property projects continued to be under pressure during the reporting year.

All our property development projects, namely the Landmark City, Evian Villa and CCT-Jun Mansion (previously named as "Evian Garden") are located in the Anshan, Liaoning Province, the PRC. Development of the first two projects, Landmark City and Evian Villa have been completed, while the third project, CCT-Jun Mansion located in the Hi-tech Development Zone, is currently under development. Details of our property projects are 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, relatively low plot ratio and relatively 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 was completed in 2013. As at 31 December 2017, approximately 77% of the entire project has been sold accumulatively. In 2017, 178 units of the Landmark City with gross floor area of 16,460 square meters were sold, fetching total selling price of approximately RMB50 million.

Evian Villa

Situated in the Hi-tech Development Zone of the Anshan City, Evian Villa 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.

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 67% of which has been sold accumulatively up to 31 December 2017. Development of Phase 2 was completed in 2015, approximately 77% of which has been sold accumulatively up to 31 December 2017.

During 2017, a total of 143 property units (including one shop unit) with total gross floor area of 16,463 square meters were sold for an aggregate selling price of approximately RMB85 million.

CCT-Jun Mansion

In 2017, a large property group in China commenced development of a large shopping, leisure and entertainment complex in the Hi-tech Development Zone of Anshan. It is expected that the Hi-tech Development Zone will become the new leading commercial and shopping center as well as the prestigious luxury residential area in city.

The CCT-Jun Mansion project is located on 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. With a site area of approximately 83,000 square meters, the project will be developed into a high-end property project comprising low-rise apartments, retail shops and car parks, with a total gross floor area of approximately 178,000 square meters. CCT-Jun Mansion will be developed in phases. Construction of Phase 1 already commenced during 2017 and will resume in first half of 2018, after the winter season. Pre-sale of property units is scheduled to commence in the second half of 2018. 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 that the launch of CCT-Jun Mansion will attract strong interest from local home buyers, especially the first-time home buyers and existing home owners who wish to change house to improve their living environment.

Mainland Finance Business

We notice that the operating and regulatory environment surrounding the online finance business in China has been evolving and changing and in particular, the P2P (peer-to-peer) business has become relatively highly regulated. As a result, we continue to revise our strategy and business model to catch up with the changing environment in the Mainland Finance Business and we currently focus in the development of offline finance business in China. During 2017, this business recorded revenue of HK$10 million and generated operating profit of HK$7 million, as compared with revenue of HK$8 million and operating profit of HK$5 million in 2016.

OUTLOOK

While we are optimistic about the global economic outlook, the continuing interest hike in US, the threat of protectionism and rising international tensions will continue to impact on the global economy in 2018.

We have successfully restructured and resized our telecom products business by disposing of the manufacturing business and re-aligned our resources to focus on the product trading business segment. Amidst the backdrop of increasing threats of trade war between US and China, deteriorating operating environment of our customers and rising labour wages and material costs which affect supply costs of our products, we expect the Products Trading Business will face increasing difficulties and challenges going forward. We will closely monitor the development of the operating environment of the product trading segment and will consider appropriate measures and initiatives to respond to these challenges.

"Houses are for living, not for flipping" (房子是用來住的，不是用來炒的) has set a clear tone for housing market control in China in 2017, with focus on curbing speculation. It is expected the effect of this policy will continue in 2018. However, we are optimistic in the property market in China in the long term. The 19th National Congress of the Communist Party of China has set the goal of the China new era including building a moderately prosperous society by wiping out poverty by 2021. With the focus on the quality and sustainable living environment, we anticipate that the PRC property market will be prosperous in the long run. We expect our property sales will increase in 2018 as we will launch our major development project, CCT-Jun Mansion, for pre-sale in the second half of the current year. We believe that this project will attract strong interest from home buyers and will provide synergetic effect by driving the sale of property units of Evian Villa. We will strive to increase sales of our Anshan projects and improve our profit margin. We will also keep exploring expansion of our property business in other parts of China, including the south-east China. We may replenish our land bank and acquire property projects, should suitable opportunities arise.

Our plan to enter into the promising EV business has not been affected by the termination of the proposed acquisition of 51% in Sino Partner Global Limited, which is engaged in the manufacturing and sale of supercar under the European brand "Apollo". The new EV business has made good progress and we expect that Ideenion will finish the design of an EV prototype in a few months' time. In the meantime, we are exploring opportunities to intensify cooperation with Ideenion in order to leverage its technology in the EV business. Furthermore, the Company is currently seeking suitable partners and manufacturers that hold a license to produce electric vehicles in China. We believe cooperation with a reputable European technological partner and a Chinese manufacturer with capability and license to manufacture electric vehicles in China is important to ensure the success of this new venture. We are committed to develop the EV business and is optimistic about this new business venture. We consider that the EV business will become a key driver for revenue growth and profit contribution of the Group in the future.

We have been proactively exploring other new business opportunities to broaden our revenue and improve our profitability. 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, 28 March 2018

directors and senior management

EXECUTIVE DIRECTORS

Mr. MAK Shiu Tong, Clement, aged 64, 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 41 years of experience in the manufacture and distribution of telecom, electronic and high intelligence products. Mr. Mak also has extensive experience in diversified businesses, including capital investment and operations, investment in high intelligence telecommunication network 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, whose shares are listed on the Main Board of the Stock Exchange. Mr. Mak holds a Diploma in Electrical Engineering.

Ms. CHENG Yuk Ching, Flora, aged 64, 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 38 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, whose shares are listed on the Main Board of the Stock Exchange. Ms. Cheng holds a Diploma in Business Administration.

Mr. TAM Ngai Hung, Terry, aged 64, has been the Executive Director and the Group Finance Director since August 2002 and was appointed as the company secretary of the Company on 5 March 2018. 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 40 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.

Ms. LAI Mei Kwan, aged 31, has been appointed as an 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 was an INED of Jia Meng Holdings Limited (currently known as "EJE (Hong Kong) Holdings Limited") (stock code: 08101), a company listed on the Stock Exchange, from September 2016 to August 2017. 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 DIRECTOR

Mr. TSUI Wing Tak, aged 36, has been the non-executive Director since January 2017. He has over 13 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. He has been appointed as Honorary Trade, Tourism and Investment Consultant on China (Hong Kong and Macau) by Embassy of Uganda since November 2016.

Mr. Tsui is an executive director of Tree Holdings Limited (stock code: 08395) since January 2018, and the company secretary of Ching Lee Holdings Limited (stock code: 03728) since August 2017, both companies listed on the Stock Exchange. 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 62, 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 59, 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) and Glory Mark Hi-Tech (Holdings) Limited (stock code: 08159) , the shares of which are listed on the Stock Exchange. Mr. Lau has been appointed as an INED of The Grande Holdings Limited (stock code: 00186) from 25 July 2016 to 22 December 2017. 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 68, 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 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.

SENIOR MANAGEMENT

Ms. NG Yin Fun, Elaine, aged 56, 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 28 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. LEE Chi Fat, Raymond, aged 47, 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 21 years of product planning and business development experience in consumer electronics industry.

Mr. HO Yiu Hong, Victor, aged 49, 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 27 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 53, 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

FINANCIAL RESULTS AND OTHER COMPREHENSIVE INCOME

HK$ million	2017	2016	% increase/ (decrease)
Continuing operations			
Revenue	**580**	735	(21.1%)
Finance costs	**(11)**	(3)	266.7%
Loss before tax from continuing operations	**(183)**	(75)	144.0%
Income tax credit	**28**	6	366.7%
Loss for the year from continuing operations	**(155)**	(69)	124.6%
Discontinued operations			
Loss for the year from discontinued operations	**(41)**	(79)	(48.1%)
Loss for the year	**(196)**	(148)	32.4%
Attributable to:			
Owners of the parent			
Continuing operations	**(157)**	(71)	121.1%
Discontinued operations	**(41)**	(79)	(48.1%)
	(198)	(150)	32.0%
Non-controlling interest	**2**	2	0.0%
Loss for the year	**(196)**	(148)	32.4%
Other comprehensive income, net of tax	**59**	(47)	N/A

Discussions on the Financial Results and Other Comprehensive Income

The Group's continuing operations reported revenue of HK$580 million, decreased by 21.1%, due mainly to the decline in the sales of the Products and reduction of property sales.

Finance costs of HK$11 million, was HK$8 million or 266.7% higher, primarily because of increase in finance cost due to the development of the CCT-Jun Mansion.

Discontinued operations represented the disposed Products Manufacturing Operations, which incurred a net loss of HK$41 million up to completion of the Transaction.

Loss before tax from continuing operations was HK$183 million, increased by 144.0% as compared with the loss of HK$75 million in 2016. The increase in loss was mainly caused by: (i) the share option expenses of HK$24 million due to the granting of 5,940,000,000 share options in January 2017; (ii) impairment provisions against the property development projects; and (iii) impairment of goodwill. Reported net loss attributable to owners of the parent of HK$198 million, was 32.0% higher, mainly as a result of the aforesaid expenses and provisions.

Income tax credit represented deferred tax credit arising from the sales of property units and impairment provision made on property projects.

Net other comprehensive income reported in the consolidated statement of comprehensive income represented the unrealized exchange gain of HK$59 million (2016: exchange loss of HK$47 million), which arose from translation of the accounts of the subsidiaries in the mainland China, as a result of appreciation of RMB during 2017.

ANALYSIS BY BUSINESS SEGMENT

	Revenue from continuing operations				
	2017		2016		
HK$ million	**Amount**	**Relative %**	Amount	Relative %	% increase/ (decrease)
Products Trading Business	**414**	**71.4%**	510	69.4%	(18.8%)
Mainland Property Business	**156**	**26.9%**	217	29.5%	(28.1%)
Mainland Finance Business	**10**	**1.7%**	8	1.1%	25.0%
Total	**580**	**100.0%**	735	100.0%	(21.1%)

	Operating profit/(loss) of continuing operations		
HK$ million	**2017**	2016	% increase/ (decrease)
Products Trading Business	**(4)**	(8)	(50.0%)
Mainland Property Business	**(102)**	(61)	67.2%
Mainland Finance Business	**7**	5	40.0%
Total	**(99)**	(64)	54.7%

For the year ended 31 December 2017, the revenue of the Products Trading Business of HK$414 million, was HK$96 million or 18.8% lower. The operating loss of this business segment decreased by HK$4 million or 50.0% as compared 2016 mainly as a result of the cost saving measures implemented to improve efficiency.

In 2017, the Mainland Property Business recorded revenue of HK$156 million, represented a decrease of 28.1% as compared with 2016. This segment's operating loss of HK$102 million was HK$41 million higher, as a result of lower average sale prices and impairment provisions on property projects.

For the year under review, the Mainland Finance Business generated revenue of HK$10 million (2016: HK$8 million) and an operating profit of HK$7 million (2016: HK$5 million), reflecting full-year contribution in 2017 as this business commenced business in the first quarter of 2016.

ANALYSIS BY GEOGRAPHICAL SEGMENT

	Revenue of continuing operations				
	2017		2016		% increase/
HK$ million	**Amount**	**Relative %**	Amount	Relative %	(decrease)
Mainland China and Hong Kong	**295**	**50.9%**	290	39.5%	1.7%
Europe	**147**	**25.3%**	295	40.1%	(50.2%)
North America	**117**	**20.2%**	117	15.9%	0.0%
Asian Pacific and others	**21**	**3.6%**	33	4.5%	(36.4%)
Total	**580**	**100.0%**	735	100.0%	(21.1%)

In 2017, mainland China and Hong Kong overtook Europe and became the largest market regions of the Group, contributed HK$295 million in revenue, representing 50.9% of the Group's total revenue, up HK$5 million or 1.7% as compared with 2016. Europe became the second largest market, contributed revenue of HK$147 million, down 50.2% as compared with the previous year. This change was led by lower sales of telecom products to Europe, due to declining cordless phone market and keen competition. Revenue from the North American market of HK$117 million was flat as in 2016 while revenue from Asian Pacific and other regions of HK$21 million was 36.4% lower.

CONVERTIBLE BONDS

No convertible bond was issued or converted during the year ended 31 December 2017. During the year ended 31 December 2016, the Convertible Bonds with a principal amount of HK$420 million were converted into 42,000,000,000 Shares, resulting in an additional share capital of HK$420 million.

At the end of the reporting period, the Company had outstanding Convertible Bonds with a principal amount of HK$496 million (2016: HK$496 million), the full conversion of which would result in the issue of 49,567,100,000 additional Shares (2016: 49,567,100,000 Shares) and additional share capital of HK$496 million (2016: HK$496 million) at the current conversion price of HK$0.01 per conversion Share (subject to adjustments pursuant to the terms and conditions of the Convertible Bonds). The following table set out the shareholding structure of the Company: (i) as at 31 December 2017; and (ii) for illustrative purpose only, the structure immediately after the issue of 49,567,100,000 Shares upon full conversion of all the outstanding Convertible Bonds as at 31 December 2017 at the conversion price of HK$0.01 per conversion share, assuming that there is no other change to the share capital of the Company from 31 December 2017 to the date of allotment and issue of the conversion shares:

Shareholders	**As at 31 December 2017**		Immediately after conversion of 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 Limited 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) Based on information from CCT Fortis, it became interested, through CCT Securities, in 14,000,000,000 Shares and the Convertible Bonds with principal amount of HK$495,671,000 on 3 January 2018.

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

(c) 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.

(d) 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 which is 7 December 2018, 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.

BALANCE SHEET

HK$ million	**2017**	2016	% increase/ (decrease)
Property, plant and equipment	**9**	114	(92.1%)
Investment properties	**44**	299	(85.3%)
Goodwill	**45**	80	(43.8%)
Properties under development	**447**	361	23.8%
Properties held for sale	**596**	753	(20.8%)
Prepayment, deposits and other receivables	**291**	79	268.4%
Cash and cash equivalents	**222**	131	69.5%
Current and non-current interest-bearing bank and other borrowings	**245**	360	(31.9%)
Equity attributable to owners of the parent	**1,287**	1,386	(7.1%)
— Share capital	**1,343**	1,343	0.0%
— Convertible bonds	**496**	496	0.0%
— Reserves	**(552)**	(453)	21.9%

Financial Position

As at 31 December 2017, the change in the property, plant and equipment and the investment properties balances was mainly attributable to the disposal of Products Manufacturing Operations during the year.

Goodwill as at 31 December 2017 was HK$45 million, reduced by 43.8%, as a result of the impairment made on the goodwill arising from the Mainland Finance Business as the online finance business in China has become relatively highly regulated and has become difficult to expand.

Properties under development as at 31 December 2017 was HK$447 million, represented the carrying value of the CCT-Jun Mansion project. The increase in balance was driven by increase in development costs during 2017.

Properties held for sale was HK$596 million, decreased by HK$157 million or 20.8%, mainly attributable to properties sold and the impairment loss of HK$27 million made on property projects in the first half of 2017.

Prepayments, deposits and other receivables was HK$291 million, increased by HK$212 million from a year earlier, primarily attributable to outstanding balance of the consideration receivable arising from the Transaction. As stated in the Company's announcements dated 14 November 2017 and 12 December 2017, the payment date of the outstanding balance of the consideration of the Transaction has been extended to 31 October 2018.

Cash balance increased by HK$91 million or 69.5% to HK$222 million at the end of 2017. The net increase represented mainly the receipt of part of the consideration of the Transaction.

Bank and other borrowings of HK$245 million, was HK$115 million or 31.9% lower, due to net repayment of bank borrowings during the year under review.

Equity attributable to owners of the parent as at 31 December 2017 stood at HK$1,287 million, down 7.1%, due primarily to net loss for 2017.

CAPITAL STRUCTURE AND GEARING RATIO

	2017		2016	
HK$ million	**Amount**	**Relative %**	Amount	Relative %
Bank borrowings	**243**	**15.9%**	359	20.5%
Finance lease payable	**2**	**0.1%**	1	0.1%
Total borrowings	**245**	**16.0%**	360	20.6%
Equity including the convertible bonds	**1,287**	**84.0%**	1,386	79.4%
Total capital employed	**1,532**	**100.0%**	1,746	100.0%

The Group's total borrowings in 2017 reduced by HK$115 million as compared with 2016. The Group maintained a low gearing ratio of 16.0% as at 31 December 2017, decreased from the gearing ratio of 20.6% one year earlier, reflecting its solid and healthy financial position.

The maturity profile of the outstanding borrowings falling due within one year, in the second to the fifth year amounted to HK$190 million and HK$55 million, respectively (2016: HK$278 million and HK$82 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

LIQUIDITY AND FINANCIAL RESOURCES

HK$ million	2017	2016
Current assets	**1,815**	1,617
Current liabilities	**484**	550
Current ratio	**375.0%**	294.0%

The Group's current ratio improved significantly to 375.0% (2016: 294.0%) in 2017, as a result of the decrease of current liabilities and an increase in the current assets, due mainly to the financial effect from the Transaction. This high current ratio indicated the liquid position of the Group's assets. Among the total cash balance of HK$285 million (2016: HK$238 million), deposits with an aggregate amount of HK$63 million (2016: HK$107 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

As at 31 December 2017, the Group had capital commitment of approximately HK$31 million for development of the new business venture of the Company. Save as disclosed in the above, the Group has no material capital commitment as at 31 December 2017 (2016: 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 2017, the Group's receipts were mainly denominated in US dollar and RMB. Payments were mainly made in Hong Kong dollar, US dollar and RMB. Cash was generally placed in short-term deposits denominated in Hong Kong dollar and RMB. In 2017, the Group's borrowings were mainly denominated in Hong Kong dollar, US dollar and RMB and interest on the borrowing was principally determined on a floating rate basis.

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

RMB reversed the trend of devaluation in past two years as the currency appreciated during 2017. The RMB appreciation did not give rise to significant financial impact on the Group's operations.

ACQUISITION AND DISPOSAL OF MATERIAL SUBSIDIARIES AND ASSOCIATES

Save for the Transaction, the Group did not acquire or dispose of any material subsidiaries and associates during the year under review.

SIGNIFICANT INVESTMENT

The Group did not hold any significant investment as at 31 December 2017 (2016: nil).

PLEDGE OF ASSETS

As at 31 December 2017, certain assets of the Group with a net book value of HK$214 million (2016: HK$1,212 million) and time deposits of the Group of HK$63 million (2016: HK$107 million) were pledged to secure the banking facilities granted to the Group.

In addition, certain assets of the Group with a net book value of HK$458 million were pledged to secure the banking facilities granted to the Enterprise Group as at 31 December 2017.

At 31 December 2016, net asset value of HK$349 million of a subsidiary of the Company were pledged to secure the banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2017, 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 2017 was 76 (2016: 1,526). 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 2017, there were outstanding share options of 5,945,000,000 shares (2016: 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 2017 are set out below:

	Number of employees
Nil–HK$500,000	1
HK$500,001–HK$1,000,000	1
HK$1,000,001–HK$1,500,000	1
HK$1,500,001–HK$2,000,000	0
HK$2,000,001–HK$2,500,000	1
	4

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. Following completion of the Transaction on 11 August 2017, we have discontinued the Products Manufacturing Operations and will continue to engage in the Products Trading Business. Furthermore, we continue to be engaged in the Mainland Property Business and the Mainland Finance Business. In addition, we entered into the EV business in 2017 and intend to enter into the finance business in Hong Kong.

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 and services in order to maximise productivity and minimize wastages. Our policy is to ensure that our operations comply with relevant environmental laws, rules and regulations. 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 high standard of quality control system to ensure the products and services are up to the relevant applicable standards and regulations.

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 deliver premium products and services to customers to meet their satisfaction and expectation.

With many years of experience in the sale and supply of the Products and the Child 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 supply and quality control of the final products to ensure that the products will meet with market expectation at the competitive prices.

As for Mainland Property Business, the Company 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. 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 for the new EV business, our cooperation with Ideenion (which is a reputable automotive design and development Company in Germany) in the design and development of a EV prototype proceeds well. At the same time, we are currently seeking cooperation with suitable partners and manufacturers that hold a license to produce EV in China. We believe cooperation with a reputable European technological partner and Chinese EV manufacturer is important in the success of our EV business.

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. We encourage our employees to join external training in job-related courses, seminars and programmes. Furthermore, training courses and seminars are organized for different grades of employees from time to time.

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. We are committed to offer a safe and comfortable working environment to our employees.

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
Lai Mei Kwan

Non-executive Director
Tsui Wing Tak

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

COMPANY SECRETARY
Tam Ngai Hung, Terry

PRINCIPAL BANKERS
Nanyang Commercial 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
183 Queen's Road East
Hong Kong

TELEPHONE NUMBER
+852 2102 8138

FAX NUMBER
+852 2102 8100

COMPANY WEBSITE
www.cctland.com

STOCK CODE
261

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 2017, except for the following minor deviations from the Code Provisions of the CG Code:

Code Provision A.2.1

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 2017.

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 four Executive Directors (including the Chairman), one non-executive Director and three INEDs of the Company with a balance of skills and experience appropriate for the requirements of the Group. Furthermore, the roles of the managing director and 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

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 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted its code of conduct regarding the securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code. 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 2017.

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 internal 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;
- appointment of directors 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 2017, the Board held 17 meetings.

The Board members have also attended the Shareholders' meetings to answer questions from the Shareholders. During the financial year ended 31 December 2017, the Company held two Shareholders' meetings. The attendance of each of the Directors at the Board meetings (either in person or by phone) and at the Shareholders' meetings is set out as follows:

	Number of Meetings Attended/ Eligible to attend	
Name of Directors	**Board**	**Shareholders**
Mak Shiu Tong, Clement	16/17	2/2
Cheng Yuk Ching, Flora	17/17	1/2
Tam Ngai Hung, Terry	17/17	2/2
Guan Huanfei (resigned on 30 September 2017)	13/13	2/2
Lai Mei Kwan	17/17	1/2
Tsui Wing Tak (appointed on 13 January 2017)	13/16	0/2
Chow Siu Ngor	17/17	2/2
Lau Ho Kit, Ivan	17/17	1/2
Tam King Ching, Kenny	17/17	2/2
Chow Ho Wan, Owen (appointed on 13 January 2017 and resigned on 30 September 2017)	11/12	1/2

The company secretary of the Company is responsible for taking minutes of the Board meetings and all minutes of the Board meetings 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)*

Responsibilities, accountabilities and contributions *(continued)*

Board's composition

As at the date of this annual report, the Board was composed of four executive Directors, one non-executive Director and three INEDs. 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. The biographical details of all current Directors are set out in the section headed "Directors and Senior Management" in this annual report. During the period from 1 January 2017 to the date of this annual report, there were the following changes to the composition of the Board:

Name of Directors	Details of changes
Chow Ho Wan, Owen	Appointed as an INED of the Company on 13 January 2017 and resigned as an INED of the Company with effect from 30 September 2017
Guan Huanfei	Resigned as an executive Director with effect from 30 September 2017
Tsui Wing Tak	Appointed as an non-executive Director with effect from 13 January 2017

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 organisations and other significant commitments with indications of the time involved.

The Company has received annual confirmation of independence for the year ended 31 December 2017 from Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Tam King Ching, Kenny who are three INEDs of the Company, 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. Those INED who serve the Company for more than nine years have met the specific independence guideline as set out in Rule 3.13 of the Listing Rules.

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of a sufficient number of the INEDs, at least an INED with appropriate professional qualifications or accounting or related financial management expertise and the number of INEDs representing at least one-third of the board of directors throughout the financial year ended 31 December 2017.

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

THE BOARD *(continued)*

Responsibilities, accountabilities and contributions *(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 2017 is as follows:

	Type of Continuous Professional Development	
Name of Directors	**Receiving updates and briefings from the Company/ self-study**	**Attending seminar(s) / conference and/or forums organised by external parties**
Mak Shiu Tong, Clement	✓	
Cheng Yuk Ching, Flora	✓	
Tam Ngai Hung, Terry	✓	✓
Guan Huanfei (resigned on 30 September 2017)	✓	✓
Lai Mei Kwan	✓	
Tsui Wing Tak (appointed on 13 January 2017)	✓	✓
Chow Siu Ngor	✓	✓
Lau Ho Kit, Ivan	✓	✓
Tam King Ching, Kenny		✓
Chow Ho Wan, Owen (appointed on 13 January 2017 and resigned on 30 September 2017)	✓	✓

The training participated by the Directors in 2017 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 board 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 consists of five members who are three INEDs, namely Mr. Chow Siu Ngor ("**Mr. Chow**"), Mr. Lau Ho Kit, Ivan and Mr. Tam King Ching, Kenny and two executive Directors, namely Mr. Mak Shiu Tong, Clement and Mr. Tam Ngai Hung, Terry. The Remuneration Committee is currently chaired by Mr. Chow.

During the financial year ended 31 December 2017, the Remuneration Committee held two meetings and its main work during 2017 included:

(i) to review and make recommendation to the Board regarding grant of share options by the Company to the Directors;

(ii) 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

(iii) 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 remuneration.

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

The attendance record of the members at the meetings of the Remuneration Committee in 2017 is set out as follows:

Members of the Remuneration Committee	Number of meeting attended/held
Chow Siu Ngor	2/2
Lau Ho Kit, Ivan	2/2
Tam King Ching, Kenny	2/2
Mak Shiu Tong, Clement	2/2
Tam Ngai Hung, Terry	2/2

The Group provides competitive remuneration packages to the Directors and senior management of the Group. 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 of the Group.

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 consists of three members who are three INEDs, namely Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan ("**Mr. Lau**") and Mr. Tam King Ching, Kenny. Each of Mr. Lau 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 2017, the Audit Committee held four meetings and its main work during 2017 included reviewing:

(i) the 2016 annual report, including the Corporate Governance Report, Directors' Report and the Financial Statements, as well as the related results announcement;

(ii) the 2017 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 2017 is set out as follows:

Members of the Audit Committee	Number of meetings attended/held
Lau Ho Kit, Ivan	4/4
Chow Siu Ngor	4/4
Tam King Ching, Kenny	4/4

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 consists of five members who are three INEDs, namely Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Tam King Ching, Kenny and two executive Directors, namely Mr. Mak Shiu Tong, Clement ("**Mr. Mak**") and Mr. Tam Ngai Hung, Terry. 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 2017, the Nomination Committee held two meetings and its main work during 2017 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 meetings of the Nomination Committee in 2017 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
Tam King Ching, Kenny	2/2
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 2017, the Board held two meetings to develop and review the Company's policy and practice on corporate governance and to perform other corporate governance duties stated in the paragraph above. The attendance record of the members of the Board at the corporate governance meetings in 2017 is set out as follows:

Directors	**Number of meeting attended/held**
Mak Shiu Tong, Clement	2/2
Cheng Yuk Ching, Flora	2/2
Tam Ngai Hung, Terry	2/2
Guan Huanfei (resigned on 30 September 2017)	2/2
Lai Mei Kwan	2/2
Tsui Wing Tak (appointed on 13 January 2017)	2/2
Chow Siu Ngor	2/2
Lau Ho Kit, Ivan	2/2
Tam King Ching, Kenny	2/2
Chow Ho Wan, Owen (appointed on 13 January 2017 and resigned on 30 September 2017)	1/2

AUDITOR'S REMUNERATION

The remuneration paid to the external auditors of the Company, Ernst & Young, for the year ended 31 December 2017 is set out as follows:

Services rendered	**Fees paid/payable** HK$'000
Audit services	2,500
Non-audit services:	
Tax compliance services	80
Other services	150
Total	2,730

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.

RISK MANAGEMENT AND 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 department 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 the Shareholders.

RISK MANAGEMENT AND 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 control systems.

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

4. The management of business units/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 control 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;
— rising threats of protectionism and trade war between US and China;
— 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 2017. 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

The company secretary of the Company, Mr. Tam Ngai Hung, Terry who is also the executive Director and an employee of the Company, met the requirements on professional training under Rule 3.29 of the Listing Rules during the financial year ended 31 December 2017. The biographical details of Mr. Tam are set out under the section headed "Directors and Senior Management" in this annual report.

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 written notice ("**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 of the Company or at the registration office of the Company 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.

Investor Relations

There was no change in the Company's constitutional documents during the year ended 31 December 2017.

report of the directors

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the sale of telecom and electronic products and supply of infant and baby products, property development and investment in mainland China and finance business in the PRC. On 11 August 2017, the Company disposed of the business of manufacturing the telecom, electronic and child products to an independent third party. On 5 December 2017, the Company commenced the development of the electric vehicle business. Save as disclosed above, 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 2017 is set out on pages 2 to 5 and pages 9 to 18.

RESULTS

The Group's loss for the year ended 31 December 2017 and the Group's financial position at that date are set out in the financial statements on pages 57 to 135.

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 137. This summary does not form part of the audited financial statements.

EQUITY-LINKED AGREEMENT

The Convertible Bonds were issued by the Company on 7 December 2015. During the year ended 31 December 2016, the Convertible Bonds with the principal amount of HK$420 million were converted by the bondholders at HK$0.01 per Share.

EQUITY-LINKED AGREEMENT *(continued)*

During the year ended 31 December 2017, none of the outstanding Convertible Bonds were converted by the bondholders. Details of movement and conversion of the Convertible Bonds during 2017 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

There were no movements in the Company's authorized and issued share capital during the year. Details of movements in the Company's share options during the year ended 31 December 2017 are set out in note 31 to the financial statements.

Details of share capital of the Company are set out in note 30 to the 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 its existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed Shares during the year ended 31 December 2017.

DISTRIBUTABLE RESERVES

At 31 December 2017, 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 (2016: 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	
	2017	2016	**2017**	2016
Largest customer	**24%**	16%		
Five largest customers in aggregate	**59%**	37%		
Largest supplier			**28%**	7%
Five largest suppliers in aggregate			**59%**	24%

One (2016: nil) of the five largest customers and one (2016: one) of the five largest suppliers of the Group was a subsidiary of CCT Fortis, of which Mr. Mak is a director and the controlling shareholder.

Save as disclosed above, none of the Directors or their close associates or any shareholder (which, to the knowledge of the Directors own more than 5% of the number of issued Shares) had any 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
Guan Huanfei (resigned on 30 September 2017)
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
Tam King Ching, Kenny
Chow Ho Wan, Owen (appointed on 13 January 2017 and resigned on 30 September 2017)

In accordance with the bye-laws of the Company, Ms. Cheng Yuk Ching, Flora, Mr. Chow Siu Ngor and Mr. Lau Ho Kit, Ivan 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 nor taken into account in determining the number of Directors 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 8 of this annual report.

DIRECTORS' REMUNERATION

The Directors' fees are subject to the Shareholders' approval at general meetings. Other emoluments are determined by the Board 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 which is 27 May 2011.

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. At the AGM of the Company held on 24 May 2017, the refreshment of the 10% general limit on grant of share option under the 2011 scheme has been approved. As at the date of passing of the resolution (i.e. 24 May 2017) approving the refreshment at the AGM, there were 134,278,993,990 issued Shares in total and the maximum number of Shares that can be issued pursuant to the exercise of share options which may be granted by the Company under the proposed refreshed scheme limit would be 13,427,899,399, being 10% of the total number of issued Shares. 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; a total of 5,940,000,000 share options at an exercise price of HK$0.011 per Share on 18 January 2017 and a total of 5,310,000,000 share options at an exercise price of HK$0.01 per Share on 25 January 2018 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 8,119,298,798, which represents approximately 6.047% 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 10 years from the date of grant of the share options. 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 share options granted 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, of which 585,000,000 share options were exercised in 2015 and 15,000,000 share options were outstanding as at 31 December 2017. In addition, a total of 5,940,000,000 share options were granted on 18 January 2017 under the 2011 Scheme, of which 10,000,000 share options were lapsed in 2017. None of those share options have been exercised and 5,930,000,000 share options were outstanding as at 31 December 2017. Save as disclosed above, no share options were granted during the year ended 31 December 2017. Details of the movements of the share options granted under the 2011 Scheme during the year ended 31 December 2017 were as follows:

	Number of share options								
Name or category of the participants	Outstanding as at 1 January 2017	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2017	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$
Executive Directors									
Mak Shiu Tong, Clement	–	1,300,000,000	–	–	1,300,000,000	18/1/2017	18/1/2017–17/1/2027	0.011	
Cheng Yuk Ching, Flora	–	825,000,000	–	–	825,000,000	18/1/2017	18/1/2017–17/1/2027	0.011	
Tam Ngai Hung, Terry	–	825,000,000	–	–	825,000,000	18/1/2017	18/1/2017–17/1/2027	0.011	
Lai Mei Kwan	–	1,300,000,000	–	–	1,300,000,000	18/1/2017	18/1/2017–17/1/2027	0.011	
	–	4,250,000,000	–	–	4,250,000,000				17,480,250
Non-executive Director									
Tsui Wing Tak	–	1,300,000,000	–	–	1,300,000,000	18/1/2017	18/1/2017–17/1/2027	0.011	5,346,900
Independent non-executive Directors									
Chow Siu Ngor	5,000,000	–	–	–	5,000,000	17/1/2014	17/1/2014–16/1/2024	0.010	
	–	10,000,000	–	–	10,000,000	18/1/2017	18/1/2017–17/1/2027	0.011	
Lau Ho Kit, Ivan	5,000,000	–	–	–	5,000,000	17/1/2014	17/1/2014–16/1/2024	0.010	
	–	10,000,000	–	–	10,000,000	18/1/2017	18/1/2017–17/1/2027	0.011	
Tam King Ching, Kenny	5,000,000	–	–	–	5,000,000	17/1/2014	17/1/2014–16/1/2024	0.010	
	–	10,000,000	–	–	10,000,000	18/1/2017	18/1/2017–17/1/2027	0.011	
Chow Ho Wan, Owen (resigned on 30 September 2017)	–	10,000,000	–	10,000,000	–	18/1/2017	18/1/2017–17/1/2027	0.011	
	15,000,000	40,000,000	–	10,000,000	45,000,000				224,520
Other eligible participants	–	350,000,000	–	–	350,000,000	18/1/2017	18/1/2017–17/1/2027	0.011	1,439,550
Total	15,000,000	5,940,000,000	–	10,000,000	5,945,000,000				24,491,220

Save as disclosed above, no share options was exercised, cancelled or lapsed under the 2011 Scheme during the year ended 31 December 2017.

SHARE OPTION SCHEME *(continued)*

The 2011 Scheme *(continued)*

The closing market price of the Shares immediately before the date of grant of the 5,940,000,000 share options (which were granted on 18 January 2017) as quoted in the Stock Exchange's daily quotation sheet was HK$0.011 per share.

The fair value of the equity-settled share options granted on 18 January 2017 was HK$24,430,000 which was estimated as at the date of grant, using the binomial 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 (%)	68.40
Historical volatility (%)	68.40
Risk-free interest rate (%)	2.27
Expected life of share options (years)	10.00
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 5,945,000,000 share options outstanding under the 2011 Scheme as at 31 December 2017, and the total number of Shares available for issue is 5,945,000,000 which represented approximately 4.427% of the total issued share capital of the Company as at 31 December 2017.

Subsequent to the end of the reporting period, a total of 5,310,000,000 share options were granted on 25 January 2018 to the eligible participants at the exercise price of HK$0.01 per Share under the 2011 Scheme. The total number of Shares available for issue upon exercise of all the outstanding 11,255,000,000 share options under the 2011 Scheme is 11,255,000,000 Shares, which represented approximately 8.382% of the total issued share capital of the Company as at the date of this annual report. The exercise in full of the outstanding share options in the Company would result in the issue of 11,255,000,000 additional ordinary shares and an additional share capital and share premium (before issue expense) of HK$118,480,000 in the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, 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) (i) as recorded in the register required to be kept by the Company under section 352 of the SFO; or (ii) as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO; or (iii) the Model Code adopted by the Company:

Interests and short positions in the Shares and the underlying Shares as at 31 December 2017

(i) Long positions in the Shares:

Name of Directors	Number of the Shares interested and nature of interest		Total	Approximate percentage of the total issued share capital of the Company
	Personal	Corporate		(%)*
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 14,000,000,000 Shares held by the beneficial owners as at 31 December 2017. CCT Securities is an indirect wholly-owned subsidiary of CCT Fortis. Mr. Mak was deemed to have a security interest on the aforesaid 14,000,000,000 Shares under the SFO as he was 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. 52% of the total issued share capital in CCT Fortis as at 31 December 2017.

* The percentage was calculated based on 134,278,993,990 Shares in issue as at 31 December 2017.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES *(continued)*

Interests and short positions in the Shares and the underlying Shares as at 31 December 2017 *(continued)*

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

Name of 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 (%)*
Executive Directors						
Mr. Mak	18/1/2017	18/1/2017–17/1/2027	0.011	1,300,000,000	1,300,000,000	0.97
Cheng Yuk Ching, Flora	18/1/2017	18/1/2017–17/1/2027	0.011	825,000,000	825,000,000	0.61
Tam Ngai Hung, Terry	18/1/2017	18/1/2017–17/1/2027	0.011	825,000,000	825,000,000	0.61
Lai Mei Kwan	18/1/2017	18/1/2017–17/1/2027	0.011	1,300,000,000	1,300,000,000	0.97
Non-executive Director						
Tsui Wing Tak	18/1/2017	18/1/2017–17/1/2027	0.011	1,300,000,000	1,300,000,000	0.97
Independent non-executive Directors						
Chow Siu Ngor	17/1/2014	17/1/2014–16/1/2024	0.010	5,000,000	5,000,000	
	18/1/2017	18/1/2017–17/1/2027	0.011	10,000,000	10,000,000	
				Sub-total	*15,000,000*	0.01
Lau Ho Kit, Ivan	17/1/2014	17/1/2014–16/1/2024	0.010	5,000,000	5,000,000	
	18/1/2017	18/1/2017–17/1/2027	0.011	10,000,000	10,000,000	
				Sub-total	*15,000,000*	0.01
Tam King Ching, Kenny	17/1/2014	17/1/2014–16/1/2024	0.010	5,000,000	5,000,000	
	18/1/2017	18/1/2017–17/1/2027	0.011	10,000,000	10,000,000	
				Sub-total	*15,000,000*	0.01
Chow Ho Wan, Owen (Note)	18/1/2017	18/1/2017–17/1/2027	0.011	10,000,000	10,000,000	0.01
Grand total				5,605,000,000	5,605,000,000	

* The percentage was calculated based on 134,278,993,990 Shares in issue as at 31 December 2017.

Note: The 10,000,000 share options granted to Dr. Chow Ho Wan, Owen were lapsed upon his resignation as an INED of the Company on 30 September 2017.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES *(continued)*

Interests and short positions in the Shares and the underlying Shares as at 31 December 2017 *(continued)*

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

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

* The percentage was calculated based on 134,278,993,990 Shares in issue as at 31 December 2017.

Note: The interest disclosed represented security interest of CCT Securities in 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 as at 31 December 2017. CCT Securities is an indirect wholly- owned subsidiary of CCT Fortis. Mr. Mak was deemed to have a security interest in 49,567,100,000 underlying Shares under the SFO as he was 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 52.52% of the total issued share capital in CCT Fortis as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, 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' and Chief Executive's 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 2017, 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 2017

(i) *Long positions in the Shares:*

Name of 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

* The percentage was calculated based on 134,278,993,990 Shares in issue as at 31 December 2017.

Notes:

1. The interest disclosed represented the security interest of CCT Securities in the 14,000,000,000 Shares held by the beneficial owners as at 31 December 2017. 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' and Chief Executive's 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 was deemed to be interested in aforesaid Shares under the SFO as he was 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 2017.

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

Name of 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

* The percentage was calculated based on 134,278,993,990 Shares in issue as at 31 December 2017.

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(continued)*

Interests and short positions in the Shares and the underlying Shares as at 31 December 2017 *(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 as at 31 December 2017.

2. Mr. Choi Sung Fung was deemed to be interested in such underlying Shares under the SFO as he was 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 2017.

3. CCT Securities had 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 as at 31 December 2017.

4. CCT Fortis was deemed to have a security interest in 49,567,100,000 underlying Shares as at 31 December 2017 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' and Chief Executive's interests in Shares and underlying Shares" above.

Save for Mr. Mak, Ms. Cheng Yuk Ching, Flora and Mr. Tam Ngai Hung, Terry who are 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 independent non-executive 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 2017, 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 the Company under the Listing Rules. As at 31 December 2017, Mr. Mak held approximately 52.52% of the total number of issued shares of CCT Fortis. As such, CCT Fortis is an associate of Mr. Mak and is therefore a connected person of the Company under the Listing Rules. Transactions between the Company and CCT Fortis constitute connected transactions for the Company under the Listing Rules. During the two years ended 31 December 2017 and 2016, the Company and certain indirect wholly-owned subsidiaries of the Company had entered into the following connected transactions and continuing connected transactions with CCT Fortis and certain subsidiaries of CCT Fortis.

		Year ended 31 December	
HK$ million	Notes	**2017**	2016
Wholly-owned subsidiaries of CCT Fortis:			
Continuing connected transactions:			
Purchase of components	(i)	**58.8**	83.3
Factory rental income	(ii)	**3.5**	6.0
Supply of Child Products	(iii)	**143.6**	20.5
Connected transactions:			
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)	**145.6**	147.1
CCT Fortis:			
Connected transactions:			
Disposal of Child Product Trading Business	(v)	**–**	24.0
Continuing connected transactions:			
Management information system service fee	(vi)	**6.0**	6.0

Notes:

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

The purchase prices of plastic casings, components and any other component products were determined based on direct material costs plus a mark-up of no more than 250%. The charges for tooling 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 Enterprise"), a former 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 dated 10 December 2014 (the "Huiyang Tenancy Agreement") entered into between Shine Best and CCT Enterprise, which has a lease term of three years from 1 January 2015 to 31 December 2017. The factory building was leased by CCT Enterprise 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. Following completion of the Transaction, the lease of factory space by CCT Enterprise to Shine Best no longer constitutes continuing connection transaction for the Company.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(continued)*

Notes: *(continued)*

(iii) This represented transaction amount for the supply of Child Products by the Group to the CCT Fortis Group for the year ended 31 December 2017. These transactions were conducted pursuant to the terms and conditions of a manufacturing agreement dated 3 August 2016 (the "Child Products Manufacturing Agreement") entered into between CCT Tech Global Holdings Limited ("CCT Global"), a wholly-owned subsidiary of the Company and CCT Fortis, as amended and supplemental by the first supplemental agreement dated 31 August 2016, the second supplemental agreement dated 14 September 2016 and the third supplemental agreement dated 4 October 2016 (the first, second and the third supplemental agreements being referred to hereinafter as the "Supplemental Agreements"). The Child Products Manufacturing Agreement (as amended and supplemented by the Supplemental Agreements) has a term from 14 October 2016 (being the date on which the disposal of Child Product Trading Business by the Company to CCT Fortis as described in paragraph (v) below was completed) to 31 December 2018. In respect of the transactions contemplated under the Child Products Manufacturing Agreement (as amended and supplemented by the Supplemental Agreements), the price of the Child Products supplied by the Group to the CCT Fortis Group will be the higher of: (i) the sum of the direct material costs plus a mark-up no more than 250% of the direct material costs for manufacture of the Child Products; or (ii) the selling prices that CCT Fortis sells the Child Products 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 Agreements) during the year were determined in accordance with the pricing terms described above.

(iv) The amounts of the guarantee for the year ended 31 December 2017 and 2016 represented the corporate guarantees provided by CCT Fortis to secure certain bank borrowings of the Group.

(v) On 3 August 2016, CCT Global entered into an agreement (the "Disposal Agreement") with CCT Fortis, under which CCT Global agreed to sell and CCT Fortis or its nominee 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 was transferred to the CCT Fortis Group. After the disposal, the Group continues to 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 Agreements) as described in paragraph (iii) above.

(vi) 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 service fee was determined in accordance with the terms and conditions set out in the agreement dated 10 December 2014 (the "MIS Agreement") entered into between CCT Fortis and the Company, which has a term of three years from 1 January 2015 to 31 December 2017.

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 Agreements) are referred to as the "Child Products Supply 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 2017 as indicated in note (i) above did not exceed the approved cap amount of HK$160.0 million;

(b) the aggregate value of the Child Products Supply Transactions for the year ended 31 December 2017 as indicated in note (iii) above did not exceed the approved cap amount of HK$190.0 million;

(c) the annual consideration of each of the Administrative Transactions for the year ended 31 December 2017 as indicated in notes (ii) and (vi) above did not exceed the approved cap amount of HK$9.0 million and HK$10.0 million, respectively;

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

(f) the Component Manufacturing Transactions, Child Products Supply 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 2017 to 31 December 2017, 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 resigned as an INED of The Grande Holdings Limited (stock code: 00186, a company listed on the Stock Exchange) on 22 December 2017.

Ms. Lai Mei Kwan resigned as an INED of Jia Meng Holdings Limited (currently known as "EJE (Hong Kong) Holdings Limited") (stock code: 08101, a company listed on the Stock Exchange) on 1 August 2017.

Mr. Tam Ngai Hung, Terry resigned as the company secretary of the Company on 9 February 2017 and was appointed as the company secretary of the Company on 5 March 2018.

Mr. Tsui Wing Tak was appointed as an executive director of Tree Holdings Limited (stock code: 08395) in January 2018 and the company secretary of Ching Lee Holdings Limited (stock: 03728) in August 2017, both companies listed on the Stock Exchange.

CHANGE IN DIRECTORS OF THE COMPANY

Name of Directors	Details of Changes
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 on 13 January 2017 and resigned as an INED of the Company with effect from 30 September 2017
Guan Huanfei	Resigned as an executive Director with effect from 30 September 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 any business of the Company, were entered into or subsisted during the year ended 31 December 2017.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event after the reporting period of the Group are set out in note 43 to the financial statements of this annual report.

AUDITORS

The financial statements for the year ended 31 December 2017 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
28 March 2018

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 135, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 2017, goodwill relating to the finance business cash-generating unit was stated at the net carrying amount of HK$45 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. During the year, an impairment of HK$35 million was recorded. 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 discount rate applied. We tested the sensitivity of a reasonably possible change in the discount rate to the recoverable amount of the cash-generating unit, and also involved our internal valuation specialists to assist us in evaluating the discount rate and perpetual growth rate used in the 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.
Recoverability assessment of receivable from deemed disposal of subsidiaries	
As at 31 December 2017, the Group had an other receivable of HK$252 million arising from the assignment of a shareholder's loan in relation to the deemed disposal of certain of the Group's subsidiaries. This other receivable represented approximately 13% of the total assets of the Group. Significant judgements and estimations are applied by management in determining whether the receivable is recoverable and if a provision for impairment is required. Factors taken into account included the credit assessment of the debtor, the terms of the receivable, including due dates, evidence of disputes and past payment records. Management determined that no impairment provision was necessary at 31 December 2017. Related disclosures are included in note 3, note 22 and note 34(b) to the consolidated financial statements.	Our audit procedures included evaluating management's processes and controls relating to the monitoring of other receivables. Our audit procedures also included obtaining management's assessment about the financial strength of the debtor, reviewing the repayment history and obtaining direct confirmation from the debtor. We then evaluated management's assessment as to the recoverability of the receivable.

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
Net realisable value of properties held for sale and properties under development	
As at 31 December 2017, the Group had properties held for sale of HK$596 million and properties under development of HK$447 million, which are stated at the lower of cost and net realisable value. These properties in aggregate represented 55% of the Group's total assets. Significant management judgement and estimation are required to determine 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, 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 19 and note 20 to the consolidated financial statements.	Our audit procedures included evaluating the objectivity, independence and competency of the external valuer, and involving our internal valuation specialists to assist us in evaluating and testing the assumptions and methodologies used in the valuations . 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 Chow Chi Chung.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
28 March 2018

consolidated statement of profit or loss

Year ended 31 December 2017

HK$ million	Notes	2017	2016
CONTINUING OPERATIONS			
REVENUE	5	**580**	735
Cost of sales		**(553)**	(686)
Gross profit		**27**	49
Other income and gains, net		**19**	10
Selling and distribution expenses		**(17)**	(22)
Administrative expenses		**(94)**	(86)
Other expenses, net		**(107)**	(23)
Finance costs	7	**(11)**	(3)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	**(183)**	(75)
Income tax credit	10	**28**	6
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(155)**	(69)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	11	**(41)**	(79)
LOSS FOR THE YEAR		**(196)**	(148)
Attributable to:			
Owners of the parent			
Continuing operations		**(157)**	(71)
Discontinued operations		**(41)**	(79)
		(198)	(150)
Non-controlling interest		**2**	2
		(196)	(148)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted			
— For loss for the year		**(HK0.15 cent)**	(HK0.12 cent)
— For loss from continuing operations		**(HK0.12 cent)**	(HK0.06 cent)

consolidated statement of comprehensive income

Year ended 31 December 2017

HK$ million	2017	2016
LOSS FOR THE YEAR	**(196)**	(148)
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	**59**	(47)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**59**	(47)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(137)**	(195)
Attributable to:		
Owners of the parent	**(139)**	(197)
Non-controlling interest	**2**	2
	(137)	(195)

consolidated statement of financial position

31 December 2017

HK$ million	Notes	2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	14	**9**	114
Investment properties	15	**44**	299
Prepaid land lease payments	16	**–**	39
Goodwill	17	**45**	80
Total non-current assets		**98**	532
Current assets			
Inventories	18	**–**	38
Properties under development	19	**447**	361
Properties held for sale	20	**596**	753
Trade and loans receivables	21	**195**	142
Prepayments, deposits and other receivables	22	**291**	79
Financial assets at fair value through profit or loss	23	**1**	6
Pledged time deposits	24	**63**	107
Cash and cash equivalents	24	**222**	131
Total current assets		**1,815**	1,617
Total assets		**1,913**	2,149
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital	30	**1,343**	1,343
Convertible bonds	32	**496**	496
Reserves	33	**(552)**	(453)
		1,287	1,386
Non-controlling interest		**33**	31
Total equity		**1,320**	1,417
Non-current liabilities			
Interest-bearing bank and other borrowings	27	**55**	82
Deferred tax liabilities	29	**54**	100
Total non-current liabilities		**109**	182
Current liabilities			
Trade and bills payables	25	**241**	182
Tax payable		**1**	7
Other payables and accruals	26	**52**	83
Interest-bearing bank and other borrowings	27	**190**	278
Total current liabilities		**484**	550
Total liabilities		**593**	732
Total equity and liabilities		**1,913**	2,149
Net current assets		**1,331**	1,067
Total assets less current liabilities		**1,429**	1,599

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

consolidated statement of changes in equity

Year ended 31 December 2017

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
	Attributable to owners of the parent										
At 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 and 1 January 2017	**1,343**	**496**	**341***	**733***	**–*/****	**19***	**(102)***	**(1,444)***	**1,386**	**31**	**1,417**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(198)**	**(198)**	**2**	**(196)**
Other comprehensive income for the year:											
Exchange differences related to foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**59**	**–**	**59**	**–**	**59**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**59**	**(198)**	**(139)**	**2**	**(137)**
Deemed disposal of subsidiaries (note 34(b))	**–**	**–**	**–**	**–**	**–**	**(14)**	**16**	**14**	**16**	**–**	**16**
Equity-settled share option arrangement (note 31)	**–**	**–**	**–**	**–**	**24**	**–**	**–**	**–**	**24**	**–**	**24**
Transfer of share option reserve upon the forfeiture of share options (note 31)	**–**	**–**	**–**	**–**	**–****	**–**	**–**	**–****	**–**	**–**	**–****
At 31 December 2017	**1,343**	**496**	**341***	**733***	**24***	**5***	**(27)***	**(1,628)***	**1,287**	**33**	**1,320**

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$552 million (2016: deficits of HK$453 million) in the consolidated statement of financial position.

** Less than HK$1 million

consolidated statement of cash flows

Year ended 31 December 2017

HK$ million	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax:			
From continuing operations		**(183)**	(75)
From discontinued operations		**(41)**	(79)
Adjustments for:			
Finance costs	7	**11**	8
Interest income	5	**(11)**	(10)
Depreciation		**16**	29
Loss on deemed disposal of subsidiaries	6	**9**	–
Amortisation of prepaid land lease payments		**1**	1
Fair value loss, net:			
Financial assets at fair value through profit or loss	6	**–**	2
Gain on disposal of financial assets at fair value through profit or loss	6	**(7)**	–
Impairment on property, plant and equipment		**–**	9
Impairment loss on properties under development	6	**28**	–
Impairment loss on properties held for sale	6	**27**	–
Impairment loss on goodwill	6	**35**	–
Write-off of property, plant and equipment	6	**2**	–
Changes in fair value of investment properties		**27**	34
(Reversal of impairment)/impairment of trade receivables, net	6	**(1)**	2
Provision for slow-moving and obsolete inventories		**–**	1
Exchange differences on intercompany loans		**–**	(12)
Equity-settled share option expense		**24**	–
		(63)	(90)
(Increase)/decrease in inventories		**(1)**	7
Increase in properties under development		**(95)**	(102)
Decrease in properties held for sale		**177**	225
Increase in trade and loans receivables		**(53)**	(4)
(Increase)/decrease in prepayments, deposits and other receivables		**(12)**	4
Increase/(decrease) in trade and bills payables		**81**	(80)
Decrease in other payables and accruals		**–**	(39)
Cash generated from/(used in) operations		**34**	(79)
Interest received		**17**	3
Interest paid		**(11)**	(8)
Mainland China tax paid		**(2)**	(3)
Net cash flows generated from/(used in) operating activities		**38**	(87)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(3)**	(1)
Proceeds from disposal of financial assets at fair value through profit or loss		**12**	10
Acquisition of financial assets at fair value through profit or loss		**–**	(4)
Deemed disposal of subsidiaries	34(b)	**(4)**	–
Partial settlement of other receivable for deemed disposal of subsidiaries		**78**	–
Decrease in pledged time deposits		**21**	2
Net cash flows from investing activities		**104**	7

HK$ million	Note	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**170**	226
New trust receipts loans		**72**	62
Capital injection by a non-controlling shareholder		**–**	29
Repayment of bank loans and trust receipts loans		**(290)**	(286)
Net cash flows (used in)/from financing activities		**(48)**	31
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**94**	(49)
Cash and cash equivalents at beginning of year		**131**	185
Effect of foreign exchange rate changes, net		**(3)**	(5)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**222**	131
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**205**	110
Non-pledged time deposits with original maturity of less than three months when acquired		**17**	21
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**222**	131

notes to financial statements

31 December 2017

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:

- sale of telecom and electronic products and supply of infant and baby products (and the manufacturing operations were disposed of and discontinued during the year ended 31 December 2017 (note 11(b)));
- development and sale of properties in mainland China; and
- finance business in mainland China.

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		Principal activities
			Direct	Indirect	
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 Products
CCT Tech Marketing Limited	Hong Kong	HK$2 Ordinary	–	100	Supply of Child Products
CCT Tech (HK) Limited	Hong Kong	HK$2,600,000 Ordinary	–	100	Sourcing of Products and Child Products, raw materials and components
CCT Tech Advanced Products Limited*	Hong Kong	HK$2 Ordinary	–	100	Research and development on telecom and electronic products
CCT Automotive Limited	Hong Kong	HK$1 Ordinary	–	100	Electric vehicle business

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
Huizhou Wiltec Electronics Company Limited*/**	PRC/mainland China	HK$18,500,000 Registered^	–	100	Holding of investment property
Shenzhen Qianhai Huiyitong Financial Services Co., Ltd.*/**	PRC/mainland China	RMB100,000,000 Registered^^	–	51	Finance business in mainland China

^ 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 2017. 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.

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described 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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014–2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

Other than as explained below regarding the impact of amendments to HKAS 7 and amendments to HKAS 12, the adoption of the above revised standard has had no significant financial effect on these financial statements.

The nature and the impact of the amendments are described below:

(a) 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. Disclosure of the changes in liabilities arising from financing activities is provided in note 35(b) to the financial statements.

(b) Amendments to HKAS 12 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 amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

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*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[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*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
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 described below. Of those standards, HKFRS 9 and HKFRS 15 will be applicable for the Group's financial year ending 31 December 2018 and are expected to have a significant impact upon adoption. Whilst management has performed a detailed assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group, including expectations of the application of transitional provision options and policy choices. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards.

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 an 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. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will 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 will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months.

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 adoption now.

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

HKFRS 15, issued in July 2014, 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. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. 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 will adopt HKFRS 15 from 1 January 2018.

The Group's principal activities consist of the sale of telecom and electronic products and supply of infant and baby products, property development business and the provision of finance service. The expected impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

(a) Sale of telecom and electronic products and supply of infant and baby products

Timing of revenue recognition

Currently, sale of telecom and electronic products and supply of infant and baby products is recognised when the significant risks and rewards of ownership of the products are transferred to the customers. Upon the adoption of HKFRS 15, the Group expects to recognise the sale of telecom and electronic products and supply of infant and baby products at the point in time at which the Group delivers the products to the buyers under different shipment terms. The Group does not anticipate that the application of HKFRS 15 will have a material impact on the timing of revenue recognised in the respective periods.

Variable consideration on the sale of telecom and electronic products

The Group provides a right of return and rebates for some models of electronic products to specific customer. Currently, the Group recognises revenue from the sale of goods measured at fair value of the consideration received or receivable, net of returns and trade rebates. Since the Group does not recognise a performance obligation for the return right service, the Group recognises all of the revenue once the customer obtains control of the good. For the trade rebates to customer, the Group currently offers rebates to customers for purchasing specific products. The rebates are recognised in the following month of sales and the amount is not material for each month. Thus, the Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of HKFRS 15 will not be material.

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

(b) Property development business

Timing of revenue recognition

Currently, sale of completed properties is recognised 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 agreements, and the collectability of related receivables is reasonably assured. Upon the adoption of HKFRS 15, revenue from the sale of completed properties will be recognised when control over the properties is transferred to the buyers. Judgement will be required to assess whether control transfers over time or at a point of time. For properties that have no alternative use to the Group due to contractual restriction and which the Group has an enforceable right to payment from the customers for performance completed to date, the Group will recognise revenue as the performance obligations are satisfied over time by applying an input method for measuring progress. The Group has assessed that the sale agreements used by the Group are standardised in a large extent and in the case of pre-completion sales using standard agreements for sale and purchase, the Group does not have an enforceable right to payment for performance completed to date in accordance with HKFRS 15, and accordingly, the criteria for recognising revenue over time are not met. The Group expects to recognise the sale of completed properties until the point in time at which the Group delivers the properties to the buyers. The Group does not anticipate that the application of HKFRS 15 will have a material impact on the timing of revenue recognised in the respective periods.

Sales commission

The Group pays commission to the sales agents when agreement for sale and purchase is signed with property buyer. Following the adoption of HKFRS 15, incremental costs of obtaining a contract, including sales commission, if recoverable, are capitalised as an asset and shall be amortised on a systematic basis that is consistent with the transfer of the related property to the customer. Currently, the Group capitalised the sales commission as an asset until it is recognised in the profit or loss at the same time when revenue from the related completed property is recognised. Accordingly, the adoption of HKFRS 15 will not have a material impact for the sales commission in the respective periods.

Financing component for sale of completed properties

HKFRS 15 requires property developers to account for the financing component in a contract separately from revenue if the financing effects are significant, subject to a practical expedient where the period between the payment and delivery of properties will be less than one year. Currently, it is expected that the length of time between the payment and delivery of properties of the Group's projects will exceed one year. Accordingly, the financing component is considered to be significant. The amount of the financing component is estimated at the contract inception and the payment plan is confirmed by the property buyer by using a discount rate that would be reflected in a separate financing transaction between the Group and the customer reflecting the credit characteristics of the Group as well as any collateral or security provided. Interest expense is recognised only to the extent that a contract liability (receipts in advance) is recognised in accounting for the contract with the customer. The Group expects an adjustment to reduce the current year opening retained profits with a corresponding increase in receipts in advance.

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

(c) Provision of finance business

The interest income arising from contractual rights or obligations within scope of HKFRS 9 *Financial Instruments* is not within the scope of HKFRS 15 and therefore, there is no effect on the recognition of revenue on this segment.

(d) Presentation and disclosure

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by HKFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

HKFRS 16, issued in May 2016, 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 elective 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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 37 to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$1 million. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

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

HKFRS 17 is effective for reporting periods beginning on or after 1 January 2021. Early application is permitted, provided the entity also applies HKFRS 9 and HKFRS 15 on or before the date it first applies HKFRS 17. The standard is not expected to have any impact on the Group.

Amendments to HKAS 28 issued in January 2018 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

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

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

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

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 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 bond

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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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 were no deferred tax assets relating to recognised tax losses at 31 December 2017 (2016: nil). 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 and other 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 ageing 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 and other receivables are set out in note 21 and note 22 to the financial statements, respectively.

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 products trading business segment representing the sale of telecom and electronic products and supply of infant and baby products;

(b) the mainland property business segment representing the development and sale of properties in mainland China; and

(c) the mainland finance business segment representing the finance business in mainland China.

The discontinued operations presented in these financial statements represented the manufacturing of telecom, electronic and child products which was discontinued during the year ended 31 December 2017 and the trading and sale of child products which was discontinued in 2016.

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 finance costs, impairment of goodwill, equity-settled share option expense, the head office and corporate expenses are excluded from such measurement.

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

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

4. OPERATING SEGMENT INFORMATION *(continued)*

	Continuing operations								Discontinued operations									
	Products Trading Business		Mainland Property Business		Mainland Finance Business		Total continuing operations		Trading of child products		Products manufacturing operations		Total discontinued operations		Reconciliations		Total	
HK$ million	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Segment revenue																		
Sales to external customers	**414**	510	**156**	217	**10**	8	**580**	735	**–**	126	**58**	159	**58**	285	**(58)**	(280)	**580**	740
Other revenue	**8**	8	**–**	–	**–**	–	**8**	8	**–**	–	**5**	8	**5**	8	**7**	–	**20**	16
	422	518	**156**	217	**10**	8	**588**	743	**–**	126	**63**	167	**63**	293	**(51)**	(280)	**600**	756
Operating profit/(loss)	**(4)**	(8)	**(102)**	(61)	**7**	5	**(99)**	(64)	**–**	–	**(37)**	(74)	**(37)**	(74)	**–**	–	**(136)**	(138)
Loss on deemed disposal of subsidiaries	**(9)**	–	**–**	–	**–**	–	**(9)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(9)**	–
Impairment of goodwill	**–**	–	**–**	–	**(35)**	–	**(35)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(35)**	–
Finance costs	**(4)**	(3)	**(7)**	–	**–**	–	**(11)**	(3)	**–**	–	**(4)**	(5)	**(4)**	(5)	**–**	–	**(15)**	(8)
Reconciled items:																		
Corporate and other unallocated expenses	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(5)**	(8)	**(5)**	(8)
Equity-settled share option expense	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(24)**	–	**(24)**	–
(Loss)/profit before tax	**(17)**	(11)	**(109)**	(61)	**(28)**	5	**(154)**	(67)	**–**	–	**(41)**	(79)	**(41)**	(79)	**(29)**	(8)	**(224)**	(154)
Income tax credit							**28**	6					**–**	–	**–**	–	**28**	6
Loss for the year							**(126)**	(61)					**(41)**	(79)	**(29)**	(8)	**(196)**	(148)
Other segment information:																		
Bank interest income	**1**	2	**–**	–	**–**	–	**1**	2	**–**	–	**–**	–	**–**	–	**–**	–	**1**	2
Expenditure for non-current assets	**2**	1	**–**	–	**1**	–	**3**	1	**–**	–	**–**	–	**–**	–	**–**	–	**3**	1
Depreciation and amortisation	**(3)**	(3)	**–**	–	**–**	–	**(3)**	(3)	**–**	–	**(13)**	(27)	**(13)**	(27)	**–**	–	**(16)**	(30)
Other material non-cash items:																		
(Impairment)/reversal of impairment on trade receivables	**1**	1	**–**	(3)	**–**	–	**1**	(2)	**–**	–	**–**	–	**–**	–	**–**	–	**1**	(2)
Equity-settled share option expense	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(24)**	–	**(24)**	–
Fair value loss on investment properties	**(6)**	(5)	**–**	–	**–**	–	**(6)**	(5)	**–**	–	**(21)**	(29)	**(21)**	(29)	**–**	–	**(27)**	(34)
Write-off of property, plant and equipment	**(2)**	–	**–**	–	**–**	–	**(2)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(2)**	–
Provision for slow-moving and obsolete inventories	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(1)	**–**	(1)	**–**	–	**–**	(1)
Impairment of property, plant and equipment	**–**	(2)	**–**	–	**–**	–	**–**	(2)	**–**	–	**–**	(7)	**–**	(7)	**–**	–	**–**	(9)
Impairment of properties held for sale	**–**	–	**(27)**	–	**–**	–	**(27)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(27)**	–
Impairment of properties under development	**–**	–	**(28)**	–	**–**	–	**(28)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(28)**	–
Impairment of goodwill	**–**	–	**–**	–	**(35)**	–	**(35)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(35)**	–

4. OPERATING SEGMENT INFORMATION *(continued)*

	Continuing operations								Discontinued operations							
	Products Trading Business		Mainland Property Business		Mainland Finance Business		Total continuing operations		Trading of child products		Products manufacturing operations		Reconciliations		Total	
HK$ million	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Segment assets	**379**	487	**1,074**	1,183	**118**	141	**1,571**	1,811	**–**	–	**–**	323	**–**	–	**1,571**	2,134
Reconciled items:																
Corporate and other unallocated assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**342**	15	**342**	15
Total assets	**379**	487	**1,074**	1,183	**118**	141	**1,571**	1,811	**–**	–	**–**	323	**342**	15	**1,913**	2,149
Segment liabilities	**379**	269	**129**	208	**1**	–#	**509**	477	**–**	–	**–**	148	**–**	–	**509**	625
Reconciled items:																
Corporate and other unallocated liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**84**	107	**84**	107
Total liabilities	**379**	269	**129**	208	**1**	–#	**509**	477	**–**	–	**–**	148	**84**	107	**593**	732

Less than HK$1 million

Geographical information

(a) *Revenue from external customers*

HK$ million	**2017**	2016
Mainland China and Hong Kong	**295**	290
Europe	**147**	295
North America	**117**	117
Asia Pacific and others	**21**	33
	580	735

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	**2017**	2016
Hong Kong	**6**	6
Mainland China	**92**	526
	98	532

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 2017, revenue from continuing operations of approximately HK$142 million, HK$84 million and HK$78 million (2016: HK$120 million and HK$81 million) was derived from sales by the telecom products segment and the child products segment to three (2016: 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	2017	2016
Sale of telecom, electronic and child products	**414**	508
Sale of properties	**155**	217
Interest income from loans receivable	**10**	8
Bank interest income	**1**	2
	580	735

6. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

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

HK$ million	Notes	2017	2016
Cost of inventories sold		**380**	443
Cost of properties sold		**173**	242
Depreciation		**3**	3
Minimum lease payments under operating leases		**4**	2
Research and development costs:			
Current year expenditure		**9**	10
Auditor's remuneration		**3**	2
Employee benefit expense (excluding directors' and chief executive's remuneration — note 8):			
Wages and salaries		**23**	32
Equity-settled share option expense*		**1**	–
Pension scheme contributions***		**1**	1
		25	33
(Reversal of impairment)/impairment of trade receivables, net*	21	**(1)**	2
Foreign exchange differences, net		**(3)**	(1)
Gross rental income**		**(2)**	(2)
Changes in fair value of investment properties*		**6**	5
Fair value loss, net:			
Financial assets at fair value through profit or loss*		**–**	2
Write-off of property, plant and equipment*	14	**2**	–
Impairment on property, plant and equipment*		**–**	2
Impairment loss on properties held for sale*		**27**	–
Impairment loss on properties under development*		**28**	–
Gain on disposal of financial assets at fair value through profit or loss**		**(7)**	–
Loss on deemed disposal of subsidiaries*	34(b)	**9**	–
Impairment loss on goodwill*	17	**35**	–

* 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.

7. FINANCE COSTS

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

HK$ million	2017	2016
Interest on bank loans	11	3
Total interest expense on financial liabilities not at fair value through profit or loss	11	3

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	2017	2016
Fees:		
Executive directors, non-executive director and chief executive	1	1
Independent non-executive directors	1	1
	2	2
Other emoluments:		
Salaries, allowances and benefits in kind	5	5
Equity-settled share option expense	23	–
Pension scheme contributions	–#	–#
	28	5
	30	7

Less than HK$1 million

During the year, share options was granted to certain directors of the Company under the share option scheme of the Company, to reward their services to the Group, further details of which are set out in note 31 to the financial statements. The fair value of such options, which was recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the reporting period is included in the above disclosure of directors' and chief executive's remuneration.

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$'000	Equity-settled share option expense HK$'000	Total remuneration HK$'000
2017			
Chow Siu Ngor	**240**	**41**	**281**
Lau Ho Kit, Ivan	**240**	**41**	**281**
Tam King Ching, Kenny	**–**	**41**	**41**
Chow Ho Wan, Owen (appointed on 13 January 2017 and resigned on 30 September 2017)	**172**	**41**	**213**
	652	**164**	**816**
2016			
Chow Siu Ngor	240	–	240
Lau Ho Kit, Ivan	240	–	240
William Robert Majcher (resigned on 29 February 2016)	40	–	40
Tam King Ching, Kenny (appointed on 29 February 2016)	–	–	–
	520	–	520

There were no other emoluments payable to the independent non-executive directors during the year (2016: nil).

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

(b) Executive directors, non-executive director and chief executive

HK$ million	Fees	Salaries, allowances and benefits in kind	Equity-settled share option expense	Pension scheme contributions	Total remuneration
2017					
Executive directors:					
Mak Shiu Tong, Clement — chief executive	**–**	**2.8**	**5.3**	**0.2**	**8.3**
Tam Ngai Hung, Terry	**–**	**1.1**	**3.4**	**0.1**	**4.6**
Cheng Yuk Ching, Flora	**–**	**1.1**	**3.4**	**0.1**	**4.6**
Guan Huanfei (resigned on 30 September 2017)	**0.5**	**–**	**–**	**–**	**0.5**
Lai Mei Kwan	**0.6**	**–**	**5.3**	**–**	**5.9**
	1.1	**5.0**	**17.4**	**0.4**	**23.9**
Non-executive director:					
Tsui Wing Tak (appointed on 13 January 2017)	**0.2**	**–**	**5.3**	**–**	**5.5**
	1.3	**5.0**	**22.7**	**0.4**	**29.4**

HK$ million	Fees	Salaries, allowances and benefits in kind	Equity-settled share option expense	Pension scheme contributions	Total remuneration
2016					
Executive directors:					
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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2016: nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2016: three) directors (one (2016: 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 (2016: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

HK$ million	**2017**	2016
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	
	2017	2016
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% (2016: 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	**2017**	2016
Current — Mainland China		
Mainland China land appreciation tax	**1**	4
Mainland China corporate income tax	**2**	–
Underprovision in prior years	**1**	–
Deferred (note 29)	**(32)**	(10)
Total tax credit for the year from continuing operations	**(28)**	(6)
Total tax credit for the year from discontinued operations	**–**	–
	(28)	(6)

10. INCOME TAX *(continued)*

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:

2017

HK$ million	Hong Kong	%	The PRC, excluding Hong Kong	%	Total	%
Loss before tax from continuing operations	(59.5)		(123.9)		(183.4)	
Profit/(loss) before tax from a discontinued operation	0.4		(41.8)		(41.4)	
	(59.1)		(165.7)		(224.8)	
Tax at the statutory tax rate	(9.7)	16.5	(41.4)	25.0	(51.1)	22.7
Income not subject to tax	(0.2)	0.3	–	–	(0.2)	0.1
Expenses not deductible for tax	9.9	(16.8)	16.3	(9.9)	26.2	(11.7)
Tax losses not recognised	–	–	13.1	(7.9)	13.1	(5.8)
Adjustment in respect of current tax of previous periods	–	–	1.2	(0.7)	1.2	(0.5)
Land appreciation taxes	–	–	(17.6)	10.6	(17.6)	7.8
Tax credit at the Group's effective rate	–	–	(28.4)	17.1	(28.4)	12.6
Tax credit from continuing operations at the Group's effective rate	–	–	(28.4)	17.1	(28.4)	12.6
Tax credit from a discontinued operation at the Group's effective rate	–	–	–	–	–	–

10. INCOME TAX *(continued)*

2016

HK$ million	Hong Kong	%	The PRC, excluding Hong Kong	%	Total	%
Loss before tax from continuing operations	(14.8)		(60.5)		(75.3)	
Profit/(loss) before tax from a discontinued operation	0.4		(79.1)		(78.7)	
	(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	(12.0)
Land appreciation taxes	–	–	(1.1)	0.8	(1.1)	0.7
Tax credit at the Group's effective rate	0.4	(2.8)	(6.5)	4.7	(6.1)	4.0
Tax charge/(credit) from continuing operations at the Group's effective rate	0.4	(2.8)	(6.5)	4.7	(6.1)	4.0
Tax charge/(credit) from a discontinued operation at the Group's effective rate	–	–	–	–	–	–

11. DISCONTINUED OPERATIONS

(a) On 3 August 2016, CCT Tech Global Limited ("CCT Global"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with CCT Fortis Holdings Limited ("CCT Fortis"), pursuant to which CCT Global conditionally agreed to dispose of its interest in the 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, to be satisfied by way of set-off the interest-free loan of HK$24,000,000 due by the Company to CCT Fortis at that time (the "Disposal"). The Disposal 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.

The results of the Suremark Group were no longer consolidated into the Group's results subsequent to the completion of the Disposal.

11. DISCONTINUED OPERATIONS *(continued)*

(a) *(continued)*

The results of the Suremark Group attributable to the Group for the period in 2016 up to the date of completion of the Disposal are presented below:

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

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

Less than HK$1 million

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

* Less than HK0.01 cent

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

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

11. DISCONTINUED OPERATIONS *(continued)*

(b) On 11 August 2017, the Company entered into an agreement ("Subscription Agreement") with CCT Enterprise Limited ("CCT Enterprise"), an indirectly wholly-owned subsidiary of the Company, and Estate Express Limited ("Estate Express"), an independent third party, pursuant to which Estate Express would subscribe for 99.99% equity shares of CCT Enterprise Limited, and the Company would assign a shareholder's loan of HK$330 million and all the rights associated with such loan to Estate Express upon the full settlement of consideration of HK$330 million. The transaction contemplated under the Subscription Agreement (the "Transaction") was completed on 11 August 2017 and CCT Enterprise and its subsidiaries ceased to be subsidiaries of the Company. As at 31 December 2017, the outstanding consideration of HK$252 million was included in other receivables (note 22).

CCT Enterprise Limited is principally engaged in the manufacturing of telecom products and child products through its subsidiaries (collectively the "Enterprise Group").

The results of the Enterprise Group were no longer consolidated into the Group's results subsequent to the completion of the Transaction.

The results of the Enterprise Group attributable to the Group for the period in 2017 up to the date of completion of the Transaction are presented below:

HK$ million	**2017**	2016
Revenue	**63**	167
Expenses	**(104)**	(246)
Loss before tax	**(41)**	(79)
Income tax expense	**–**	–
Loss for the year from the discontinued operation	**(41)**	(79)

HK$ million	**2017**	2016
Loss attributable to ordinary equity holders of the parent from the discontinued operation, used in the basic and diluted loss per share calculations	**(41)**	(79)

\# Less than HK$1 million

	Number of shares	
	2017	2016
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculations (note 13)	**134,278,993,990**	123,181,459,743
Loss per share:		
Basic from the discontinued operation	**(HK0.03 cent)**	(HK0.06 cent)
Diluted from the discontinued operation	**(HK0.03 cent)**	(HK0.06 cent)

11. DISCONTINUED OPERATIONS *(continued)*

(b) *(continued)*

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

HK$ million	2017	2016
Operating activities	**(7)**	(21)
Investing activities	**13**	1
Financing activities	**(27)**	33
Net cash (outflows)/inflows	**(21)**	13

12. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2017 (2016: nil).

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

The calculation of the basic loss per share is based on:

HK$ million	2017	2016
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation		
From continuing operations	**(157)**	(71)
From a discontinued operation	**(41)**	(79)
Total	**(198)**	(150)

	Number of shares	
	2017	2016
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**134,278,993,990**	123,181,459,743

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2017 and 2016 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	Total
31 December 2017						
At 31 December 2016 and 1 January 2017:						
Cost	383	157	137	91	13	781
Accumulated depreciation and impairment	(278)	(157)	(137)	(86)	(9)	(667)
Net carrying amount	105	–	–	5	4	114
At 1 January 2017, net of accumulated depreciation and impairment	105	–	–	5	4	114
Additions	–	–	–	1	2	3
Deemed disposal of subsidiaries (note 34(b))	(88)	–	–	–	(2)	(90)
Write-off (note 6)	(2)	–	–	–	–	(2)
Depreciation provided during the year	(15)	–	–	–#	(1)	(16)
At 31 December 2017, net of accumulated depreciation and impairment	–	–	–	6	3	9
At 31 December 2017:						
Cost	383	157	137	92	11	780
Accumulated depreciation and impairment	(383)	(157)	(137)	(86)	(8)	(771)
Net carrying amount	–	–	–	6	3	9

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

HK$ million	Buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Total
31 December 2016						
At 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 34(a))	–#	–#	–#	–#	–#	–#
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

Less than HK$1 million

The net carrying amount of motor vehicles held under finance leases included in the total amount of motor vehicles at 31 December 2017 was HK$2 million (2016: HK$1 million).

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

15. INVESTMENT PROPERTIES

HK$ million	2017	2016
Carrying amount at 1 January	**299**	333
Deemed disposal of subsidiaries (note 34(b))	**(228)**	–
Net loss from a fair value adjustment	**(27)**	(34)
Carrying amount at 31 December	**44**	299

The Group's investment properties consist of a commercial property in Mainland China. The directors of the Company have determined that the investment properties consisted of two classes of asset, i.e., commercial and industrial, based on the nature, characteristics and risk of each property. The Group's investment properties were revalued on 31 December 2017 based on valuations performed by Grant Sherman Appraisal Limited, an independent professionally qualified valuer, at HK$44 million. Each year, the 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 37(a) to the financial statements.

As at 31 December 2016, the industrial property was leased to an indirectly wholly-owned subsidiary of CCT Fortis under operating lease, which was disposed of during the year, further summary details of which are included in note 37(a) and note 39(a)(ii) to the financial statements.

At 31 December 2017 and 2016, 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 2017 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	**–**	**–**	**44**	**44**

	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

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 (2016: 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 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 and 1 January 2017	137	162
Deemed disposal of subsidiaries (note 34(b))	**(74)**	**(154)**
Net loss from a fair value adjustment recognised in other expenses in profit or loss	**(19)**	**(8)**
Carrying amount at 31 December 2017	**44**	**–**

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

2017	Valuation technique	Significant unobservable input	
Commercial property	**Income approach**	**Term rent (per annum)**	**HK$2 million**
		Term yield	**5%–5.5%**
		Reversionary rent (per annum)	**HK$2 million**
		Reversionary yield	**5.5%–6%**

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%

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 referring 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	2017	2016
Carrying amount at 1 January	**40**	41
Recognised during the year	**(1)**	(1)
Deemed disposal of subsidiaries (note 34(b))	**(38)**	–
Carrying amount at 31 December	**1**	40
Current portion included in prepayments, deposits and other receivables	**(1)**	(1)
Non-current portion	**–**	39

At 31 December 2016, 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	2017	2016
At 1 January:		
Cost	**103**	103
Accumulated impairment	**(23)**	(23)
Net carrying amount	**80**	80
Cost at 1 January, net of accumulated impairment	**80**	80
Impairment during the year (note 6)	**(35)**	–
Net carrying amount at 31 December	**45**	80
At 31 December:		
Cost	**103**	103
Accumulated impairment	**(58)**	(23)
Net carrying amount	**45**	80

17. GOODWILL *(continued)*

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating unit for the mainland finance business for impairment testing. The recoverable amount of the cash-generating unit of the mainland finance business is determined based on value in use calculations using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections of the mainland finance business is 23.1% (2016: 24.0%). The cash flow projections of the mainland finance business beyond the five-year period of financial budgets are extrapolated using a growth rate of 3.0% (2016: 3.0%), which did not exceed the long term average growth rate of the industry.

Assumptions were used in the value in use calculation of the mainland finance business cash-generating unit for 31 December 2017. The following describes the key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

Assumptions were used in the value in use calculation of the mainland 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 reflects specific risks relating to the relevant unit.

Based on the annual impairment test performed, an impairment loss of HK$35 million has been provided in relation to the mainland finance business as the cash-generating unit has been reduced to its recoverable amount of HK$80 million. The impairment loss arose as a result of the less than satisfactory past and expected performance of the cash-generating unit of the mainland finance business.

18. INVENTORIES

HK$ million	2017	2016
Raw materials	–	10
Work in progress	–	5
Finished goods	–	23
	–	38

19. PROPERTIES UNDER DEVELOPMENT

HK$ million	2017	2016
Properties under development expected to be completed within normal operating cycle, included under current assets and recoverable:		
After one year	447	361

20. PROPERTIES HELD FOR SALE

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

At 31 December 2017, certain of the Group's bank loans were secured by 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$170 million (2016: HK$407 million) (note 27(a)(v)).

21. TRADE AND LOANS RECEIVABLES

HK$ million	Notes	2017	2016
Trade receivables	(a)	146	92
Impairment	(a)	(7)	(8)
		139	84
Loans receivable	(b)	56	53
Interest receivables	(b)	–	5
		56	58
Total trade and loans receivables		195	142

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 ageing 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:

	2017		2016	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**32**	**23**	18	21
31 to 60 days	**21**	**15**	24	29
61 to 90 days	**13**	**9**	13	15
Over 90 days	**73**	**53**	29	35
	139	**100**	84	100

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

HK$ million	**2017**	2016
At 1 January	**8**	6
Impairment losses recognised (note 6)	**–**	4
Impairment losses reversed (note 6)	**(1)**	(2)
At 31 December	**7**	8

Included in the above provision for impairment is a provision for individually impaired trade receivables of HK$7 million (2016: HK$8 million) with a carrying amount before provision of HK$7 million (2016: HK$8 million).

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

HK$ million	**2017**	2016
Neither past due nor impaired	**46**	67
Past due but not impaired — within six months	**93**	17
	139	84

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 mainland property 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.

As at 31 December 2017, included in the trade receivables were trade receivables of HK$8 million (2016: HK$4 million) due from Wiltec Industrial Limited and trade receivables of HK$1 million (2016: nil) due from Wiltec HK Company Limited, both being wholly-owned subsidiaries of CCT Fortis, which were unsecured, interest-free and repayable within 90 days from the invoice date.

(b) The Group's loans and interest receivables, which arise from the mainland finance business in the mainland China, are denominated in RMB. The credit period is generally within one year. As at 31 December 2017, the loans receivable of HK$56 million (2016: 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 42 to the financial statements.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

HK$ million	2017	2016
Prepayments	**9**	11
Deposits and other receivables	**282**	68
	291	79

Included in other receivables is an interest-free loan advanced to a contractor amounting to approximately HK$12.6 million (2016: HK$50 million), which is unsecured, interest-free and repayable on demand. In addition, included in other receivables is a receivable of HK$252 million arising from the assignment of a shareholder's loan in relation to the deemed disposal of 99.99% equity interests in subsidiaries, which is unsecured, bears interest at 3% per annum and is repayable in 2018.

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	2017	2016
Listed equity investments, at market value	**1**	6

The above equity investments at 31 December 2017 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$1 million.

24. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

HK$ million	2017	2016
Cash and bank balances	**205**	110
Time deposits	**80**	128
	285	238
Less: Pledged time deposits (note 27(a)(vi) and 27(b)):		
Pledged for short term bank loans and banking facilities	**(63)**	(107)
Cash and cash equivalents	**222**	131

At the end of the reporting period, the cash and cash equivalents and pledged time deposits of the Group denominated in RMB were HK$25 million (2016: HK$69 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 ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017		2016	
HK$ million	Balance	Percentage	Balance	Percentage
Current to 30 days	**33**	**14**	35	19
31 to 60 days	**34**	**14**	28	15
61 to 90 days	**25**	**10**	23	13
Over 90 days	**149**	**62**	96	53
	241	**100**	182	100

As at 31 December 2017, included in the trade and bills payables were trade payables of HK$5 million (2016: HK$25 million) due to CCT Plastic Limited, a wholly-owned subsidiary of CCT Fortis, 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	**2017**	2016
Other payables	**14**	24
Accruals	**15**	43
Receipts in advance	**23**	16
	52	83

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

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017			2016		
	Effective interest rate (%)	**Maturity**	**HK$ million**	Effective interest rate (%)	Maturity	HK$ million
Current						
Finance lease payables (note 28)	**3.69-3.88**	**2018**	**1**	3.78-3.88	2017	–#
Bank loans — secured	**1.93-3.96**	**2018**	**189**	1.83-9.00	2017	278
			190			278
Non-current						
Finance lease payables (note 28)	**3.69-3.88**	**2019-2020**	**1**	3.78-3.88	2018-2020	1
Bank loans — secured	**8.08**	**2019**	**54**	8.08	2019	81
			55			82
			245			360

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

HK$ million	2017	2016
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**189**	278
In the second year	**54**	–
In the third to fifth years, inclusive	**–**	81
	243	359
Other borrowings repayable:		
Within one year	**1**	–#
In the second year	**1**	–#
In the third to fifth years, inclusive	**–#**	1
	2	1
	245	360

Less than HK$1 million

Notes:

(a) Certain of the Group's bank loans were 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 as at 31 December 2016 (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$44 million (2016: HK$299 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 HK$40 million as at 31 December 2016 (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 as at 31 December 2016 (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$170 million (2016: HK$407 million) (note 20);

(vi) the pledge of certain time deposits of the Group amounting to HK$36 million as at 31 December 2016 (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 as at 31 December 2016.

In addition, CCT Fortis guaranteed certain of the Group's bank borrowings up to HK$146 million (2016: HK$147 million) as at the end of the reporting period.

(b) The Group's trading line banking facilities amounting to HK$280 million (2016: HK$200 million), of which HK$77 million (2016: HK$57 million) was utilised as at the end of the reporting period, are secured by the pledge of certain time deposits of the Group amounting to HK$63 million (2016: HK$71 million) (note 24).

(c) The Group's bank and other borrowings with carrying amounts of HK$128 million (2016: HK$51 million), HK$63 million (2016: HK$115 million) and HK$54 million (2016: HK$194 million) were denominated in HK$, United States dollars ("US$") and RMB, respectively.

(d) As at 31 December 2017, the Group's bank loans with an aggregate carrying amount of HK$142 million that were repayable over one year were classified as current liabilities. The classification was resulted from non-fulfilment of a term in the banking facility letter which stated that a subsidiary (which was disposed during the year) should maintain as a wholly-owned subsidiary of the Company.

28. FINANCE LEASE PAYABLES

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

At 31 December 2017, the total future minimum lease payments under a finance lease and their present values were as follows:

HK$ million	**Minimum lease payments 2017**	Minimum lease payments 2016	**Present value of minimum lease payments 2017**	Present value of minimum lease payments 2016
Amounts payable:				
Within one year	**0.7**	0.3	**0.7**	0.3
In the second year	**0.7**	0.3	**0.7**	0.3
In the third to fifth years, inclusive	**0.4**	0.6	**0.3**	0.5
Total minimum finance lease payments	**1.8**	1.2	**1.7**	1.1
Future finance charges	**(0.1)**	(0.1)		
Total net finance lease payables	**1.7**	1.1		
Portion classified as current liabilities (note 27)	**(0.7)**	(0.3)		
Non-current portion (note 27)	**1.0**	0.8		

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 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 and 1 January 2017	**83**	**17**	**100**
Deferred tax credited to statement of profit or loss during the year (note 10)	**(32)**	**–**	**(32)**
Deemed disposal of subsidiaries (note 34(b))	**–**	**(14)**	**(14)**
Gross deferred tax liabilities at 31 December 2017	**51**	**3**	**54**

The Group had tax losses arising in Hong Kong of HK$16 million as at 31 December 2017 (2016: HK$18 million) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also had tax losses arising in Mainland China of HK$81 million (2016: 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 2017, 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$1 million at 31 December 2017 (2016: HK$9 million).

30. SHARE CAPITAL

Shares

HK$ million	2017	2016
Authorised:		
300,000,000,000 (2016: 300,000,000,000) ordinary shares of HK$0.01 each	**3,000**	3,000
Issued and fully paid:		
134,278,993,990 (2016: 134,278,993,990) ordinary shares of HK$0.01 each	**1,343**	1,343

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

	Number of shares in issue	Issued capital	Share premium account	Total
		HK$ million	HK$ million	HK$ million
At 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, 1 January 2017 and 31 December 2017	**134,278,993,990**	**1,343**	**341**	**1,684**

Share options

Details of the Company's share option scheme and the share options issued under the schemes 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 was 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 annual general meeting of the Company held on 24 May 2017, the refreshment of the 10% general limit on grant of share option under the 2011 scheme has been approved. As at the date of passing of the resolution (i.e. 24 May 2017) approving the refreshment at the annual general meeting, there were 134,278,993,990 issued Shares in total and the maximum number of Shares that can be issued pursuant to the exercise of share options which may be granted by the Company under the proposed refreshed scheme limit would be 13,427,899,399, being 10% of the total number of issued Shares. At the date of approval of these financial statements, the total number of share options available for grant under the 2011 Scheme was 8,119,298,798, which represented approximately 6.047% 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 and 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 and 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 and 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 and 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 10 years from the date of grant of the share options. 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

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

	2017		2016	
	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	15,000,000
Granted during the year	**0.011**	**5,940,000,000**	–	–
Forfeited during the year	**0.011**	**(10,000,000)**	–	–
At 31 December	**0.011**	**5,945,000,000**	0.01	15,000,000

There were no share options exercised in the current and prior years.

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

2017

Number of options	**Exercise price* HK$ per share**	**Exercise period**
15,000,000	**0.01**	**17/1/2014–16/1/2024**
5,930,000,000	**0.011**	**18/1/2017–17/1/2027**
5,945,000,000		

2016

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)*

The fair value of the share options granted during the year was HK$24,430,000 (HK$0.0041 per share), of which the Group recognised a share option expense of HK$24,430,000 during the year ended 31 December 2017.

The fair value of the equity-settled share options granted during the year was HK$24,430,000 which was estimated as at the date of grant, using the binomial 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:

	2017
Dividend yield (%)	**0.00**
Expected volatility (%)	**68.40**
Historical volatility (%)	**68.40**
Risk-free interest rate (%)	**2.27**
Expected life of share options (year)	**10.00**
Weighted average share price (HK$ per share)	**0.01**

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

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

At the end of the reporting period, the Company had 5,945,000,000 share options outstanding under the 2011 Scheme, which represented approximately 4.4% of the total issued share capital of the Company as at 31 December 2017. The exercise in full of the outstanding share options in the Company would, under the present capital structure of the Company, result in the issue of 5,945,000,000 additional ordinary shares and an additional share capital of HK$65,380,000 in the Company (before issue expenses).

Subsequent to the end of the reporting period, 5,310,000,000 share options under the 2011 Scheme were granted on 25 January 2018 to certain directors and eligible participants of the Company (the “Grantees”) to reward their services to the Group. These share options vest on 25 January 2018 and are exercisable at the exercise price of HK$0.01 per share within the exercise period from 25 January 2018 to 24 January 2028. 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 11,255,000,000 share options outstanding under 2011 Scheme, which represented approximately 8.4% of the Company’s shares in issue as at that date.

32. CONVERTIBLE BONDS

The movements in convertible bonds are as follows:

HK$ million	2017	2016
At 1 January	**496**	916
Conversion to ordinary shares of the Company	**–**	(420)
At 31 December	**496**	496

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 were 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 of HK$1,084 million as at 7 December 2015. 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. No security or guarantee is given in respect of the convertible bonds. The convertible bonds are convertible at the option of the bondholders into ordinary shares of the Company 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 were converted into 42,000,000,000 ordinary shares, resulting in an additional share capital of HK$420 million.

During the year ended 31 December 2017, there was no movement in the number of the convertible bonds.

At the end of the reporting period, the Company had outstanding convertible bonds with a principal amount of HK$496 million (2016: HK$496 million) and the full conversion of the outstanding convertible bonds would under the present capital structure of the Company, result in the issue of 49,567,100,000 (2016: 49,567,100,000) additional ordinary shares of the Company and additional share capital of HK$496 million (2016: HK$496 million).

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

At the date of approval of these financial statements, the Company had outstanding convertible bonds with a principal amount of HK$496 million and the full conversion 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. DISPOSAL/DEEMED DISPOSAL OF SUBSIDIARIES

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

34. DISPOSAL/DEEMED DISPOSAL OF SUBSIDIARIES *(continued)*

(b) The deemed disposal of subsidiaries by the Group during the year ended 31 December 2017 represented the deemed disposal of 99.99% equity interests in subsidiaries engaged in the manufacturing telecom and child products. The disposal consideration of HK$330 million represented receivable arising from the assignment of a shareholder's loan of HK$330 million and all the rights associated with such loan.

HK$ million	Notes	
Net assets disposed of:		
Prepaid land lease payment	16	**38**
Property, plant and equipment	14	**90**
Investment properties	15	**228**
Inventories		**39**
Trade and bills receivables		**49**
Prepayments, deposits and other receivables		**6**
Pledged time deposits		**23**
Cash and bank balances		**4**
Trade and bills payables		**(26)**
Tax payable		**(8)**
Other payables and accruals		**(31)**
Bank loan	35(b)	**(75)**
Deferred tax liabilities	29	**(14)**
		323
Release of exchange fluctuation reserve		**16**
		339
Loss on deemed disposal of subsidiaries	6	**(9)**
		330
Satisfied by:		
Other receivable		**330**

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

HK$ million	
Cash and bank balances disposed of	**4**

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

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 then due by the Company to CCT Fortis.

(b) Changes in liabilities arising from financing activities

HK$ million	Bank and other loans	Finance lease payables
At 1 January 2017	359	1
Changes from financing cash flows	**(48)**	**–**
New finance lease	**–**	**1**
Foreign exchange movement	**7**	**–**
Decrease arising from deemed disposal of subsidiaries (note 34(b))	**(75)**	**–**
At 31 December 2017	**243**	**2**

36. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in note 27 to the financial statements. In addition, as at 31 December 2017, certain of the Group's assets with an aggregate carrying amount of HK$458 million were pledged to secure the general banking facilities granted to Enterprise Group.

37. 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 five years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustment according to the then prevailing market conditions.

At 31 December 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

HK$ million	**2017**	2016
Within one year	**1**	6
In the second to fifth years, inclusive	**2**	7
After five years	**–**	–#
	3	13

(b) As lessee

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

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

HK$ million	**2017**	2016
Within one year	**1**	1
In the second to fifth years, inclusive	**–**	–
	1	1

Less than HK$1 million

38. COMMITMENTS

In addition to the operating lease commitments detailed in note 37(b) above, the Group had the following capital commitments at the end of the reporting period:

HK$ million	**2017**	2016
Contracted, but not provided for	**31**	–

39. RELATED PARTY TRANSACTIONS

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

HK$ million	Notes	2017	2016
Wholly-owned subsidiaries of CCT Fortis:			
Continuing connected transactions:			
Purchase of components	(i)	**58.8**	83.3
Factory rental income	(ii)	**3.5**	6.0
Office rental expenses	(iii)	**1.3**	1.3
Sales of child products	(iv)	**143.6**	20.5
Connected transactions:			
Guarantee for the payment, performance and discharge of all the undertakings, obligations and liabilities under the financial assistance provided by the CCT Fortis Group	(v)	**145.6**	147.1
CCT Fortis:			
Continuing connected transaction:			
Management information system service fee	(vi)	**6.0**	6.0
Connected transaction:			
Disposal of Child Product Trading Business	(vii)	**–**	24.0

Notes:

(i) The components were purchased by the Group from a wholly-owned subsidiary of CCT Fortis, based on terms and conditions of manufacturing agreement dated 9 November 2015 (the "Component Manufacturing Agreement") entered into between the Company and CCT Fortis. The Component Manufacturing Agreement has a term of three years from 1 January 2016 to 31 December 2018, pursuant to which CCT Fortis agreed to manufacture and supply through certain subsidiaries of CCT Fortis certain plastic casings, components and any other component products and toolings to the Group for the production of telecom and electronic products. 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, a former indirect wholly-owned subsidiary of the Company, for the period from 1 January 2017 to 11 August 2017 (2016: for the year ended 31 December 2016) in respect of the provision of factory space in Huiyang City, Guangdong Province, PRC, at a rent determined in accordance with the terms and conditions set out in a tenancy agreement dated 10 December 2014 (the "Huiyang Tenancy Agreement") entered into between Shine Best and CCT Enterprise, which had a lease term of three years from 1 January 2015 to 31 December 2017. Following completion of the Transaction, CCT Enterprise ceased to be a subsidiary of the Company and as such, the lease of the factory between CCT Enterprise and Shine Best no longer constitutes related party transaction of the Group.

(iii) The office rental expenses were charged to the Company by Goldbay Investments Limited ("Goldbay"), an indirect wholly-owned subsidiary of CCT Fortis, in respect of 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 dated 10 December 2014 (the "Hong Kong Tenancy Agreement") entered into between the Company and Goldbay , which had a term of three years from 1 January 2015 to 31 December 2017.

39. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes: (continued)

(iv) This represented transaction amount for the supply of child products by the Group to the CCT Fortis Group during 2017 based on the agreements set out below. On 3 August 2016, CCT Tech Global Holdings Limited ("CCT Global"), a wholly-owned subsidiary of the Company, entered into a manufacturing agreement (the "Child Products Manufacturing Agreement") which had a term 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 (vii) 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 agreement, the second supplemental agreement and the third supplemental agreement (collectively as the "Supplemental Agreements"), respectively, pursuant to which the parties to the Supplemental Agreements agreed to amend and supplement the pricing terms and policies of the Child Products Manufacturing Agreement. In respect of the transactions contemplated under the Child Products Manufacturing Agreement (as amended and supplemented by the Supplemental 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%.

(v) The amounts of guarantee represented the corporate guarantees provided by CCT Fortis to secure certain bank borrowings of the Group.

(vi) 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 dated 10 December 2014 (the "MIS Agreement") entered into between CCT Fortis and the Company , which had a term of three years from 1 January 2015 to 31 December 2017.

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

The related party transactions set out in paragraphs (i), (ii), (iv), (v), (vi) and (vii) constituted 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 note 25 to the financial statements.

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

HK$ million	**2017**	2016
Short term employee benefits	**34**	11

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

40. 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 2017 and 2016, are loans and receivables, and financial liabilities at amortised cost, respectively.

41. 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 value of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The carrying amount of the non-current portion of interest-bearing bank and other borrowings approximate to their fair values. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2017 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 2017:				
Financial assets at fair value through profit or loss	**1**	**–**	**–**	**1**
Assets measured at fair value as at 31 December 2016:				
Financial assets at fair value through profit or loss	6	–	–	6

The Group did not have any financial liabilities measured at fair value as at 31 December 2017 and 2016.

During the year ended 31 December 2017, 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 (2016: nil).

42. 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
2017		
HK$	**100**	**1**
HK$	**(100)**	**(1)**
RMB	**100**	**1**
RMB	**(100)**	**(1)**
US$	**100**	**1**
US$	**(100)**	**(1)**
2016		
HK$	100	1
HK$	(100)	(1)
RMB	100	2
RMB	(100)	(2)
US$	100	1
US$	(100)	(1)

42. 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 5.17% (2016: 7.23%) in the exchange rate between RMB and HK$ would result in an decrease/increase (2016: 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 (2016: HK$1 million) in 2017.

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 2017, the Group had concentrations of credit risk as 41% (2016: 26%) and 89% (2016: 81%) of the Group's trade and loans receivables were due from the Group's largest 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.

42. 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 2017

HK$ million	Within one year or on demand	In the second year	In the third to fifth years	Total
Trade and bills payables	**241**	**–**	**–**	**241**
Other payables and accruals	**29**	**–**	**–**	**29**
Interest-bearing bank and other borrowings	**200**	**60**	**–#**	**260**
	470	**60**	**–#**	**530**

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	182	–	–	182
Other payables and accruals	67	–	–	67
Interest-bearing bank and other borrowings	298	7	88	393
	547	7	88	642

Less than HK$1 million.

42. 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 2017 and 2016.

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	**2017**	2016
Interest-bearing bank and other borrowings	**245**	360
Total borrowings	**245**	360
Total capital	**1,287**	1,386
Total capital and borrowings	**1,532**	1,746
Gearing ratio	**16.0%**	20.6%

43. EVENT AFTER REPORTING PERIOD

On 25 January 2018, the Company granted 5,310,000,000 share options under the 2011 Scheme to the Grantees, as further detailed in note 31 to the financial statements.

44. COMPARATIVE AMOUNTS

The comparative consolidated statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 11(b)).

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

HK$ million	2017	2016
ASSETS		
Non-current assets		
Investments in subsidiaries	**948**	1,365
Current assets		
Prepayments and other receivables	**255**	7
Cash and cash equivalents	**86**	14
Total current assets	**341**	21
Total assets	**1,289**	1,386
EQUITY AND LIABILITIES		
Issued capital	**1,343**	1,343
Convertible bonds (note)	**496**	496
Reserves (note)	**(552)**	(453)
Total equity	**1,287**	1,386
Current liabilities		
Accruals	**2**	–
Total current liabilities	**2**	–
Total liabilities	**2**	–
Total equity and liabilities	**1,289**	1,386
Net current assets	**339**	21
Total assets less current liabilities	**1,287**	1,386

45. 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 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 and 1 January 2017	**496**	**(56)**	**341**	**–#**	**(738)**	**43**
Loss for the year and total comprehensive income for the year	**–**	**–**	**–**	**–**	**(123)**	**(123)**
Equity-settled share option arrangement (note 31)	**–**	**–**	**–**	**24**	**–**	**24**
Transfer of share option reserve upon the forfeiture of share options (note 31)	**–**	**–**	**–**	**–#**	**–**	**–#**
At 31 December 2017	**496**	**(56)**	**341**	**24**	**(861)**	**(56)**

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 accumulated losses should the related options expire or be forfeited.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2018.

other information

PARTICULARS OF PROPERTIES UNDER DEVELOPMENT AS AT 31 DECEMBER 2017

Name of projects	Locations	Uses	Site area (square metres) (approximately)	Gross floor area (square metres) (approximately)	Stage of completion	Attributable interest of the Group
CCT — Jun Mansion	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	178,000	Under construction	100%

PARTICULARS OF PROPERTIES HELD FOR SALE AS AT 31 DECEMBER 2017

Name of projects	Locations	Uses	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	10,000	Completed	100%
Landmark City Phase III	No. 253 Jiu Dao Road, Tiexi District, Anshan City, Liaoning Province, Mainland China	Residential, commercial and car parks	47,000	Completed	100%
Evian Villa Phase I	No. 37 Qian Ye Street, Gaoxin District, Anshan City, Liaoning Province, Mainland China	Residential, commercial and car parks	31,000	Completed	100%
Evian Villa Phase II	No. 37 Qian Ye Street, Gaoxin District, Anshan City, Liaoning Province, Mainland China	Residential, commercial and car parks	30,000	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	**2017**	2016	2015	2014	2013
CONTINUING OPERATIONS					
REVENUE	**580**	735	801	1,023	1,182
Cost of sales	**(553)**	(686)	(736)	(960)	(1,135)
Gross profit	**27**	49	65	63	47
Other income and gains, net	**19**	10	19	91	41
Selling and distribution expenses	**(17)**	(22)	(19)	(25)	(22)
Administrative expenses	**(94)**	(86)	(77)	(74)	(57)
Other expenses, net	**(107)**	(23)	(28)	(31)	(15)
Finance costs, net	**(11)**	(3)	(37)	(40)	(29)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**(183)**	(75)	(77)	(16)	(35)
Income tax credit/(expense)	**28**	6	3	(9)	–
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(155)**	(69)	(74)	(25)	(35)
DISCONTINUED OPERATION					
(Loss)/profit for the year from discontinued operations	**(41)**	(79)	–	(28)	4
LOSS FOR THE YEAR	**(196)**	(148)	(74)	(53)	(31)
Attributable to:					
Owners of the parent	**(198)**	(150)	(74)	(53)	(31)
Non-controlling interest	**2**	2	–	–	–
	(196)	(148)	(74)	(53)	(31)

ASSETS, LIABILITIES AND NON-CONTROLLING INTEREST

	As at 31 December				
HK$ million	**2017**	2016	2015	2014	2013
TOTAL ASSETS	**1,913**	2,149	2,421	2,607	2,655
TOTAL LIABILITIES	**(593)**	(732)	(838)	(2,187)	(2,184)
NON-CONTROLLING INTEREST	**(33)**	(31)	–	–	–
	1,287	1,386	1,583	420	471

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 of the Company
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CB Conditions"	the terms and conditions of the Convertible Bonds
"CCT Enterprise"	CCT Enterprise Limited, a company incorporated in the British Virgin Islands with limited liability, which is, through its subsidiaries, engaged in the Products Manufacturing Operation
"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 Global"	CCT Tech Global Limited, a company incorporated in the British Virgin Islands, which is an indirect wholly-owned subsidiary of the Company
"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 Product(s)"	feeding, health care, hygiene, safety, toy and other related products for infants and babies, which are the child products currently supplied by the Group to CCT Fortis Group
"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 with the original principal amount of HK$1,095,671,000 issued by the Company on 7 December 2015, of which an aggregate principal amount of HK$495,671,000 was outstanding as at the date of this annual report

"Director(s)"	the director(s) of the Company
"Enterprise Group"	CCT Enterprise and its subsidiaries
"EV"	electric vehicle
"Executive Director(s)"	the executive director(s) of the Company
"Group"	the Company and its subsidiaries, from time to time
"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
"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 Finance Business"	the finance business engaged by the PRC joint venture in which the Company has indirect interest of 51%
"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 contained in Appendix 10 under the Listing Rules
"N/A"	not applicable
"Nomination Committee"	the nomination committee of the Company
"Mainland China" or "PRC" or "China"	the People's Republic of China
"Product(s)"	indoor-used cordless and corded phones and accessories; walkie-talkies, other consumer telecom and electronic products

"Products Manufacturing Operations"	the operations of manufacturing the Products and the Child Products, carried out by the Enterprise Group
"Products Trading Business"	The business of trading, sale and supply of the Products and the Child Products, currently engaged by the Group
"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$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction"	the disposal of the Products Manufacturing Operations pursuant to the terms and conditions of the agreement dated 11 August 2017, as amended and supplemented by the supplemental agreement dated 14 November 2017, details of which have been set out in the Company's announcements dated 11 August 2017, 14 November 2017 and 12 December 2017
"US"	the United States of America
"US$"	United States dollar(s), the lawful currency of the US
"%"	per cent

FINANCIAL TERMS

"current ratio"	current assets divided by current liabilities
"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
"operating profit/loss"	operating profit/(loss) before interest, unallocated and corporate items, and tax to show performance of business segments