CCT TELECOM

中建電訊集團有限公司

2009 ANNUAL REPORT

Stock Code : 138

contents

chairman's letter

On behalf of the Board of CCT Telecom Holdings Limited, I present herein the results of the Group for the year ended 31 December 2009. I am pleased to report that all business sectors of the Group achieved significant improvement in result performance during the year, amidst extremely difficult and challenging business conditions.

During the year, the Group managed to turn around dramatically from a huge loss of $1,289 million in 2008 to a net profit after tax of $33 million in 2009, reflecting strong recovery of the Group's core businesses. Group's turnover, however, declined by 43.7% to $1,653 million, caused mainly by a significant decrease in turnover of the telecom product business, which was in turn affected by the poor world economy and the exit of the Group's previous single largest customer from the North American telephony market (the "Discontinuation").

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of $0.035 per share for the year 2009 to the shareholders whose names appear on the register of members of the Company on Monday, 31 May 2010, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company. The proposed final dividend will be payable from the Company's distributable reserve and will be paid on or around Monday, 14 June 2010 following the shareholders' approval at the forthcoming annual general meeting of the Company. Taking into account the $0.03 per share 2009 interim dividend paid in October 2009, the total dividend per ordinary share amounted to $0.065 per share for this financial year 2009, a 18.2% increase compared with the total dividend of $0.055 per ordinary share distributed in respect of the year 2008.

REPURCHASE OF SHARES OF CCT TELECOM

The Company made two cash offers to repurchase its shares during the year.

The first offer made by the Company to repurchase up to 280,000,000 of the Company's shares at the offer price of $0.50 per share in cash (the "First Offer") was completed in March 2009 under which a total of 198,558,635 shares were repurchased and cancelled by the Company on 11 March 2009, at the total consideration of approximately $99.28 million also paid by the Company on 11 March 2009.

In October 2009, the Company made another offer to repurchase up to 80,000,000 of the Company's shares at the offer price of $1.00 per share in cash (the "Second Offer"). The Second Offer was completed in December 2009 under which a total of 48,911,284 shares in aggregate were repurchased and cancelled by the Company on 11 December 2009, at the total consideration of approximately $48.91 million also paid by the Company on 11 December 2009.

Upon completion of the First Offer and Second Offer, the issued share capital of the Company was reduced to 606,144,907 shares.

The First Offer and the Second Offer provided opportunities for the Company's shareholders to realise at least part of their investment in the Company at a premium to the then market price, or to increase their proportionate interest in the Company by retaining their shareholdings and participating in the future prospects of the Group.

ENTERING A LICENSE AGREEMENT WITH GE

Through months of negotiation with GE Trademark Licensing, Inc. ("GE"), two indirect subsidiaries of CCT Tech International Limited (the "Licensees") entered into the GE Trademark License Agreement (the "License Agreement") with GE in February 2010, pursuant to which GE has agreed to grant to the Licensees the license and right to use the GE trademark on certain telecommunication products, for sale and distribution by the Licensees worldwide.

We believe that the entering of the License Agreement will bring in significant potential benefits to CCT Tech and its subsidiaries and the Group of which the CCT Tech Group forms a principal part. The License Agreement will enable the CCT Tech Group to re-enter the US market, which represents our previous largest market before the Discontinuation. In addition, the License Agreement will enable the CCT Tech Group to enter into the branded distribution business hence reduce its reliance on its ODM business. Furthermore, the license by the CCT Tech Group of such strong and well-known GE trademark will enhance the international recognition of CCT Tech and the products of CCT Tech Group, which will in turn benefit the Group.

REVIEW OF OPERATIONS

During the year under review, the principal businesses of the Group are (i) the manufacture and sale of telecom and electronic products; (ii) the manufacture and sale of electronic accessories and components; (iii) the manufacture and sale of infant and child products; (iv) the securities business; (v) the property development and holding; and (vi) the forestry resources business engaged by the Company's listed associate, CCT Resources Holdings Limited ("CCT Resources").

Telecom product business

The telecom product business engaged by the Company's principal subsidiary, CCT Tech and its subsidiaries, remains the largest business sector of the Group, in terms of turnover.

The financial year 2009 is again another difficult and challenging year for the telecom product business, given the continued impact of global financial tsunami that has dragged down the world economy since 2008. Shrinking of global consumer demand on telecom products significantly affected the Group's turnover from the telecom product business.

The Group's sales of telecom products to North America, our previous largest market, decreased sharply by 81.3% from approximately $1,355 million for 2008 to approximately $254 million for 2009, as a result of the Discontinuation. In response to the weak market situation, the Group has modified its business strategies by adopting more proactive and flexible marketing strategy and strengthening the market development. Greater emphasis has been put on exploring new markets in Europe and emerging markets in the rest of the world. European market replaced the North American market to become the largest market of the Group and accounted for 65.2% of the Group's turnover in 2009. The Group has dedicated itself to expand its market share in Europe. It is encouraging to see that some of our European customers outsourced more production to us during the year. Our effort to nurturing our business in emerging markets has shown result as the Group has made good progress in penetrating into new markets including Latin America, Middle East, the PRC and the Asian Pacific countries. The result of these measures is positive and has successfully reduced our reliance in any one single country and increased our market diversification.

During the economic downturn, the Group remained committed to product research and development. To increase competitiveness, we have continuously enhanced product offerings and actively pursued design improvements for our telecom products. Our investment in research and development has paid off and has improved our profit margins and attracted new customers for the telecom product business sector.

Amidst challenging times, the Group has taken decisive and swift actions to restructure and revitalize our telecom product business. We have consolidated manufacturing operations of our telecom product business and reallocated resources by integrating our production facilities in three different locations into the main factory in Huiyang, the Guangdong Province. These initiatives have enabled us to save costs and improve efficiency. Furthermore, various measures have been implemented across the board at all level of the Group toward cost optimization and enhancing efficiency. In turn, achievements have been made on improvement of the efficiency of the operation and the overall profitability of our telecom product business segment.

Manufacturing of electronic accessories and components

The Group's component business (representing manufacture of plastic casing, power supply and transformer) continues to provide vertical support to the CCT Tech Group for production of telecom and electronic products during the year. Most of these components are sold to the CCT Tech Group and some of the plastic component products are sold to independent third parties. Because of the vertical relationship between the telecom product business and the component business, the revenues of the component business dropped significantly by 41.3% to only $262 million, in proportion to the decline in revenue of the telecom product business. Despite the difficult business environment, the component business has managed to reduce its operating costs by streamlining production and operation costs and the operating loss of the segment has therefore been reduced by approximately 74.3% to only $28 million in 2009.

Infant and child product business

Amidst challenging operating environment, the infant and child product business outperformed other business segments of the Group and delivered solid growth in both revenue and earnings. The business was affected by the global economic downturn in the first six months of 2009, resulting in a drop in turnover by 19.5% in the first half. However, customers's confidence has restored and sales of the infant and child business picked up quickly in the second half, not only compensating the decline in revenue in the first half but helping the business sector to achieve an impressive increase in sales of 18.6% for the year. The business result is also better than expected, reporting an operating profit of $30 million, representing a sharp increase of 275.0%, as compared with $8 million for the last corresponding year. The excellent result performance was attributable to success of the Group to launch a series of new childcare products like milk bottle warmer and sterilisers which are well received by the market. The Group will continue to dedicate more resources for development of high quality products at competitive prices. We believe the infant and child product business has a plenty of room for future growth as this business is less subjective to economic cycle and downturn.

Securities business

The stock market in Hong Kong and the A-share market in China rallied substantially in 2009 driven by the liquidity caused by economic stimulation policies implemented by various governments and low interest rates. Benefited from the strong recovery of the Hong Kong stock market, the Group's securities business contributed operating profit of $97 million for 2009 compared to an operating loss of $555 million for 2008, of which realised gains were $17 million and unrealised gains $87 million (2008: realised loss of $149 million and unrealised loss of 396 million).

Properties development and holding

In 2009, China economy has recovered quickly from the global financial turmoil. With the proactive financial policies and political measures implemented by the central government of PRC, the property market in PRC experienced a significant rebound, with strong sales, active transaction and a continuous increase in property price. Both the "real buyers" hoping for improving the living standards and the investors regained their confidences, propelling a resilient rebound in the domestic housing market in PRC in 2009. Our property development projects are located in the Liaoning Province of the PRC where housing demand and price continues to grow steadily. The Group has followed the market trend and seized the rising opportunities by stepping up its efforts in project development. The property projects of our property development business will be developed by phases in accordance with the market situation and condition. The first phase of one of our property projects has commenced construction in the second half of 2009. The project took the opportunity of market upturn by launching the property units with room types that meet the market demand. Pre-sale has been launched in late December 2009 and market response is encouraging. A total 16 housing units were pre-sold as at 31 December 2009 and up to 15 April 2010, a total of 128 units have been pre-sold. We expect the first phase units will be completed and delivered for occupation within this year, at which time the property development business will start to generate revenue to the Group.

The Group's property holdings are mainly luxury residential properties situated in the southern side of the Hong Kong Island where property prices have risen significantly since the second quarter of 2009 due to rising demand and scarce supply under a strong liquidity situation. We expect the prices of prime luxury housing will continue to rise in 2010. We will look for opportunity to realize some of these investments which will likely contribute satisfactory return to the Group.

Forestry resources business

The forestry project acquired by CCT Resources in 2008 comprises concessions in natural tropical forest of 313,500 hectares in Papua, Indonesia. CCT Resources has achieved significant progress in the development of its forestry business since its acquisition in 2008. During the year under review, CCT Resources has commenced the upstream forestry operations and has started to log and harvest trees to produce logs for the downstream operations. In the downstream operations, CCT Resources has built two sawmills and one veneer factory. The development of the forestry business is well in progress and it is expected that the forestry business will start to generate revenue within the year of 2010. Besides the timber business, CCT Resources will grow oil palm trees in the forest cleared by logging and will process the fruits of the oil palm into palm oil for use as renewable bio-fuel. We believe that the forestry resource business of CCT Resources has excellent potential in view of the huge size of the forest concessions and the high demand and increasing prices of its timber and palm oil products. We believe the businesses will become one of the key drivers for business growth and profitability to the CCT Resources group, which will in turn benefit the Group as its major shareholder.

OUTLOOK

We are encouraging to see the global economy has hit bottom. Although the global economy has stabilized, we do not expect global consumer confidence to rebound substantially this year especially when the unemployment rates are still in high level in the United States and European countries. We anticipate that the business environment remains uncertain going forward. Prices of commodity, materials and wages are expected to rise amidst market recovery and inflation is expected to go up especially in the PRC this year. The shortage of labor in the Guangdong Province has becoming acute and has already affected our telecom product business. The potential appreciation of Renminbi against US dollar is another risk that may affect performance of our manufacturing business. All these uncertain factors may increase our production costs and affect our profit margin in the coming years. On the positive side, as we have already streamlined and slimmed our organization and operating costs of our telecom product business, the Group is in a good position to seize the opportunity arising from market turnaround and strive to improve our sales this year. We believe that the license of the GE trademark under the License Agreement will open up a new avenue for future growth of the Group's telecom product business. We are cautiously optimistic about the future outlook of our telecom product business which we expect will continue to benefit from the continuing recovery of consumer demand and positive effect of our restructuring and revitalization.

Though the infant and child product business is relatively small in size for the time being, we believe the business has excellent growth potential. We believe our newly developed childcare products such as the baby monitors will receive good response from customers. We expect the infant and child product business will continue to deliver superior performance this year. As time goes by, we are confident to grow the infant and child product business as one of our core drivers for future growth.

The rebound of the stock market in 2009 has continued in the first month of 2010 but encountered certain consolidation adjustments in March 2010. We expect the Hang Seng Index will continue to rise this year but at a modest rate. We anticipate that the stock market will become more volatile towards the latter part of this year as when global governments consider to exit from the markets and to tighten liquidity by increasing interest rates in order to guard against inflation. Management will continue to adopt a risk-conscious approach towards managing its current securities investment. We will consider to realize some of our securities investments as when opportunity arises. As most of our securities holdings are Hang Seng Index constituent stocks and H-shares in large Chinese corporations, we believe that they will continue to benefit from the stabilized global economy and the recovery of the stock market.

The central government of PRC has issued a series of multitude of austerity measures of property market decisively since the end of 2009. The purpose of these measures is to maintain the steady and healthy growth of the domestic property market rather than suppressing the property market. Rapid urbanization, increasing disposable income and rising salary will continue to unleash the long-term growth of the property market in PRC. We believe that the adjustment measures will help to cool down the property market from overheating and will promote the healthy growth of the property market accordingly. The austerity measures are targeted mainly at the overheating housing markets in the first-tier cities, like Beijing and Shanghai and have very little impact on the second and third-tier cities like Anshan where our housing development projects are situated. This is evidenced by the encouraging market response to the pre-sale of the first phase of one of our housing projects in Anshan. We expect the property development business will start to reap results and generate revenue this year. We will start this year planning of development of the second phase of the first project and also the second housing project which is bigger and has a better location than the first project. We believe that our property development business has excellent potential and the business will become one of the key drivers for the Group's revenue and profitability growth in the future.

APPRECIATION

On behalf of the Board, I would like to express our gratitude to the directors, the management and all employees of the Group for their strong commitment and contribution towards the execution of the Group's strategies and operations. We would also like to express our sincere thanks to our shareholders, bankers, investors, customers and suppliers for their continued encouragement and strong support to the Group.

Mak Shiu Tong, Clement
Chairman

Hong Kong, 20 April 2010

directors and senior management

EXECUTIVE DIRECTORS

Mr. MAK Shiu Tong, Clement, aged 56, has served as the Chairman, the CEO and an executive Director since January 1994. Mr. Mak is a substantial Shareholder and a member of the Remuneration Committee. Mr. Mak is responsible for the corporate planning, overall strategic direction of the Group and takes a leading role in managing the businesses. He has over 33 years of experience in the electronics manufacturing and distribution industry, specialising in telephone and telecom products. In his many years in the industry, he has demonstrated a keen understanding in the business of manufacturing, distribution, procurement and R&D of telecom and electronic products. He holds a Diploma in Electrical Engineering. Mr. Mak is also the chairman, the chief executive officer and an executive director of CCT Tech and CCT Resources, whose shares are listed on the Main Board and the Growth Enterprise Market respectively of the Stock Exchange. He is also a director of certain subsidiaries of the Company, CCT Tech and CCT Resources.

Mr. TAM Ngai Hung, Terry, aged 56, has served as an executive Director and the Group Finance Director since March 2001. Mr. Terry Tam was appointed as the deputy Chairman on 9 December 2005 and is also a member of the Remuneration Committee. Mr. Terry Tam is mainly responsible for the corporate finance and accounting function of the Group. Mr. Terry Tam has more than 32 years of experience in finance and accounting management, and also possesses substantial knowledge in corporate finance matters, mergers and acquisitions and company secretarial matters. Mr. Terry 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. He previously held a number of senior positions in several listed companies. He is also an executive director of CCT Tech and CCT Resources, whose shares are listed on the Main Board and the Growth Enterprise Market respectively of the Stock Exchange. He is also a director of certain subsidiaries of the Company, CCT Tech and CCT Resources.

Ms. CHENG Yuk Ching, Flora, aged 56, has served as an executive Director since February 1998. Ms. Cheng assists the Chairman/CEO in overseeing the day-to-day management of the telecom and electronic product business, component and industrial product business of the Group. Ms. Cheng has over 30 years of experience in the electronics industry. She held senior positions in various well-known electronics companies. She holds a Diploma in Business Administration. Ms. Cheng is also an executive director of CCT Tech and CCT Resources, whose shares are listed on the Main Board and the Growth Enterprise Market respectively of the Stock Exchange. She is also a director of certain subsidiaries of the Company, CCT Tech and CCT Resources.

Dr. William Donald PUTT, aged 72, has served as an executive Director since January 1997. Dr. Putt is responsible for the overseas business development and also assists the Chairman/CEO in setting the overall strategic direction of the Group. Dr. Putt obtained his PhD in Management from the Massachusetts Institute of Technology in the US. Dr. Putt has over 37 years of experience in the telecom industry, and was the president and co-founder of TeleConcepts Corporation, which specialised in the design, production and distribution of telecom products. Dr. Putt also serves on the boards of several foundations and non-profit organisations in the US and is on the Leadership Council for the Public Service Center at the Massachusetts Institute of Technology. Dr. Putt is also an executive director of CCT Tech and CCT Resources, whose shares are listed on the Main Board and the Growth Enterprise Market respectively of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TAM King Ching, Kenny, aged 60, has served as an INED of the Company since December 1999. Mr. Kenny Tam is a member of the Audit Committee and the Remuneration Committee. Mr. Kenny Tam is a practising Certified Public Accountant in Hong Kong. He holds a Bachelor's Degree in Commerce and is a fellow of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Kenny Tam is serving as a member of the Ethics Committee and the Practice Review Committee in the Hong Kong Institute of Certified Public Accountants. He is also a Past President of The Society of Chinese Accountants and Auditors. He also serves as an INED of four other companies listed on the Main Board of the Stock Exchange, namely, Kingmaker Footwear Holdings Limited, Shougang Concord Grand (Group) Limited, Starlite Holdings Limited and Van Shung Chong Holdings Limited, and a company listed on the Growth Enterprise Market of the Stock Exchange, namely, North Asia Strategic Holdings Limited. He was also an INED of King Stone Energy Group Limited (formerly known as Yun Sky Chemical (International) Holdings Limited), a company listed on the Main Board of the Stock Exchange, until his resignation on 4 September 2008.

Mr. LAU Ho Man, Edward, aged 55, has served as an INED of the Company since February 2000. Mr. Lau is a member of the Audit Committee and the Remuneration Committee. Mr. Lau has more than 33 years of experience in finance, accounting management and administration, and also has extensive experience in taxation and corporate finance matters. He is a Certified Public Accountant (Practising), a fellow of the Hong Kong Institute of Certified Public Accountants and an associate of The Institute of Chartered Accountants in England and Wales and The American Institute of Certified Public Accountants. He is also an INED of Singamas Container Holdings Limited, a company listed on the Main Board of the Stock Exchange.

Mr. CHEN Li, aged 45, has served as an INED of the Company and a member of the Audit Committee and the Remuneration Committee since February 2008. Mr. Chen is currently a senior management of a reputable telecommunications company in China. Mr. Chen graduated from the faculty of physics in a university in China in 1985 with a profession in radio technology and has extensive experience in the Chinese telecommunications and management field. Mr. Chen is also an INED of CCT Tech, whose shares are listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. LI Man To, Feynman, aged 39, joined the Group in September 1999. Mr. Li serves as the Deputy Chairman of a principal subsidiary of CCT Tech and is a key management executive for the telecom and electronic product business of the Group. Mr. Li is primarily responsible for the management of the telecom and electronic product business of CCT Tech including R&D, sales and marketing, customer service and logistics activities of advance products. Mr. Li also oversees the operations of the R&D office in Singapore. Mr. Li graduated from The Chinese University of Hong Kong in Electronic Engineering Department in 1995. He has been in R&D of telecommunication field for more than 15 years with extensive engineering management experience. He is also a director of certain subsidiaries of the Company.

Ms. NG Yin Fun, Elaine, joined the Group in April 2009. Ms. Ng is currently holding the position of Managing Director in a principal subsidiary of the Company engaged in the infant and child products business. She is primarily responsible for the day-to-day management of the sales and marketing, customer service, logistics activities, product planning and product development of the infant and child products business. She is also responsible for overseeing the business development of the telecom product business. Ms. Ng graduated from The University Technology of Sydney, Australia with a Master's Degree of Engineering Management in 2000. Ms. Ng also took the course of Business Management in the Harvard University in the US in 2007. Ms. Ng has been in the consumer electronic industry for more than 20 years with extensive business development experience.

Mr. MAN Chin Keung, Daniel, aged 46, joined the Group in November 2002. Mr. Man is currently holding the position of Deputy Manufacturing Director in a principal subsidiary of the Company engaged in the manufacturing and sale of plastic components and products. He has a Bachelor's Degree in Mechanical Engineering and a Master's Degree in Business Administration. He has more than 18 years of experience in the plastic injection industry. He is also a director of certain subsidiaries of the Company.

SENIOR MANAGEMENT *(continued)*

Mr. CHEUNG Kai Ming, Michael, aged 44, joined the Group in July 2009. Mr. Cheung is currently holding the position of Product Management Director in a principal subsidiary of the Company engaged in the manufacturing and sale of infant and child products. He is primarily responsible for the R&D, product development and management activities. Mr. Cheung graduated from the Hong Kong Polytechnic (the predecessor of The Hong Kong Polytechnic University) with a Higher Diploma in Marine Electronics in 1987 and then obtained a Master's Degree in Engineering Business Management in University of Warwick, England in 1995. Mr. Cheung has more than 23 years of experiences in the design and manufacturing consumer electronics industry. Prior to joining the Group, Mr. Cheung held senior positions in various public listed companies.

Mr. WONG Chi Lap, Frederick, aged 42, joined the Group in April 2008. Mr. Wong is currently holding the position of Senior Sales and Marketing Manager of a principal subsidiary of the Company engaged in the manufacturing and sale of infant and child products. Mr. Wong graduated from the University of Toronto in Canada with a Bachelor's Degree in Science in 1992. Mr. Wong has 15 years of sales and marketing experience in the manufacturing field and appliance industry.

Mr. LAW Hing Lam, Andy, aged 46, joined the Group in May 1998. Mr. Law is currently holding the position of Financial Controller in the principal subsidiaries of the Group and is responsible for the finance and accounting functions of the plastic and electronic component division of the Group. Mr. Law has extensive accounting and auditing experience and has worked for various renowned companies prior to joining the Group. He graduated with an Honours Degree in Accountancy and Economics from the City University of London, England in 1992. He is an associate member of both The American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. CHIU Wing Ki, Winky, aged 50, joined the Group in June 1997. Mr. Chiu is currently holding the position of Senior Operations Manager of a principal subsidiary of the Company and is responsible for the supervision of the production operation and management of the production facilities in Dongguan, PRC in relation to the infant and child products business of the Group. Mr. Chiu graduated from the University of Hong Kong with a Bachelor's Degree in Engineering in 1982. He has more than 20 years of experience in production, supply and quality management and in particular, is familiar with the quality assurance and quality control aspects. In addition to the experience in infant and child products industry, Mr. Chiu had worked in the fields of toy and watch prior to joining the Group. He is also a director of certain subsidiaries of the Company.

Mr. CHEUNG Chi Wah, Patrick, aged 39, joined the Company in October 1999. Mr. Cheung is currently holding the position of Group Financial Controller and is responsible for the finance and accounting management of the Group. Mr. Cheung graduated from The Hong Kong Polytechnic University with an Honours Degree in Accountancy in 1994. He holds a Master's Degree in Information Technology Management from The Chinese University of Hong Kong in 2002. He is an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He is also a director of certain subsidiaries of the Company.

Mr. LAM Che Wah, Danny, aged 45, joined the Company in December 2007. Mr. Lam is currently holding the position of Company Secretary of the Company. Mr. Lam graduated from the Hong Kong Polytechnic (the predecessor of The Hong Kong Polytechnic University) with a Professional Diploma in Company Secretaryship and Administration in 1987. He has extensive experience in company secretarial practice. He is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. He is also a director of certain subsidiaries of the Company.

financial review

Highlights on Financial Results

HK$ million	2009	2008	% increase/ (decrease)
Turnover	**1,653**	2,935	(43.7%)
Profit/(loss) for the year	**33**	(1,289)	N/A
Profit/(loss) attributable to:			
Owners of the parent	**42**	(1,123)	N/A
Minority interests	**(9)**	(166)	(94.6%)
	33	(1,289)	
Earnings/(loss) per share	**HK$0.06**	(HK$1.36)	N/A
Dividends per share	**HK$0.065**	HK$0.055	18.2%

Discussion on Financial Results

The substantial drop in turnover in the year was mainly due to the decrease in sales of our telecom products business, caused by the Discontinuation and the slump global consumer demand.

Despite a decrease in sales, the Group reported profit after tax and profit attributable to owners of the parent of $33 million and $42 million, respectively, for the year, significantly improved from the loss after tax and loss attributable to owners of the parent of approximately $1,289 million and $1,123 million, respectively, for the previous year. The remarkable turnaround in results during the year demonstrates the success of the Group's strategy to revitalise its core businesses, which show strong recovery during the year.

Analysis by Business Segment

	Turnover				
	2009		2008		
HK$ million	**Amount**	**Relative %**	Amount	Relative %	% increase/ (decrease)
Telecom product business	**1,451**	**87.8%**	2,750	93.7%	(47.2%)
Component business	**262**	**15.8%**	446	15.2%	(41.3%)
Infant and child product business	**166**	**10.0%**	140	4.8%	18.6%
Securities business	**17**	**1.0%**	(149)	(5.1%)	N/A
Property development and holding	**5**	**0.3%**	137	4.7%	(96.4%)
Unallocated items	**1**	**0.1%**	45	1.5%	(97.8%)
Inter-segments transactions	**(249)**	**(15.0%)**	(434)	(14.8%)	(42.6%)
Total	**1,653**	**100.0%**	2,935	100.0%	(43.7%)

HK$ million	Profit/(loss) before tax 2009	2008	% increase/ (decrease)
Telecom product business	**(19)**	(515)	(96.3%)
Components business	**(28)**	(109)	(74.3%)
Infant and child product business	**30**	8	275.0%
Securities business	**97**	(555)	N/A
Property development and holding	**78**	(34)	N/A
Unallocated items	**(107)**	(79)	35.4%
Total	**51**	(1,284)	N/A

During the year, the telecom product business continued to be the largest business segment of the Group, which contributed approximately 87.8% of the Group's total turnover. Affected by the Discontinuation and the weak consumer demand, revenues from the telecom product business fell significantly by 47.2% over the last year to approximately $1,451 million in the year. Despite a fall in turnover, the telecom product business, however, narrowed its loss before tax substantially from $515 million for 2008 to only $19 million for 2009, reflecting success of the Group's strategy and actions to revitalise this business segment.

Revenues derived from the components business dropped by 41.3% to $262 million for the year ended 31 December 2009, in line with the reduction in sales of the telecom product business to which the component business supplies most of its components. The components business sector reported an operating loss of approximately $28 million in 2009, a decrease of 74.3% as compared to the operating loss of approximately $109 million in previous year, which demonstrates positive effect of our restructure actions.

Amidst weak business environment, performance of our infant and child products business in the year is however encouraging. During the financial year of 2009, profit before tax contributed by the infant and child product business surged 275.0% to $30 million, against a 18.6% increase in turnover to $166 million (2008: $140 million). The strong financial results were caused by launch of new products which were well received by the market and effective actions taken by the Group to improve efficiency.

The Group's securities business also delivered strong results. This business sector contributed profit before tax of $97 million for the year, as compared to a net loss of $555 million for last year. The strong turnaround in performance of the securities business was benefited by the rebound of the Hong Kong stock market in 2009.

The property business segment reported a net profit of approximately $78 million for the year ended 31 December 2009 (2008: loss of $34 million), mainly due to the unrealised fair value gain of HK$89 million arising from revaluation of investment properties net off against the depreciation and mortgage loan interest on the properties held.

Unallocated items mainly represent the head office administrative expenses and share of loss of an associate which increased by 35.4% to $107 million.

Analysis by Geographical Segment

	Turnover				
	2009		2008		
HK$ million	**Amount**	**Relative %**	Amount	Relative %	% decrease
Europe	**1,078**	**65.2%**	1,180	40.2%	(8.6%)
North America	**254**	**15.4%**	1,355	46.2%	(81.3%)
Asia Pacific and others	**321**	**19.4%**	400	13.6%	(19.8%)
Total	**1,653**	**100.0%**	2,935	100.0%	(43.7%)

As a result of the Discontinuation, North America was no longer the largest market of the Group during the year ended 31 December 2009. Instead, the European market overtook the North America to become the largest market of the Group during the year under review and contributed approximately 65.2% of the Group's total turnover. The sale to the North America and the Asia Pacific regions accounted for 15.4% and 19.4%, respectively, of the Group's total turnover. All business sectors experienced decline in turnover due to the weak global demand and the Discontinuation which affected our sales to the North America market.

Highlights on Financial Position

HK$ million	**31 December 2009**	31 December 2008	% increase/ (decrease)
NON-CURRENT ASSETS			
Property, plant and equipment	**796**	886	(10.2%)
Investment properties	**227**	171	32.7%
Interest in an associate	**187**	229	(18.3%)
CURRENT ASSETS			
Inventories	**98**	135	(27.4%)
Trade receivables	**401**	422	(5.0%)
Property for development	**—**	113	N/A
Property under development	**129**	—	N/A
Financial assets at fair value through profit or loss	**255**	446	(42.8%)
Cash and cash equivalents	**566**	786	(28.0%)
CURRENT LIABILITIES			
Trade and bills payables	**418**	551	(24.1%)
Other payables and accruals	**193**	211	(8.5%)
Current interest-bearing bank and other borrowings	**284**	351	(19.1%)
EQUITY AND NON-CURRENT LIABILITIES			
Non-current interest-bearing bank and other borrowings	**144**	124	16.1%
Minority interests	**355**	364	(2.5%)
Equity attributable to owners of the parent	**2,073**	2,213	(6.3%)

DISCUSSION ON FINANCIAL POSITION AND MAJOR BALANCE SHEET ITEMS

As at 31 December 2009, the amount of the property, plant and equipment decreased by 10.2% to approximately $796 million. The decrease was mainly attributable to the deprecation charge of $93 million net off against net additions to fixed assets of approximately $3 million during the year.

The investment properties increased from $171 million as at 31 December 2008 to $227 million as at 31 December 2009. The increase represents mainly the unrealised fair value gain of $56 million arising from the revaluation of the Group's investment properties as at 31 December 2009.

Decrease in the amount of the interest in an associate was due to the share of loss of CCT Resources for the year.

As at the year end, inventories of the Group decreased to $98 million, represented a drop of approximately 27.4%. The drop in inventories is, in general, in line with the decrease in the turnover of the Group's telecom product business. Inventory turnover period of the Group for the year maintained at a reasonable low level of 28.9 days (2008: 21.3 days).

Trade receivables of the Group amounted to $401 million as at 31 December 2009, a decrease of 5.0% from $422 million as at 31 December 2008. The net decrease generally reflects the decline in the Group's sales and change of market mix of our sales during the year.

As at 31 December 2009, the balance of the property under development represents the land cost reclassified from property for development in 2008 and the additional expenditure incurred relating to the property projects located in the Liaoning Province, the PRC.

As at 31 December 2008, the balance of the property for development represents the land cost of a piece of land located in the Liaoning Province, the PRC.

The decrease in the balance of the financial assets at fair value through profit or loss was attributable to the aggregate effect of the disposal of part of our holdings in Hong Kong listed shares during the year and increase in fair value of the listed shares held as at 31 December 2009.

Cash and cash equivalents decreased by 28.0% to $566 million as at 31 December 2009 mainly due to cash outflow for payment of trade payables, payment for land held for development, the net repayment of bank and other borrowings and the payment relating to the repurchase of shares under the First Offer and the Second Offer during the year.

Trade and bills payables decreased by approximately 24.1% to $418 million, reflecting reduction of purchases in line with the reduction in sales.

The amount of bank and other borrowings decreased from approximately $475 million as at 31 December 2008 to approximately $428 million as at 31 December 2009, representing a decrease of 9.9%. The decrease represents partial repayment of bank and other borrowings during the year.

Decrease in the minority interests was mainly due to the sharing of loss by the minority shareholders in CCT Tech.

The decrease of the shareholders' funds from $2,213 million as at 31 December 2008 to $2,073 million as at 31 December 2009 was primarily due to the cancellation of the issued share capital and the share premium relating to the repurchase of shares under the First Offer and the Second Offer and the dividend paid in cash during the year, net off against the profit attributable to the owners of the parent for the year.

CAPITAL STRUCTURE AND GEARING RATIO

	31 December 2009		31 December 2008	
HK$ million	**Amount**	**Relative %**	Amount	Relative %
Bank loans	**426**	**17.0%**	470	17.5%
Finance lease payable	**2**	**0.1%**	5	0.2%
Total borrowings	**428**	**17.1%**	475	17.7%
Equity	**2,073**	**82.9%**	2,213	82.3%
Total capital employed	**2,501**	**100.0%**	2,688	100.0%

The Group's gearing ratio was approximately 17.1% as at 31 December 2009 (2008: 17.7%). The slight decrease in gearing ratio was mainly caused by the net repayment of bank and other borrowings during the year ended 31 December 2009. The gearing ratio was maintained at low level which reflects a healthy financial position and the prudent financial policy of the Group. Taking into account the cash on hand, the Group in fact did not have any net borrowings.

Outstanding bank borrowings amounted to $426 million at 31 December 2009 (2008: $470 million). Approximately 66.4% of these bank borrowings was arranged on a short-term basis for the ordinary business activities of the Group and was repayable within one year. The remaining 33.6% of the bank borrowings was of long-term nature, principally comprised of mortgage loans on properties held by the Group.

Acquisition of certain of the Group's assets was financed by way of finance leases and the total outstanding finance lease payables for the Group as at 31 December 2009 amounted to approximately $2 million (2008: $5 million).

As at 31 December 2009, the maturity profile of the bank and other borrowings of the Group falling due within one year, in the second to the fifth year and in the sixth to the tenth year amounted to $284 million, $110 million and $34 million, respectively (2008: $351 million, $85 million and $39 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

LIQUIDITY AND FINANCIAL RESOURCES

HK$ million	**31 December 2009**	31 December 2008
Current assets	**2,039**	2,334
Current liabilities	**933**	1,189
Current ratio	**218.5%**	196.3%

The Group's current ratio as at 31 December 2009 was 218.5% (2008: 196.3%). The strong liquid position was attributable to the effective financial management of the Group.

As at 31 December 2009 the Group's cash balance amounted to $631 million (2008: $875 million), of which $65 million (2008: $89 million) was pledged for general banking facilities. Almost all of the Group's cash was placed on deposits with licensed banks in Hong Kong.

CAPITAL COMMITMENTS

As at 31 December 2009, capital commitment of the Group amounted to approximately $46 million (2008: $208 million). The capital commitment will be funded partly by internal resources and partly by bank borrowings.

TREASURY MANAGEMENT

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

During the financial year 2009, the Group's receipts were mainly denominated in US dollar, with some in Hong Kong dollar and the Euro. Payments were mainly made in Hong Kong dollar, US dollar and Renminbi and some made in Euro. Cash was generally placed in short-term deposits and medium-term deposits denominated in Hong Kong dollar and US dollar. As at 31 December 2009, the Group's borrowings were mainly denominated in Hong Kong dollar and US dollar. As at 31 December 2009, the Group's borrowings were principally made 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, as the interest rates currently remain at low levels. In terms of foreign exchange exposures, the Group is principally exposed to two major currencies, namely the US dollar in terms of receipts and the Renminbi in terms of the production costs (including workers' wages and overhead) in the PRC. For US dollar exposure, since the Hong Kong dollar remains pegged to the US dollar, the exchange fluctuation is not expected to be significant. In addition, as large portion of the Group's purchases are also made in US dollar, which are to be paid out of our sales receipts in US dollars, the management considers that the foreign exchange exposure risk for the US dollar is not material.

For Renminbi exposure, as wages and overheads in our factories in the PRC are paid in Renminbi, our production costs will rise due to the possible further appreciation of Renminbi. Despite call from the US for faster appreciation of Renminbi against the US dollar, the Group believes that the PRC government will only allow Renminbi to appreciate against the US dollar modestly in 2010 and in the future years in order not to cause too much damage to the Chinese economy.

ACQUISITION AND DISPOSAL OF MATERIAL SUBSIDIARIES AND ASSOCIATES

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 2009 (2008: Nil).

PLEDGE OF ASSETS

As at 31 December 2009, certain of the Group's assets with a net book value of $775 million (2008: $714 million) and time deposits of $65 million (2008: $89 million) were pledged to secure the general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2009, 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 2009 was 8,212 (2008: 10,943). 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 2009, there were no outstanding share options issued by the Company.

corporate information

COMPANY NAME
CCT Telecom Holdings Limited

BOARD OF DIRECTORS

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

Independent Non-executive Directors
Tam King Ching, Kenny
Lau Ho Man, Edward
Chen Li

COMPANY SECRETARY
Lam Che Wah, Danny

PRINCIPAL BANKERS
Nanyang Commercial Bank, Limited
Wing Hang 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
2208, 22/F., St. George's Building
2 Ice House Street
Central
Hong Kong

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

TELEPHONE NUMBER
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FAX NUMBER
+852 2102 8100

COMPANY WEBSITE
www.cct.com.hk

STOCK CODE
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corporate governance report

CORPORATE GOVERNANCE PRACTICES

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.

Throughout the financial year ended 31 December 2009, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions under the Code set out in Appendix 14 to the Listing Rules, except for the following deviations from the code provisions of the Code:

Code Provision A.2.1

The Code Provision A.2.1 provides that the roles of chairman and chief executive officer 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 as set out in the Code Provision A.2.1.

Mr. Mak Shiu Tong, Clement currently assumes the roles of both the Chairman and the CEO. Mr. Mak has substantial experience and a firmly established reputation in the telecom industry that is essential to fulfilling the role of the Chairman. At the same time, Mr. Mak has the appropriate management skills and business acumen that are the pre-requisites for assuming the role of the CEO in the day-to-day management of the Group. The Board is composed of four executive directors (including the Chairman) and three INEDs with a balance of skills and experience appropriate for the requirements of the Group. Furthermore, the roles of the managing director and the general managers of the Company's major operating subsidiaries are performed by other individuals. The Board believes that there is no need to segregate the roles of the Chairman and the CEO as the balance of power and authority is already ensured by the current structure. The Board does not believe that the separation of the roles of the Chairman and the CEO will improve the corporate performance.

Code Provision A.4.1

The Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election.

None of the existing INEDs of the Company is appointed for a specific term. However, all INEDs of the Company are subject to retirement by rotation and re-election at least once every three years at the AGM of the Company in accordance with the bye-laws of the Company.

CORPORATE GOVERNANCE PRACTICES *(continued)*

Code Provision A.4.2

The Code Provision A.4.2 provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their 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 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 shall not be subject to retirement by rotation or also 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 Board. On the other hand, the Board will ensure that the Directors other than the Chairman will rotate at least once every three years in order to comply with the Code Provision A.4.2.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its code of conduct regarding the securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code adopted by the Company throughout the financial year ended 31 December 2009.

THE BOARD

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 of the Group;

– the objectives of the Group;

– monitoring the performance of the management of the Group;

– ensuring prudent and effective control measures are in place;

– material bank facilities arrangements;

– material acquisitions and disposals of assets and significant investments;

THE BOARD *(continued)*

- material transactions with connected persons;
- material corporate finance transactions including placing or sale of shares or convertible bonds, corporate restructuring, take-over, including approval of the announcements and the circulars;
- reviewing and approving interim and annual financial statements, declaration of dividends;
- appointment, re-appointment of auditors and determination of their remuneration; and
- reviewing and determination of the terms and remuneration of the Directors.

The management of the Group was delegated the authority and responsibility by the Board for managing 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 2009, the Board held 27 meetings. The attendance of the Directors at the Board's meetings (either in person or by phone) is set out as follows:

Name of the Directors	Number of attendance
Mak Shiu Tong, Clement	21/27
Tam Ngai Hung, Terry	27/27
Cheng Yuk Ching, Flora	27/27
William Donald Putt	27/27
Tam King Ching, Kenny	27/27
Lau Ho Man, Edward	27/27
Chen Li	23/27

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

The Directors are enable, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

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.

BOARD'S COMPOSITION

As at the date of this Annual Report, the Board comprises four executive directors, namely Mr. Mak Shiu Tong, Clement (also acting as the Chairman and the CEO), Mr. Tam Ngai Hung, Terry (also acting as the deputy Chairman), Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt and three INEDs, namely Mr. Tam King Ching, Kenny, Mr. Lau Ho Man, Edward and Mr. Chen Li. The Board has maintained a balance of skills and experience appropriate of the requirements, promotion and development of the businesses of the Group. Its composition represents a mixture of management, technical, marketing, procurement, accounting and finance with substantial experience in the businesses in which the Group is engaged.

The Company has received annual confirmation of independence from the 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.

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of a sufficient number of the INEDs and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise throughout the financial year ended 31 December 2009. The Board currently comprises three INEDs, two of whom have accounting and financial expertise and bring strong independent judgement, knowledge and experience to the Board.

The Board's members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board's composition is formed to ensure strong independence exists across the Board and has met the recommended best practice under the Code for the Board to have at least one-third in number of its members comprising the INEDs. The biographies of the Directors are set out in the section headed "Directors and Senior Management" in this Annual Report, which demonstrate a diversity of skills, expertise, experience and qualifications.

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 Code are set out in the section headed "Corporate Governance Practices" above. Mr. Mak is responsible for the corporate planning, overall strategic direction of the Group and takes a leading role in managing the businesses of the Group.

RE-ELECTION AND RETIREMENT OF THE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the INEDs of the Company has filed a written confirmation to the Company confirming his independence pursuant to Rule 3.13 of the Listing Rules and has undertaken to inform the Stock Exchange and the Company as soon as practicable if there is any subsequent change in circumstances which may affect his independence. As at the date of this Annual Report, the Board still considers the INEDs of the Company to be independent. The INEDs of the Company are not appointed for any specific terms, but they are subject to retirement by rotation and re-election at least once every three years at the AGM of the Company in accordance with the bye-laws of the Company.

BOARD COMMITTEES

The Board has established two committees, namely the Remuneration Committee and the Audit Committee, with clearly defined written terms of reference. The main roles and responsibilities of these two committees, including all authorities delegated to them by the Board, as set out in the terms of reference, are published on the Company's website at www.cct.com.hk. The different committees' independent views and recommendations not only ensure proper control of the Group but also the continual achievement of the high corporate governance standards expected of a listed company. The chairman of each committee reports the outcome of the committee's meetings to the Board for further discussion and approval.

Remuneration Committee

Pursuant to the requirements of the Listing Rules, the Company has established the Remuneration Committee in 2005 with specific written terms of reference in line with the code provisions under the Code. The Remuneration Committee is mainly responsible for (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 remuneration package including the performance-based bonus and incentive rewards for the executive Directors and senior management of the Group; (iii) reviewing and making recommendations to the Board the fees payable to the INEDs of the Company; and (iv) reviewing and making recommendations to the Board the compensation, if any, payable to the executive Directors and senior management in connection with any loss or termination of their office or appointment.

The Remuneration Committee consists of five members comprising three INEDs, namely Mr. Lau Ho Man, Edward, Mr. Tam King Ching, Kenny and Mr. Chen Li, and two executive Directors, namely Mr. Mak Shiu Tong, Clement and Mr. Tam Ngai Hung, Terry. The Remuneration Committee is chaired by one of the members who must be an INED. The chairman of the Remuneration Committee is subject to rotation each year, provided that he/she must be an INED.

During the financial year ended 31 December 2009, the Remuneration Committee held one meeting. The attendance of the members of the Remuneration Committee at the Remuneration Committee's meeting (either in person or by phone) is set out as follows:

Name of the members of the Remuneration Committee	Number of attendance
Tam King Ching, Kenny	1/1
Lau Ho Man, Edward	1/1
Chen Li	1/1
Mak Shiu Tong, Clement	1/1
Tam Ngai Hung, Terry	1/1

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

For the financial year ended 31 December 2009, the Remuneration Committee met on one occasion and reviewed the current framework, policies and structure for the remuneration of the directors and senior management of the Group and reported to the Board of their reviews with recommendations. The Remuneration Committee also reviewed specific remuneration packages including the terms of employment, incentive rewards and performance-based bonus of the executive Directors and senior management of the Group and the fees payable to the INEDs of the Company.

The primary objective of the Group's remuneration policy is to retain and motivate the executive Directors and senior management of the Group by linking their rewards to the corporate and individual performance, job complexity and responsibilities, so that the interests of the executive Directors are aligned with those of the Shareholders. No Director can, however, approve his/her own remuneration.

In order to attract, retain and motivate the executives and the employees serving for the Group, the Company has adopted the Share Option Scheme in 2002. The Share Option Scheme enables the eligible participants to obtain an ownership interest in the Company by payment of the exercise price with reference to the market price of the Share at the time of grant and thus to reward to the participants who contribute to the success of the Group's operations.

Details of the amount of the Directors' emoluments are set out in note 9 to the financial statements in this Annual Report and details of the Share Option Scheme are set out in the section headed "Report of the Directors" in this Annual Report.

Audit Committee

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

The Audit Committee is mainly responsible for (i) reviewing the Company's interim and annual financial statements and making recommendations as to the approval of the Company's interim and annual financial statements by the Board; (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 judgement contained in them; and (vi) reviewing the financial and internal control (including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget), accounting policies and practices with the management of the Group, internal and external auditors of the Company.

The Audit Committee consists of three members comprising three INEDs, namely Mr. Lau Ho Man, Edward, Mr. Tam King Ching, Kenny and Mr. Chen Li. The chairman of the Audit Committee is subject to rotation each year. All members of the Audit Committee hold the relevant industry or 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 external auditors and all employees of the Company.

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

During the financial year ended 31 December 2009, the Audit Committee held three meetings. The attendance of the members of the Audit Committee at the Audit Committee's meetings (either in person or by phone) is set out as follows:

Name of the members of the Audit Committee	Number of attendance
Tam King Ching, Kenny	3/3
Lau Ho Man, Edward	3/3
Chen Li	3/3

In 2009, the members of the Audit Committee met with the Group's external auditors to discuss the annual audit plan. The external auditors made presentations to the Audit Committee on the findings on key issues addressed in the annual audit at the meeting.

For the financial year ended 31 December 2009, the Audit Committee reviewed the accounting principles and practices adopted by the Company and discussed with the management of the Group the financial reporting matters. The Audit Committee also reviewed the internal control and risk management system of the Group with the internal auditors of the Company. The Audit Committee also reviewed both the interim results for the six-month period ended 30 June 2009 and the annual results for the year ended 31 December 2009 of the Company, and confirmed that the preparation of such complied with the applicable accounting principles and practices adopted by the Company, the requirements of the Stock Exchange and adequate disclosures has been made, before announcement of both results.

The Audit Committee recommended to the Board to review the re-appointment of Messrs. Ernst & Young as the Company's external auditors subject to the Shareholders' approval at the forthcoming AGM of the Company.

NOMINATION OF THE DIRECTORS

The Company has not set up the nomination committee, the establishment of which is only a recommended best practice of the Code.

The Board is empowered under the bye-laws of the Company to appoint any person as a Director either to fill a casual vacancy on or as an additional member to the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience relevant to the Company's businesses. It is believed that the members of the Board would collectively have the required professional knowledge and skills in discharging the Board's responsibility in identifying, recruiting and evaluating new nominees to the Board and the assessment of qualifications of nominated candidates for directorship. During the financial year under review, no new Director was appointed to the Board.

AUDITORS' REMUNERATION

During the financial year ended 31 December 2009, the remuneration paid to the external auditors of the Company, Messrs. Ernst & Young, is set out as follows:

Services rendered	Fees paid/payable HK$'000
Audit services	4,750
Non-audit services:	
Tax compliance services	727
Other services	525
Total	6,002

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

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

INTERNAL CONTROL AND INTERNAL AUDIT

The Board is entrusted with the overall responsibility for establishing and maintaining the Group's internal control system and reviewing their effectiveness. The Group's internal control system has been designed for safeguarding assets, maintaining proper accounting records and ensuring reliability of the financial information. Through the Company's internal audit team, the Board has conducted a review of the effectiveness of the internal control system of the Group which covers all material controls, including operational, financial and compliance controls and risk management functions.

The internal audit team of the Company reviews the major operational, financial and compliance controls and risk management functions of the Group on a continuing basis and aims to cover all major operations of the Group on a rotational basis. The internal audit team of the Company presents their internal audit plan annually to the CEO for approval and they also discuss and agree their audit plan with the Audit Committee at the Audit Committee's meeting. The reports and findings prepared by the internal audit team of the Company have been circulated to the CEO, the Group Finance Director and the Audit Committee for review.

report of the directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the manufacture, sale, design and development of telecom and electronic products and accessories, the manufacture of plastic and power supply components, the manufacture and sale of infant and child products, investment in securities business and property holding and development. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 42 to 121.

An interim dividend of HK$0.030 per ordinary share was paid on 21 October 2009.

The directors recommend the payment of a final dividend of HK$0.035 (2008: HK$0.030) per ordinary share in respect of the year to shareholders whose names appear on the register of members of the Company on 31 May 2010 subject to the approval of the shareholders of the Company at the forthcoming annual general meeting. This recommendation has been incorporated in the financial statements as an allocation of distributable reserve within the equity section of the statement of financial position.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 122. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in the Company's authorised share capital and share options during the year. Details of movements in the Company's issued share capital during the year are set out in note 37 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 Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES

During the year, the Company repurchased a total of 247,469,919 Shares by way of cash offers (details of which are set out in the offer documents of the Company dated 23 January 2009 and 29 October 2009) at an aggregate consideration of HK$148,190,601.50. All the repurchased Shares were subsequently cancelled. Details of the repurchases are as follows:

Date of the repurchases	Total number of the Shares repurchased	Price paid per Share	Aggregate consideration
		HK$	HK$
2 March 2009	198,558,635	0.50	99,279,317.50
2 December 2009	48,911,284	1.00	48,911,284.00
Total	247,469,919		148,190,601.50

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed Shares during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 39(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2009, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda, amounted to HK$1,712 million, of which HK$21 million has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$12 million, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$6 million (2008: HK$6 million).

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total			
	Sales		Purchases	
	2009	2008	**2009**	2008
Largest customer	**33%**	35%		
Five largest customers in aggregate	**80%**	76%		
Five largest suppliers in aggregate			**<30%**	<30%

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

DIRECTORS

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

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

Independent non-executive Directors:
Tam King Ching, Kenny
Lau Ho Man, Edward
Chen Li

In accordance with the bye-laws of the Company, Mr. Tam Ngai Hung, Terry and Mr. Chen Li will retire and, being eligible, will offer themselves for re-election at the forthcoming AGM of the Company.

The INEDs of the Company are not appointed for any specific terms. All Directors (except the Chairman and the managing Director) are subject to retirement by rotation and re-election at least once every three years at the AGM of the Company in accordance with the bye-laws of the Company.

The Company has received from each of the INEDs of the Company an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and, as at the date of this Annual Report, still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on page 8 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

SHARE OPTION SCHEME OF THE GROUP

Share option scheme of the Company

The Share Option Scheme was adopted by the Company on 28 February 2002. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. As at 31 December 2009, there was no share option outstanding under the Share Option Scheme. No share option has been granted, exercised, cancelled and has lapsed under the Share Option Scheme during the year.

The purpose of the Share Option Scheme is to provide incentives and rewards to the eligible participants who contribute to the success of the operations of the Group. Eligible participants of the Share Option Scheme include any employee, executive or officer of the Group (including executive and non-executive directors of the Group) and any supplier, consultant, agent, adviser, shareholder, customer, partner or business associate who, in the opinion of the Board, will contribute or has contributed to the Group.

Pursuant to the Share Option Scheme, the maximum number of Shares in respect of which share options may be granted under the Share Option Scheme is such number of Shares, when aggregated with the Shares subject to any other share option scheme(s) of the Company, must not exceed 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme or 30% of the issued share capital of the Company from time to time.

The maximum number of Shares issuable upon exercise of the share options granted under the Share Option 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 is limited to 1% of the Shares in issue as at the date of grant. Any further grant of the share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the Shareholders' approval at a general meeting.

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

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; (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 the Shares.

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 OF THE GROUP *(continued)*

Share option scheme of CCT Tech

CCT Tech's current share option scheme was effective on 7 November 2002. Unless otherwise cancelled or amended, the share option scheme of CCT Tech will remain in force for a period of 10 years from the date of its adoption.

The purpose of the share option scheme of CCT Tech is to provide incentives and rewards to the eligible participants who contribute to the success of the operations of CCT Tech and its subsidiaries. Eligible participants of the share option scheme of CCT Tech include any employee, executive or officer of CCT Tech and its subsidiaries (including executive and non-executive directors of CCT Tech and its subsidiaries) and any supplier, consultant, agent, adviser, shareholder, customer, partner or business associate who, in the opinion of the board of directors of CCT Tech, will contribute or has contributed to CCT Tech and its subsidiaries.

Pursuant to the share option scheme of CCT Tech, the maximum number of shares in respect of which share options may be granted under the share option scheme of CCT Tech is such number of shares, when aggregated with the shares subject to any other share option scheme(s) of CCT Tech, must not exceed 10% of the issued share capital of CCT Tech upon the listing of the shares on the Stock Exchange or 30% of the issued share capital of CCT Tech from time to time.

The maximum number of shares issuable upon exercise of the share options granted under the share option scheme of CCT Tech and any other share option scheme(s) of CCT Tech (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period is limited to 1% of the shares of CCT Tech in issue as at the date of grant. Any further grant of the share options in excess of this 1% limit shall be subject to the issue of a circular by CCT Tech (and if required, its holding company) and the shareholders of CCT Tech's approval (and if required, the approval of the shareholders of its holding company) at a general meeting.

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

The offer of a grant of the share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the board of directors of CCT Tech, 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 or the expiry date of the share option scheme of CCT Tech, whichever is earlier.

The exercise price of the share options is determinable by the board of directors of CCT Tech, but may not be less than the highest of (i) the closing price of the shares of CCT Tech as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the shares of CCT Tech 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 the shares of CCT Tech.

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

SHARE OPTION SCHEME OF THE GROUP *(continued)*

Share option scheme of CCT Tech *(continued)*

Details of the movements of the share options granted to the Directors and the other eligible participants under the share option scheme of CCT Tech during the year were as follows:

	Number of share options							
Name or category of the participants	**Outstanding as at 1 January 2009**	**Granted during the year**	**Exercised during the year**	**Cancelled/ Lapsed during the year**	**Outstanding as at 31 December 2009**	**Date of grant of the share options**	**Exercise period of the share options**	**Exercise price of the share options** (Note 1)
								HK$ per share
Executive Directors								
Tam Ngai Hung, Terry	–	223,000,000	–	–	223,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Cheng Yuk Ching, Flora	–	245,000,000	–	–	245,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
William Donald Putt	–	8,000,000	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
	–	476,000,000	–	–	476,000,000			
Independent non-executive Director								
Chen Li	–	8,000,000	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
	–	8,000,000	–	–	8,000,000			
Other eligible participants								
Chow Siu Ngor (Note 2)	–	8,000,000	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Lau Ho Kit, Ivan (Note 2)	–	8,000,000	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Employee in aggregate	–	100,000,000	–	–	100,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
	–	116,000,000	–	–	116,000,000			
	–	600,000,000	–	–	600,000,000			

SHARE OPTION SCHEME OF THE GROUP *(continued)*

Share option scheme of CCT Tech *(continued)*

Notes:

1. The exercise price of the share options is subject to adjustment in the case of capitalisation issue, rights issue, sub-division or consolidation of the shares of CCT Tech, or other similar changes in CCT Tech's share capital.

2. Mr. Chow Siu Ngor and Mr. Lau Ho Kit, Ivan are both INEDs of CCT Tech.

The closing market price of the shares of CCT Tech immediately before the date of grant in relation to the share options exercisable during the period from 23 July 2009 to 6 November 2012 as quoted in the Stock Exchange's daily quotation sheet was HK$0.011.

As at 31 December 2009 and the date of this Annual Report, there were 600,000,000 share options outstanding under the share option scheme of CCT Tech. Based on these outstanding share options, the total number of shares of CCT Tech available for issue is 600,000,000, which represents approximately 0.92% of the total issued share capital of CCT Tech as at 31 December 2009 and the date of this Annual Report.

The following theoretical values have been estimated for the 600,000,000 share options granted under the share option scheme of CCT Tech during the year, calculated using the Black-Scholes option pricing model which is a generally accepted method of valuing share options as at the date of grant of the share options:

Name of the grantees	Number of the share options granted during the year	Theoretical value of the share options
		HK$
Tam Ngai Hung, Terry	223,000,000	559,000
Cheng Yuk Ching, Flora	245,000,000	615,000
William Donald Putt	8,000,000	20,000
Chow Siu Ngor	8,000,000	20,000
Lau Ho Kit, Ivan	8,000,000	20,000
Chen Li	8,000,000	20,000
Others	100,000,000	250,000
	600,000,000	1,504,000

SHARE OPTION SCHEME OF THE GROUP *(continued)*

Share option scheme of CCT Tech *(continued)*

The fair value of the equity-settled share options granted by CCT Tech during the year was HK$1,504,000 which was estimated as at the date of grant, using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	–
Expected volatility (%)	49.93
Historical volatility (%)	49.93
Risk-free interest rate (%)	0.297
Expected life of share options (year)	1.647
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.

DIRECTORS' INTERESTS

As at 31 December 2009, the Directors and chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company:

(a) Interests and short positions in the Shares and the underlying Shares as at 31 December 2009

Long positions in the Shares:

Name of the Directors	Number of the Shares interested and nature of interest: Personal	Corporate	Total	Approximate percentage of the total issued share capital of the Company (%)
Mak Shiu Tong, Clement (Note)	715,652	294,775,079	295,490,731	48.75
Tam Ngai Hung, Terry	500,000	–	500,000	0.08
William Donald Putt	591,500	–	591,500	0.10

Note: Of the shareholdings in which Mr. Mak Shiu Tong, Clement was interested, an aggregate of 294,775,079 Shares were beneficially held by Capital Force International Limited, New Capital Industrial Limited and Capital Winner Investments Limited, all of which are corporations wholly-owned by him, his spouse and his two sons. Mr. Mak Shiu Tong, Clement is deemed to be interested in such Shares under the SFO as he controls the exercise of one-third or more of the voting power at general meetings of Capital Force International Limited, New Capital Industrial Limited and Capital Winner Investments Limited.

DIRECTORS' INTERESTS *(continued)*

(b) Interests and short positions in the shares and the underlying shares of the share options of an associated corporation – CCT Tech as at 31 December 2009

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

Name of the Directors	Number of the shares interested and nature of interest Personal	Corporate	Total	Approximate percentage of the total issued share capital of CCT Tech (%)
Mak Shiu Tong, Clement (Note)	120,000,000	33,026,391,124	33,146,391,124	50.67
Tam Ngai Hung, Terry	20,000,000	–	20,000,000	0.03
Cheng Yuk Ching, Flora	18,000,000	–	18,000,000	0.03
Chen Li	10,000,000	–	10,000,000	0.02

Note: Of the shareholdings in which Mr. Mak Shiu Tong, Clement was interested, 33,026,391,124 shares of CCT Tech were held by the Company through its indirect wholly-owned subsidiaries. Mr. Mak Shiu Tong, Clement is deemed to be interested in such shares of CCT Tech under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of the Company through his interest in the shareholdings of 48.75% of the total issued share capital in the Company as at 31 December 2009.

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

Name of the Directors	Date of grant of the share options	Exercise period of the share options	Exercise price per share HK$	Number of the share options outstanding	Number of the total underlying shares	Approximate percentage of the total issued share capital of CCT Tech (%)
Tam Ngai Hung, Terry	23/7/2009	23/7/2009 – 6/11/2012	0.01	223,000,000	223,000,000	0.34
Cheng Yuk Ching, Flora	23/7/2009	23/7/2009 – 6/11/2012	0.01	245,000,000	245,000,000	0.37
William Donald Putt	23/7/2009	23/7/2009 – 6/11/2012	0.01	8,000,000	8,000,000	0.01
Chen Li	23/7/2009	23/7/2009 – 6/11/2012	0.01	8,000,000	8,000,000	0.01

DIRECTORS' INTERESTS *(continued)*

(c) Interests and short positions in the shares and the underlying shares of the share options of an associated corporation – CCT Resources as at 31 December 2009

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

Name of the Directors	Number of the shares interested and nature of interest Personal	Corporate	Total	Approximate percentage of the total issued share capital of CCT Resources (%)
Mak Shiu Tong, Clement (Note)	19,344,000	2,031,764,070	2,051,108,070	42.53
Tam Ngai Hung, Terry	7,500,000	–	7,500,000	0.16

Note: Of the shareholdings in which Mr. Mak Shiu Tong, Clement was interested, 2,031,764,070 shares of CCT Resources were beneficially held by Manistar Enterprises Limited, an indirect wholly-owned subsidiary of the Company. Mr. Mak Shiu Tong, Clement is deemed to be interested in such shares of CCT Resources under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of the Company through his interest in the shareholdings of 48.75% of the total issued share capital in the Company as at 31 December 2009.

DIRECTORS' INTERESTS *(continued)*

(c) Interests and short positions in the shares and the underlying shares of the share options of an associated corporation – CCT Resources as at 31 December 2009 *(continued)*

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

Name of the Directors	Date of grant of the share options	Exercise period of the share options	Exercise price per share HK$	Number of the share options outstanding	Number of the total underlying shares	Approximate percentage of the total issued share capital of CCT Resources (%)
Mak Shiu Tong, Clement	5/7/2006	14/8/2006 – 13/8/2011	0.038	22,500,000	22,500,000	0.47
Tam Ngai Hung, Terry	5/7/2006	14/8/2006 – 13/8/2011	0.038	18,000,000	18,000,000	0.37
	7/7/2009	11/8/2009 – 6/3/2012	0.160	40,500,000	40,500,000	0.84
Cheng Yuk Ching, Flora	5/7/2006	14/8/2006 – 13/8/2011	0.038	5,000,000	5,000,000	0.10
	7/7/2009	11/8/2009 – 6/3/2012	0.160	46,000,000	46,000,000	0.95
William Donald Putt	5/7/2006	14/8/2006 – 13/8/2011	0.038	5,000,000	5,000,000	0.10
	7/7/2009	11/8/2009 – 6/3/2012	0.160	3,500,000	3,500,000	0.07

Save as disclosed above, as at 31 December 2009, none of the Directors and chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2009, the following persons (not being the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the Shares as at 31 December 2009:

Name of the Shareholders	Number of the Shares held	Approximate percentage of the total issued share capital of the Company (%)
Capital Force International Limited (Note)	96,868,792	15.98
New Capital Industrial Limited (Note)	171,357,615	28.27

Note: Capital Force International Limited and New Capital Industrial Limited are corporations wholly-owned by Mr. Mak Shiu Tong, Clement, his spouse and his two sons. Mr. Mak Shiu Tong, Clement's interest in such Shares has also been disclosed under the section headed "Directors' Interests" above.

Save as disclosed above, the Directors and chief executive of the Company are not aware that there is any party who, as at 31 December 2009, 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions under the Code set out in Appendix 14 to the Listing Rules throughout the financial year under review, except for the deviations from Code Provisions A.2.1, A.4.1 and A.4.2. 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.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENT AFTER THE REPORTING PERIOD

Details of the significant event after the reporting period of the Group are set out in note 49 to the financial statements.

AUDITORS

The financial statements for the year ended 31 December 2009 have been audited by Messrs. 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
20 April 2010

independent auditors' report

ERNST & YOUNG
安永

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

We have audited the financial statements of CCT Telecom Holdings Limited set out on pages 42 to 121, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong
20 April 2010

consolidated income statement

Year ended 31 December 2009

HK$ million	Notes	2009	2008
REVENUE	5	**1,653**	2,935
Cost of sales		**(1,479)**	(3,066)
Gross profit/(loss)		**174**	(131)
Other income and gains	5	**203**	42
Selling and distribution costs		**(29)**	(45)
Administrative expenses		**(217)**	(303)
Other expenses		**(19)**	(432)
Finance costs	8	**(7)**	(24)
Share of loss of an associate		**(54)**	(15)
		51	(908)
Costs in connection with the Discontinuation and restructuring, net	6	**–**	(376)
PROFIT/(LOSS) BEFORE TAX	7	**51**	(1,284)
Income tax expense	11	**(18)**	(5)
PROFIT/(LOSS) FOR THE YEAR		**33**	(1,289)
Profit/(loss) attributable to:			
Owners of the parent	12	**42**	(1,123)
Minority interests		**(9)**	(166)
		33	(1,289)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic		**HK$0.06**	(HK$1.36)
Diluted		**HK$0.06**	(HK$1.36)

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

consolidated statement of comprehensive income

Year ended 31 December 2009

HK$ million	2009	2008
PROFIT/(LOSS) FOR THE YEAR	**33**	(1,289)
Other comprehensive income/(loss), net of tax:		
Exchange differences on translating foreign operations	**(5)**	33
Share of other comprehensive income/(loss) of an associate	**6**	(5)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**34**	(1,261)
Total comprehensive income/(loss) attributable to:		
Owners of the parent	**43**	(1,095)
Minority interests	**(9)**	(166)
	34	(1,261)

consolidated statement of financial position

31 December 2009

HK$ million	Notes	2009	2008
ASSETS			
Non-current assets			
Property, plant and equipment	15	**796**	886
Investment properties	16	**227**	171
Prepaid land lease payments	17	**208**	213
Goodwill	18	**55**	55
Interest in an associate	21	**187**	229
Available-for-sale financial assets	22	**4**	4
Deferred tax assets	36	**1**	1
Total non-current assets		**1,478**	1,559
Current assets			
Inventories	23	**98**	135
Property for development	24	**–**	113
Property under development	25	**129**	–
Investment property classified as held for sale	26	**120**	87
Trade receivables	27	**401**	422
Prepayments, deposits and other receivables	28	**405**	256
Financial assets at fair value through profit or loss	29	**255**	446
Pledged time deposits	30	**65**	89
Cash and cash equivalents	30	**566**	786
Total current assets		**2,039**	2,334
Total assets		**3,517**	3,893
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital	37	**61**	85
Reserves	39(a)	**1,991**	2,108
Proposed final dividend	13	**21**	20
		2,073	2,213
Minority interests		**355**	364
Total equity		**2,428**	2,577
Non-current liabilities			
Interest-bearing bank and other borrowings	34	**144**	124
Deferred tax liabilities	36	**12**	3
Total non-current liabilities		**156**	127

HK$ million	Notes	2009	2008
Current liabilities			
Trade and bills payables	31	**418**	551
Tax payable		**34**	29
Other payables and accruals	32	**193**	211
Derivative financial instrument	33	**4**	47
Interest-bearing bank and other borrowings	34	**284**	351
Total current liabilities		**933**	1,189
Total liabilities		**1,089**	1,316
Total equity and liabilities		**3,517**	3,893
Net current assets		**1,106**	1,145
Total assets less current liabilities		**2,584**	2,704

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

consolidated statement of changes in equity

Year ended 31 December 2009

		Attributable to owners of the parent													
HK$ million	Notes	Issued capital	Share premium account	Capital reserve (Note 39(a))	Distributable reserve	Investment revaluation reserve	Equity component of convertible bonds	Share option reserve	Exchange fluctuation reserve	Capital redemption reserve	Retained profits/ (accumulated losses)	Proposed final dividend	Total	Minority interests	Total equity
At 1 January 2008		80	77	745	1,417	1	10	3	19	–	849	24	3,225	550	3,775
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	–	28	–	(1,123)	–	(1,095)	(166)	(1,261)
Deemed disposal of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	(21)	(21)
Deemed disposal of interest in a subsidiary upon exercise of share options in the subsidiary		–	–	–	–	–	–	(1)	–	–	–	–	(1)	1	–
Issue of new shares upon conversion of convertible bonds		5	48	–	–	–	(10)	–	–	–	–	–	43	–	43
Share of reserve of an associate (other than comprehensive income)		–	–	–	–	–	86	–	–	–	–	–	86	–	86
2007 final dividend paid		–	–	–	–	–	–	–	–	–	–	(24)	(24)	–	(24)
2008 interim dividend	13	–	–	–	–	–	–	–	–	–	(21)	–	(21)	–	(21)
Proposed 2008 final dividend	13	–	–	–	(20)	–	–	–	–	–	–	20	–	–	–
At 31 December 2008		85	125*	745*	1,397*	1*	86*	2*	47*	–*	(295)*	20	2,213	364	2,577
At 1 January 2009		85	125	745	1,397	1	86	2	47	–	(295)	20	2,213	364	2,577
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	–	1	–	42	–	43	(9)	34
Deemed disposal of interest in an associate		–	–	–	–	–	(42)	(1)	–	–	43	–	–	–	–
Equity-settled share option arrangements		–	–	–	–	–	–	2	–	–	–	–	2	–	2
Repurchase of shares	37	(24)	(113)	–	(38)	–	–	–	–	24	–	–	(151)	–	(151)
Share of reserve of an associate (other than comprehensive income)		–	–	–	–	–	–	6	–	–	–	–	6	–	6
2008 final dividend paid		–	–	–	–	–	–	–	–	–	–	(20)	(20)	–	(20)
2009 interim dividend	13	–	–	–	(20)	–	–	–	–	–	–	–	(20)	–	(20)
Proposed 2009 final dividend	13	–	–	–	(21)	–	–	–	–	–	–	21	–	–	–
At 31 December 2009		61	12*	745*	1,318*	1*	44*	9*	48*	24*	(210)*	21	2,073	355	2,428

* These reserve accounts comprise the consolidated reserves of HK$1,991 million (2008: HK$2,108 million) in the consolidated statement of financial position.

consolidated statement of cash flows

Year ended 31 December 2009

HK$ million	Notes	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**51**	(1,284)
Adjustments for:			
Finance costs	8	**7**	24
Share of loss of an associate		**54**	15
Interest income	5	**(1)**	(21)
Depreciation	7	**93**	140
Equity-settled share option expense	9	**2**	–
Amortisation of prepaid land lease payments	7	**5**	6
Amortisation of deferred expenditure	7	**–**	24
Net impairment of trade receivables	7	**13**	48
Write-off of other receivables	7	**–**	1
Write-off and impairment of deferred development costs	7	**–**	35
Write-off and impairment of items of property, plant and equipment	7	**6**	320
Gain on disposal of available-for-sale financial assets	7	**–**	(3)
Loss on disposal of items of property, plant and equipment, net	7	**–**	1
Fair value (gain)/loss on investment properties	7	**(56)**	20
Fair value gain on investment property classified as held for sale	7	**(33)**	–
Provision made/(write-back of provision) for slow-moving and obsolete inventories	7	**(9)**	17
Fair value (gain)/loss on financial assets at fair value through profit or loss	7	**(53)**	402
Fair value gain on derivative financial instrument	7	**(34)**	(6)
		45	(261)
Decrease in inventories		**46**	71
Decrease in trade receivables		**8**	247
Decrease in property for development		**113**	–
Increase in property under development		**(129)**	–
Increase in prepayments, deposits and other receivables		**(149)**	(97)
Decrease in trade and bills payables and other payables and accruals		**(151)**	(300)
Cash used in operations		**(217)**	(340)
Interest received		**1**	21
Interest paid		**(7)**	(24)
Hong Kong profits tax paid		**(2)**	(3)
PRC tax paid		**(2)**	(4)
Net cash flows used in operating activities		**(227)**	(350)

HK$ million	Notes	2009	2008
Net cash flows used in operating activities		**(227)**	(350)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	15	**(13)**	(78)
Proceeds from disposal of items of property, plant and equipment		**4**	14
Proceeds from disposal of investment properties		**–**	37
Proceeds from disposal of available-for-sale financial assets		**–**	10
Additions to intangible assets	19	**–**	(27)
Net proceeds from disposal/(purchases) of financial assets at fair value through profit or loss		**244**	(532)
Decrease in derivative financial instrument		**(9)**	(9)
Disposal of subsidiaries	40	**–**	(31)
Subscription of convertible bonds issued by an associate		**–**	(139)
Decrease in pledged time deposits		**24**	161
Net cash flows from/(used in) investing activities		**250**	(594)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**104**	173
(Repayment of)/new trust receipts loans, net		**(42)**	50
Repayment of bank loans		**(106)**	(138)
Capital element of finance lease rental payments		**(3)**	(3)
Repurchase of shares		**(151)**	–
Dividends paid		**(40)**	(45)
Net cash flows from/(used in) financing activities		**(238)**	37
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(215)**	(907)
Cash and cash equivalents at beginning of year		**786**	1,673
Effect of foreign exchange rate changes, net		**(5)**	20
CASH AND CASH EQUIVALENTS AT END OF YEAR		**566**	786
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	30	**477**	633
Non-pledged time deposits with original maturity of less than three months when acquired	30	**89**	153
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**566**	786

statement of financial position

31 December 2009

HK$ million	Notes	2009	2008
ASSETS			
Non-current assets			
Property, plant and equipment	15	**1**	1
Interests in subsidiaries	20	**1,248**	721
Total non-current assets		**1,249**	722
Current assets			
Due from subsidiaries	20	**432**	1,051
Prepayments, deposits and other receivables	28	**1**	–
Cash and cash equivalents	30	**106**	154
Total current assets		**539**	1,205
Total assets		**1,788**	1,927
EQUITY AND LIABILITIES			
Issued capital	37	**61**	85
Reserves	39(b)	**1,703**	1,818
Proposed final dividends	13	**21**	20
Total equity		**1,785**	1,923
Current liabilities			
Other payables and accruals	32	**3**	4
Total current liabilities		**3**	4
Total equity and liabilities		**1,788**	1,927
Net current assets		**536**	1,201
Total assets less current liabilities		**1,785**	1,923

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

notes to financial statements

1. CORPORATE INFORMATION

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

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

- the manufacture and sale of telecom and electronic products;
- the manufacture of electronic accessories and components;
- the manufacture and sale of infant and child products;
- investment in securities; and
- development and holding of property.

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, 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, investment property classified as held for sale, derivative financial instrument, certain available-for-sale financial assets 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 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation and* HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

Other than as further explained below regarding the impact of HKAS 1 (Revised) and HKFRS 8, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements are as follows:

(a) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

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

(b) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

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.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*[2]
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

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

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

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

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed 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 forms part of a cash-generating unit (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 disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties and goodwill), 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 to sell, 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 income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any 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 income statement in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

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. 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 income statement 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 depreciation.

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

Leasehold land and buildings	2.5%–6%
Plant and machinery	10%–20%
Tools, moulds and equipment	10%–20%
Furniture and office equipment	10%–20%
Motor vehicles	15%–30%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

An item of property, plant and equipment and 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 income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

Investment properties

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

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

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

Properties for/under development

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets (other than investment properties) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Investment property classified as held for sale is stated at fair value.

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 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 income statement so as to provide a constant periodic rate of charge over the lease terms.

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

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

Intangible assets (other than goodwill)

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

Deferred development costs

All research costs are charged to the income statement 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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

The Group's financial assets include cash and bank balances, trade and other receivables, and quoted and unquoted financial instruments.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Loans and receivables

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

Available-for-sale financial investments

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

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

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

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

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

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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

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

Assets carried at cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments

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

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

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

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 derecognised 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, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

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

Subsequent measurement

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

Loans and borrowings

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

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 income statement.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement.

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 estimated selling prices less any estimated costs to be incurred to completion and disposal.

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 for the current and prior periods 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:

- where 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 and associates, where 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, 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:

- where 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 and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Share-based payment transactions

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 payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes option pricing model, further details of which are given in note 38 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each 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 income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions *(continued)*

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

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, 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. All cancellations of equity-settled transaction awards are treated equally.

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

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement 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 income statement as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. 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 determined.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements 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 income statement.

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

Borrowing costs

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

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.

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

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

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

(d) from the rendering of services, when the services have been rendered;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

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

(g) from the sale of properties, when the risks and rewards of ownership of the properties are transferred to the purchasers, that is when the properties have been delivered to the purchasers pursuant to the sale agreement, and the collectability of related receivables is reasonably assured.

Dividends

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, 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.

Classification between investment properties and owner-occupied properties

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

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

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

Classification between investment properties and investment property classified as held for sale

The Group has determined whether a property qualifies as investment property classified as held for sale, and has developed criteria in making that judgement. Investment property classified as held for sale is a property whose carrying value will be recovered principally through a sales transaction rather than through continuing use. The property which qualifies as investment property classified as held for sale should be available for immediate sale in its present condition and its sale should be highly probable and the management should have committed a plan to sell the property.

Judgement is made on an individually property basis to determine whether the property is classified as investment property classified as held for sale.

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2009 and 31 December 2008 was HK$55 million. More details are given in note 18.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2009 was HK$1 million (2008: HK$1 million). The amount of unrecognised tax losses at 31 December 2009 was HK$768 million (2008: HK$826 million). Further details are contained in note 36 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

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

(b) the components segment which is the manufacture and sale of electronic accessories and components;

(c) the infant and child products segment which is the manufacture and sale of infant and child products;

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

(e) the property development and holding segment which is the holding of property and property development.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, equity-settled share option expenses, share of profits and losses of an associate, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, interest in an associate and unallocated corporate assets as these assets are managed on a group basis.

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

4. OPERATING SEGMENT INFORMATION *(continued)*

	Telecom and electronic products		Components		Infant and child products		Securities business		Property development and holding		Reconciliations		Group total	
HK$ million	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Segment revenue:														
Sales to external customers	**1,451**	2,750	**31**	26	**152**	140	**17**	(149)	**1**	123	**1**	45	**1,653**	2,935
Other revenue	**10**	24	**1**	4	**1**	2	**–**	–	**–**	2	**4**	7	**16**	39
Intersegment revenue	**–**	–	**231**	420	**14**	–	**–**	–	**4**	14	**(249)**	(434)	**–**	–
	1,461	2,774	**263**	450	**167**	142	**17**	(149)	**5**	139	**(244)**	(382)	**1,669**	2,974
Operating profit/(loss)	**(16)**	(506)	**(28)**	(109)	**30**	8	**97**	(555)	**78**	(34)	**–**	–	**161**	(1,196)
Interest income	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1**	20	**1**	20
Finance costs	**(3)**	(9)	**–**	–	**–**	–	**–**	–	**–**	–	**(4)**	(15)	**(7)**	(24)
Reconciled items:														
Unallocated corporate head office expenses	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(50)**	(69)	**(50)**	(69)
Share of loss of an associate	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(54)**	(15)	**(54)**	(15)
Profit/(loss) before tax	**(19)**	(515)	**(28)**	(109)	**30**	8	**97**	(555)	**78**	(34)	**(107)**	(79)	**51**	(1,284)
Capital expenditure	**11**	61	**–**	11	**1**	11	**–**	–	**1**	2	**–**	20	**13**	105
Depreciation	**(71)**	(100)	**(12)**	(22)	**(2)**	(4)	**–**	–	**(7)**	(12)	**(1)**	(2)	**(93)**	(140)
Amortisation	**(2)**	(26)	**(3)**	(4)	**–**	–	**–**	–	**–**	–	**–**	–	**(5)**	(30)
Other material non-cash item:														
Impairment losses recognised directly in the income statements	**(13)**	(315)	**–**	(65)	**–**	–	**–**	–	**–**	–	**–**	(11)	**(13)**	(391)
Fair value gain on derivative financial instruments	**–**	–	**–**	–	**–**	–	**34**	6	**–**	–	**–**	–	**34**	6
Other non-cash expenses	**(18)**	(9)	**(1)**	–	**–**	–	**–**	–	**–**	–	**–**	(5)	**(19)**	(14)
Fair value gain/(loss) on investment properties	**–**	–	**–**	–	**–**	–	**–**	–	**56**	(20)	**–**	–	**56**	(20)
Gain on disposal of available-for-sale financial assets	**–**	–	**–**	–	**–**	3	**–**	–	**–**	–	**–**	–	**–**	3
Fair value gain/(loss) on financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**53**	(402)	**–**	–	**–**	–	**53**	(402)
Fair value gain on investment property classified as held for sale	**–**	–	**–**	–	**–**	–	**–**	–	**33**	–	**–**	–	**33**	–
Segment assets	**1,433**	1,689	**380**	427	**87**	65	**318**	448	**1,012**	917	**(71)**	(114)	**3,159**	3,432
Reconciled items:														
Interest in an associate	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**187**	229	**187**	229
Corporate and other unallocated assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**171**	232	**171**	232
Total assets	**1,433**	1,689	**380**	427	**87**	65	**318**	448	**1,012**	917	**287**	347	**3,517**	3,893
Segment liabilities	**786**	1,033	**76**	70	**32**	15	**51**	108	**163**	165	**(71)**	(114)	**1,037**	1,277
Reconciled items:														
Corporate and other unallocated liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**52**	39	**52**	39
Total liabilities	**786**	1,033	**76**	70	**32**	15	**51**	108	**163**	165	**(19)**	(75)	**1,089**	1,316

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

HK$ million	**2009**	2008
Europe	**1,078**	1,180
North America	**254**	1,355
Asia Pacific and others	**321**	400
	1,653	2,935

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

(b) Non-current assets

HK$ million	**2009**	2008
Hong Kong	**500**	489
Mainland China	**977**	1,067
Other countries	**1**	3
	1,478	1,559

The non-current asset information is based on the location of assets.

Information about major customers

For the year ended 31 December 2009, revenue from each of the two major customers of the telecom and electronic products segment was HK$541 million and HK$277 million, respectively, representing 33% and 17% of the Group's total revenue, respectively.

For the year ended 31 December 2008, revenue from each of the two major customers of the telecom and electronic products segment was HK$1,034 million and HK$542 million, respectively, representing 35% and 18% of the Group's total revenue, respectively.

5. REVENUE, OTHER INCOME AND GAINS

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

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

HK$ million	2009	2008
Revenue		
Manufacture and sale of telecom and electronic products	**1,482**	2,776
Manufacture and sale of infant and child products	**152**	140
Realised gain/(loss) from securities investment, net	**17**	(150)
Sale of a property	**–**	122
Provision of e-commerce service	**–**	25
Rental income from investment properties	**1**	1
Interest income from financial assets at fair value through profit or loss	**–**	1
Bank interest income	**1**	20
	1,653	2,935
Other income and gains		
Fair value gain on investment properties	**56**	–
Fair value gain on financial assets at fair value through profit or loss	**53**	–
Fair value gain on derivative financial instrument	**34**	–
Fair value gain on investment property classified as held for sale	**33**	–
Foreign exchange gain	**11**	–
Gain on disposal of available-for-sale financial assets	**–**	3
Others	**16**	39
	203	42

6. COSTS IN CONNECTION WITH THE DISCONTINUATION AND RESTRUCTURING, NET

During the prior year, the holding company of a distribution company in the United States of America (the "US Customer") announced its decision to exit with immediate effect its retail telephony activities in North America which were then carried on by the US Customer (the "Discontinuation"). The US Customer was the single largest customer of the Group for the prior year. As a result of the Discontinuation, certain production facilities of the Group became under utilised.

The costs incurred and accrued as at 31 December 2008 in connection with the Discontinuation and restructuring are summarised below:

HK$ million	Note	2008
Impairment of items of property, plant and equipment	15	310
Impairment of deferred development costs		22
Redundancy costs and severance payments		27
Other related losses		17
		376

7. PROFIT/(LOSS) BEFORE TAX

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

		Group	
HK$ million	Notes	**2009**	2008
Cost of inventories sold		**1,374**	2,904
Depreciation	15	**93**	140
Amortisation of prepaid land lease payments	17	**5**	6
Minimum lease payments under operating leases in respect of land and buildings		**9**	14
Research and development costs:			
Deferred expenditure amortised*		**–**	24
Current year expenditure		**66**	87
Auditors' remuneration		**5**	5
Employee benefit expense (excluding directors' remuneration–note 9):			
Wages and salaries		**258**	472
Pension scheme contributions****		**1**	2
Less: Amount capitalised in deferred development costs		**–**	(8)
		259	466
Net impairment of trade receivables**	27	**13**	48
Write-off of other receivables**		**–**	1
Write-off of items of property, plant and equipment**	15	**6**	6
Impairment of items of property, plant and equipment**	15	**–**	314
Loss on disposal of items of property, plant and equipment**		**–**	1
Write-off of deferred development costs**	19	**–**	6
Impairment of deferred development costs**	19	**–**	29
Fair value loss on investment properties	16	**–**	20
Fair value loss on financial assets at fair value through profit or loss**		**–**	402
Provision made/(write-back of provision) for slow-moving and obsolete inventories *		**(9)**	17
Foreign exchange differences, net		**(11)**	20
Fair value gain on investment properties***	16	**(56)**	–
Fair value gain on investment property classified as held for sale***		**(33)**	–
Gain on disposal of available-for-sale financial assets***		**–**	(3)
Fair value gain on financial assets at fair value through profit or loss***		**(53)**	–
Fair value gain on derivative financial instruments***		**(34)**	(6)
Gross rental income from investment properties	5	**(1)**	(1)

* Included in "Cost of sales" on the face of the consolidated income statement.
** Included in "Other expenses" on the face of the consolidated income statement.
*** Included in "Other income and gains" on the face of the consolidated income statement.
**** 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.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
HK$ million	**2009**	2008
Interest on bank loans wholly repayable within five years	**4**	12
Interest on bank loans wholly repayable after five years	**3**	12
Total interest expense on financial liabilities not at fair value through profit or loss	**7**	24

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
HK$ million	**2009**	2008
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**1**	1
	1	1
Executive directors' other emoluments:		
Salaries, allowances and benefits in kind	**22**	25
Performance related bonuses*	**–**	11
Equity-settled share option benefits	**2**	–
Pension scheme contributions	**1**	1
	25	37
	26	38

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the performance of the Group's operations.

During the year, 500,000,000 share options of the Company's subsidiary, CCT Tech International Limited ("CCT Tech"), were granted to certain directors, in respect of their services to the Group under the share option scheme of CCT Tech. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the year ended 31 December 2009 is included in the above directors' remuneration disclosures.

9. DIRECTORS' REMUNERATION *(continued)*

(a) Independent non-executive directors

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

	Fees HK$'000	Equity-settled share option benefits HK$'000	Total HK$'000
2009			
Tam King Ching, Kenny	**240**	**–**	**240**
Lau Ho Man, Edward	**240**	**–**	**240**
Chen Li	**240**	**20**	**260**
	720	**20**	**740**

	Fees HK$'000	Equity-settled share option benefits HK$'000	Total HK$'000
2008			
Samuel Olenick*	20	–	20
Tam King Ching, Kenny	240	–	240
Lau Ho Man, Edward	240	–	240
Chen Li**	220	–	220
	720	–	720

* Resigned on 5 February 2008.

** Appointed on 5 February 2008.

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

9. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors

HK$ million	Salaries, allowances and benefits in kind	Tax allowance	Performance related bonuses	Equity-settled share option benefits	Pension scheme contributions	Total remuneration
2009						
Mak Shiu Tong, Clement ("Mr. Mak")	**10**	**5**	**–**	**–**	**1**	**16**
Tam Ngai Hung, Terry	**4**	**–**	**–**	**1**	**–**	**5**
Cheng Yuk Ching, Flora	**3**	**–**	**–**	**1**	**–**	**4**
William Donald Putt	**–**	**–**	**–**	**–**	**–**	**–**
	17	**5**	**–**	**2**	**1**	**25**

HK$ million	Salaries, allowances and benefits in kind	Tax allowance	Performance related bonuses	Equity-settled share option benefits	Pension scheme contributions	Total remuneration
2008						
Mak Shiu Tong, Clement ("Mr. Mak") (Note 1)	10	8	7	–	1	26
Tam Ngai Hung, Terry (Note 2)	4	–	2	–	–	6
Cheng Yuk Ching, Flora (Note 2)	3	–	2	–	–	5
William Donald Putt	–	–	–	–	–	–
	17	8	11	–	1	37

Notes:

(1) The performance related bonuses paid to Mr. Mak during the year ended 31 December 2008 was determined based on the Group's operating performance for the financial year ended 31 December 2007.

(2) The performance related bonuses paid to Mr. Tam Ngai Hung, Terry and Ms Cheng Yuk Ching, Flora during the year ended 31 December 2008 was determined based on the Group's operating performance for the financial year ended 31 December 2007.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2008: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2008: two) non-director, highest paid employees for the year are as follows:

	Group	
HK$ million	**2009**	2008
Salaries, allowances and benefits in kind	**4**	4
Performance related bonuses	**–**	–
Equity-settled share option expense	**–**	–
Pension scheme contributions	**–**	–
	4	4

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

	Number of employees	
	2009	2008
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,000,000	**1**	–
HK$2,500,001 – HK$3,000,000	**1**	1
	2	2

During the year, share option was granted to a non-director, highest paid employee, in respect of his services to the Group under the share option scheme of CCT Tech. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount of HK$300,000 (2008: Nil) included in the financial statements for the current year is included in the above five highest paid employees' remuneration disclosures.

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	Group	
HK$ million	**2009**	2008
Group:		
Current – Hong Kong		
Charge for the year	**5**	–
Underprovision in prior years	**–**	1
Current – Elsewhere		
Charge for the year	**2**	2
Underprovision in prior years	**2**	2
Deferred (note 36)	**9**	–
Total tax charge for the year	**18**	5

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

Group – 2009

	Hong Kong		The People's Republic of China (the "PRC"), excluding Hong Kong		Total	
HK$ million		%		%		%
Profit/(loss) before tax	**99.5**		**(48.7)**		**50.8**	
Tax at the statutory or appropriate tax rate	**16.4**	**16.5**	**(12.2)**	**25.1**	**4.2**	**8.3**
Adjustment in respect of current tax of previous periods	**–**	**–**	**1.9**	**(3.9)**	**1.9**	**3.7**
Losses attributable to an associate	**8.9**	**9.0**	**–**	**–**	**8.9**	**17.5**
Income not subject to tax	**(1.1)**	**(1.1)**	**(1.1)**	**2.3**	**(2.2)**	**(4.3)**
Expenses not deductible for tax	**4.7**	**4.7**	**12.3**	**(25.3)**	**17.0**	**33.5**
Tax losses utilised from previous periods	**(19.1)**	**(19.2)**	**–**	**–**	**(19.1)**	**(37.6)**
Tax losses not recognised	**4.6**	**4.6**	**2.4**	**(4.9)**	**7.0**	**13.8**
Tax charge at the Group's effective rate	**14.4**	**14.5**	**3.3**	**(6.7)**	**17.7**	**34.9**

11. INCOME TAX EXPENSE *(continued)*

Group – 2008

HK$ million	Hong Kong	%	The PRC, excluding Hong Kong	%	Total	%
Profit/(loss) before tax	(750.6)		(533.0)		(1,283.6)	
Tax at the statutory or appropriate tax rate	(123.8)	16.5	(133.2)	25.0	(257.0)	20.0
Adjustment in respect of current tax of previous periods	0.8	(0.1)	2.1	(0.4)	2.9	(0.2)
Losses attributable to an associate	2.5	(0.3)	–	–	2.5	(0.2)
Income not subject to tax	(5.4)	0.7	(2.0)	0.4	(7.4)	0.6
Expenses not deductible for tax	18.8	(2.5)	99.4	(18.7)	118.2	(9.2)
Tax losses utilised from previous periods	(0.8)	0.1	–	–	(0.8)	–
Tax losses not recognised	108.9	(14.5)	37.5	(7.0)	146.4	(11.4)
Tax charge at the Group's effective rate	1.0	(0.1)	3.8	(0.7)	4.8	(0.4)

In late February 2008, the Company received a letter from the Hong Kong Inland Revenue Department (the "IRD") in respect of a review on the tax affairs of the Group for the past years. As at 31 December 2009, protective tax assessments in the aggregate amounts of HK$34 million and HK$52 million for the years of assessment 2001/2002 and 2002/2003, respectively, were issued by the IRD to certain subsidiaries of the Company. Subsequent to the end of the reporting period, in March 2010, protective tax assessments in the aggregate amount of HK$40 million for the year of assessment 2003/04 were issued by the IRD to certain subsidiaries of the Company. Objections have been lodged by those subsidiaries against the protective tax assessments. The directors of the Company believe that there are valid grounds to contest the protective tax assessments. In view that the tax review is still at the information gathering stage, there is still uncertainty about the outcome of the tax review. Up to the date of approval of these financial statements, the directors of the Company consider that adequate tax provision has been made in the financial statements.

12. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit/(loss) attributable to owners of the parent for the year ended 31 December 2009 includes a profit of HK$53 million (2008: a loss of HK$895 million) which has been dealt with in the financial statements of the Company (note 39(b)).

13. DIVIDENDS

HK$ million	2009	2008
Interim – HK$0.030 (2008: HK$0.025) per ordinary share	**20**	21
Proposed final – HK$0.035 (2008: HK$0.030) per ordinary share	**21**	20
Total	**41**	41

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

14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic and diluted earnings/(loss) per share amount for the year is based on the profit for the year attributable to ordinary equity holders of the parent of HK$42 million (2008: loss of HK$1,123 million), and the weighted average number of 690,455,859 (2008: 825,137,009) ordinary shares in issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2009 in respect of a dilution as the impact of the outstanding share options granted by a subsidiary of the Company had an anti-dilutive effect on the basic earnings per share amount presented.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2008 in respect of a dilution as the convertible bonds outstanding during that year had an anti-dilutive effect on the basic loss per share amount presented.

15. PROPERTY, PLANT AND EQUIPMENT

Group

HK$ million	Leasehold land and buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
31 December 2009							
At 31 December 2008 and 1 January 2009:							
Cost	1,179	594	216	162	22	8	2,181
Accumulated depreciation and impairment	(545)	(420)	(189)	(125)	(16)	–	(1,295)
Net carrying amount	634	174	27	37	6	8	886
At 1 January 2009, net of accumulated depreciation and impairment	634	174	27	37	6	8	886
Additions	8	–	1	1	3	–	13
Disposals	–	–	–	–	(1)	(3)	(4)
Write-off	(1)	(5)	–	–	–	–	(6)
Depreciation provided during the year	(42)	(29)	(12)	(7)	(3)	–	(93)
Transfer	2	–	–	–	–	(2)	–
At 31 December 2009, net of accumulated depreciation and impairment	601	140	16	31	5	3	796
At 31 December 2009:							
Cost	1,182	576	216	160	23	3	2,160
Accumulated depreciation and impairment	(581)	(436)	(200)	(129)	(18)	–	(1,364)
Net carrying amount	601	140	16	31	5	3	796

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

Group

HK$ million	Leasehold land and buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
31 December 2008							
At 1 January 2008:							
Cost	1,099	579	214	174	27	72	2,165
Accumulated depreciation and impairment	(285)	(307)	(155)	(115)	(16)	–	(878)
Net carrying amount	814	272	59	59	11	72	1,287
At 1 January 2008, net of accumulated depreciation and impairment	814	272	59	59	11	72	1,287
Additions	29	35	3	6	3	2	78
Disposals	(5)	(6)	(1)	–	(3)	–	(15)
Write-off	(2)	(2)	–	(2)	–	–	(6)
Disposal of subsidiaries (note 40)	(1)	(16)	–	–	–	–	(17)
Depreciation provided during the year	(50)	(51)	(21)	(14)	(4)	–	(140)
Impairment	(215)	(71)	(13)	(14)	(1)	–	(314)
Transfer	63	4	–	–	–	(67)	–
Exchange realignment	1	9	–	2	–	1	13
At 31 December 2008, net of accumulated depreciation and impairment	634	174	27	37	6	8	886
At 31 December 2008:							
Cost	1,179	594	216	162	22	8	2,181
Accumulated depreciation and impairment	(545)	(420)	(189)	(125)	(16)	–	(1,295)
Net carrying amount	634	174	27	37	6	8	886

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

Company

HK$ million	Furniture and office equipment
31 December 2009	
At 31 December 2008 and 1 January 2009, net of accumulated depreciation	**1**
Depreciation provided during the year	**–**
At 31 December 2009, net of accumulated depreciation	**1**
At 31 December 2009:	
Cost	**3**
Accumulated depreciation	**(2)**
Net carrying amount	**1**
31 December 2008	
At 1 January 2008, net of accumulated depreciation	2
Depreciation provided during the year	(1)
At 31 December 2008, net of accumulated depreciation	1
At 31 December 2008:	
Cost	3
Accumulated depreciation	(2)
Net carrying amount	1

The net book values of the Group's property, plant and equipment held under finance leases included in the total amount of plant and machinery and motor vehicles as at 31 December 2009 amounted to approximately HK$7 million (2008: HK$9 million) and HK$1 million (2008: HK$2 million), respectively.

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

HK$ million	Hong Kong	Elsewhere	Total
Medium term leases	25	576	601

At 31 December 2009, certain of the Group's land and buildings with an aggregate carrying value of approximately HK$429 million (2008: HK$457 million) were pledged to secure general banking facilities granted to the Group (note 34).

During the prior year, an impairment of HK$310 million was recognised for certain property, plant and equipment because certain production facilities of the Group were under-utilised as a result of the Discontinuation (note 6). The impairment loss was estimated based on the recoverable amount of the telecom and electronic products cash-generating unit. The recoverable amount of the telecom and electronic products cash-generating unit was determined based on a value in use calculation 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 was 11.7%.

16. INVESTMENT PROPERTIES

HK$ million	Group 2009	2008
Carrying amount at 1 January	**171**	315
Disposals	**–**	(37)
Fair value gain/(loss) on investment properties	**56**	(20)
Transfer to investment property classified as held for sale	**–**	(87)
Carrying amount at 31 December	**227**	171

The Group's investment properties are situated in Hong Kong and held under the long term leases.

The Group's investment properties were revalued on 31 December 2009 by Grant Sherman Appraisal Limited, independent professionally qualified valuers, on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 43(a) to the financial statements.

At 31 December 2009, the Group's investment properties with an aggregate carrying value of HK$226 million (2008: HK$170 million) were pledged to secure general banking facilities granted to the Group (note 34).

Further particulars of the Group's investment properties at 31 December 2009 are as follows:

Location	Use	Tenure	Attributable interest of the Group
House No. 36, Carpark 3 & 4, 56 Repulse Bay Road, Hong Kong	Residential	Long term lease	100%
House No. 37, Carpark 50 & 51, 56 Repulse Bay Road, Hong Kong	Residential	Long term lease	100%
Carpark No. 26 and 234 at the Basement of Site No. 3, Whampoa Garden, Hunghom, Kowloon, Hong Kong	Carpark	Long term lease	100%

17. PREPAID LAND LEASE PAYMENTS

HK$ million	Group 2009	2008
Carrying amount at 1 January	**218**	224
Recognised during the year	**(5)**	(6)
Carrying amount at 31 December	**213**	218
Current portion included in prepayments, deposits and other receivables	**(5)**	(5)
Non-current portion	**208**	213

The leasehold land is held under a long term lease and is situated in the PRC.

18. GOODWILL

Group

HK$ million	
31 December 2009	
At 1 January 2009:	
Cost	**108**
Accumulated impairment	**(53)**
Net carrying amount	**55**
Cost at 1 January 2009 and 31 December 2009, net of accumulated impairment	**55**
At 31 December 2009:	
Cost	**108**
Accumulated impairment	**(53)**
Net carrying amount	**55**
31 December 2008	
At 1 January 2008:	
Cost	108
Accumulated impairment	(53)
Net carrying amount	55
Cost at 1 January 2008 and 31 December 2008, net of accumulated impairment	55
At 31 December 2008:	
Cost	108
Accumulated impairment	(53)
Net carrying amount	55

Goodwill acquired through business combinations has been allocated to the telecom and electronic products cash-generating units for impairment testing. The recoverable amount of this cash-generating unit is determined based on a value in use calculation 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 is 13.6% (2008: 11.7%).

18. GOODWILL *(continued)*

The carrying amount of goodwill as at 31 December 2009 and 2008 is as follows:

HK$ million	**2009**	2008
Telecom and electronic products	**55**	55

Key assumptions were used in the value in use calculation of the telecom and electronic products cash-generating unit for 31 December 2009. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

19. OTHER INTANGIBLE ASSETS

Group

HK$ million	**Deferred development costs**
31 December 2008	
Cost at 1 January 2008, net of accumulated amortisation and impairment	32
Additions – internal development	27
Impairment	(29)
Write-off	(6)
Amortisation provided during the year	(24)
At 31 December 2008	–
At 31 December 2008:	
Cost	115
Accumulated amortisation and impairment	(115)
Net carrying amount	–

19. OTHER INTANGIBLE ASSETS *(continued)*

An impairment loss of HK$29 million was recognised during the prior year because management determined that it was uncertain whether the deferred development costs could generate further economic benefits for the Group.

No expenditure is capitalised as other intangible assets during the current year.

20. INTERESTS IN SUBSIDIARIES

	Company	
HK$ million	**2009**	2008
Unlisted shares, at cost	**1**	45
Due from subsidiaries	**3,416**	3,588
	3,417	3,633
Impairment#	**(1,737)**	(1,861)
	1,680	1,772
Less: Portion of amounts due from subsidiaries classified as current asset	**(432)**	(1,051)
	1,248	721

An impairment was recognised for certain balances due from subsidiaries with a carrying amount of HK$1,737 million (2008: HK$1,861 million) which are considered to be not recoverable as the subsidiaries were loss-making.

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

(a) Amount due from a subsidiary of HK$181 million (2008: HK$169 million) are unsecured and repayable on demand, and bears interest at 3% (2008: 3%), above the Hong Kong dollar prime rate as determined by The Hongkong and Shanghai Banking Corporation Limited per annum.

(b) Amount due from a subsidiary of HK$251 million, net of impairment (2008: HK$882 million) was unsecured, interest-free and repayable on demand.

20. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Canford Holdings Limited	Hong Kong	HK$2 Ordinary	–	100	Property holding
CCT Marketing Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	–	50.49	Trading of telecom products
CCT Tech (HK) Limited	Hong Kong	HK$2,600,000 Ordinary	–	50.49	Sourcing of telecom products, raw materials and components
CCT Tech International Limited ("CCT Tech") @	Bermuda/Hong Kong	HK$654,139,940 Ordinary	–	50.49	Investment holding
CCT Telecom Securities Limited	Hong Kong	HK$1 Ordinary	–	100	Securities investment
Electronic Sales Limited	Hong Kong	HK$5,948,000 Ordinary	–	100	Sale of power supply components
Goldbay Investments Limited	Hong Kong	HK$2 Ordinary	–	100	Property holding
Neptune Holding Limited	Hong Kong	HK$10,000,000 Non-voting* class 'A' shares HK$1,000,000 Voting class 'B' shares	–	100	Trading of plastic casings and parts
Rich Full International Industries Limited	Hong Kong	HK$1 Ordinary	–	100	Property holding
Topcon Investments Limited	Hong Kong	HK$1 Ordinary	–	100	Property holding

20. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Wiltec Industries (HK) Limited	British Virgin Islands/ Hong Kong	US$2 Ordinary	–	100	Sale of infant and child products
Huiyang CCT Telecommunications Products Co., Ltd.#	PRC	HK$120,000,000 Registered^	–	50.49	Manufacture of telecom products
Huiyang CCT Plastic Products Co., Ltd.#	PRC	HK$48,600,000 Registered^	–	100	Manufacture of plastic casings and parts
CCT Land Development (Anshan) Company Limited#	PRC	HK$380,000,000 Registered^	–	100	Property development
CCT Land (Anshan) Property Development Company Limited#	PRC	RMB200,000,000 Registered^	–	100	Property development

* The non-voting shares carry no rights to dividends and no rights to vote at general meetings.

@ Listed on the Main Board of the Stock Exchange.

^ Registered as wholly-foreign-owned enterprises under the PRC law.

\# Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

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.

21. INTEREST IN AN ASSOCIATE

	Group	
HK$ million	**2009**	2008
Share of net assets	**187**	229
Market value of listed shares	**549**	215

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group		Principal activities
			2009	2008	
CCT Resources Holdings Limited ("CCT Resources")	Ordinary shares of HK$0.01 each	Cayman Islands/ Hong Kong	**42.13**	63.43	Forestry business

In consideration of the effect of all potential voting rights of the convertible bonds issued by CCT Resources, the Group ceased to be in a position to exercise control over the financial and operating policies of CCT Resources, notwithstanding that the Group's shareholding in CCT Resources was 63.43% as at 31 December 2008. Accordingly, the Group's interest in CCT Resources was accounted for as an interest in an associate as at 31 December 2008.

The Group's shareholdings in CCT Resources comprise equity shares held through a wholly-owned subsidiary of the Company.

The following table illustrates the summarised financial information of CCT Resources extracted from its management accounts or audited financial statements:

HK$ million	**2009**	2008
Assets	**991**	1,009
Liabilities	**505**	606
Revenues	**8**	31
Loss	**78**	34

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

HK$ million	Group 2009	2008
Unlisted equity investment, at cost less impairment	**2**	2
Other assets, at fair value	**2**	2
	4	4

The above investments consist of investments in equity securities and club debenture which were designated as available-for-sale financial assets on 1 January 2005 and have no fixed maturity date or coupon rate. As the unlisted equity investment has no published quoted prices available or is not able to be benchmarked with similar financial instruments, and the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, the Group has stated the unlisted equity investment at cost less impairment.

23. INVENTORIES

HK$ million	Group 2009	2008
Raw materials	**29**	38
Work in progress	**20**	32
Finished goods	**49**	65
	98	135

24. PROPERTY FOR DEVELOPMENT

Particulars of the Group's property held for development at 31 December 2008 are as follows:

Name of project	Location	Site Area (square metre)	Use	Attributable interest of the the Group
Anshan Tiexi	No. 253 Jiu Dao Road, Tiexi District, Liaoning Province, the PRC	69,117.36	Residential and commercial	100%

25. PROPERTY UNDER DEVELOPMENT

HK$ million	Group 2009	2008
Property under development expected to be completed:		
Within normal operating cycle included under current assets	**129**	–

Particulars of the Group's property held under development at 31 December 2009 are as follows:

Name of project	Location	Site Area (square metre)	Use	Attributable interest of the the Group
Landmark City Phase I	No. 253 Jiu Dao Road, Tiexi District, Liaoning Province, the PRC	69,117.36	Residential and commercial	100%

The Group's property under development is located in Mainland China and is held under a medium term lease.

26. INVESTMENT PROPERTY CLASSIFIED AS HELD FOR SALE

During the prior year, an investment property of the Group was reclassified as investment property classified as held for sale as the carrying amount of the property will be recovered principally through sale, as the Group is committed to a plan to dispose of the investment property and the sale is considered to be highly probable in the forthcoming year.

Particulars of the Group's investment property classified as held for sale at 31 December 2009 are as follows:

Location	Use	Tenure	Attributable interest of the Group
House No. 7, Rosecliff, No. 20 Tai Tam Road, Hong Kong	Residential	Long term lease	100%

The investment property classified as held for sale with a carrying value of approximately HK$120 million (2008: HK$87 million) was pledged to secure general banking facilities granted to the Group (note 34).

27. TRADE RECEIVABLES

HK$ million	Group 2009	2008
Trade receivables	**408**	477
Impairment	**(7)**	(55)
	401	422

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group has certain concentration of credit risk as 46% (2008: 32%) and 86% (2008: 85%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. Trade receivables are non-interest-bearing.

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

	Group			
	2009		2008	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**136**	**34**	147	35
31 to 60 days	**104**	**26**	113	27
61 to 90 days	**124**	**31**	149	35
Over 90 days	**37**	**9**	13	3
	401	**100**	422	100

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

HK$ million	Group 2009	2008
At 1 January	**55**	28
Impairment losses recognised (Note 7)	**13**	48
Amount written off as uncollectible	**(61)**	(21)
At 31 December	**7**	55

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$7 million (2008: HK$55 million) with a carrying amount before provision of HK$61 million (2008: HK$290 million). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

27. TRADE RECEIVABLES *(continued)*

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

	Group	
HK$ million	**2009**	2008
Neither past due nor impaired	**300**	166
Past due but not impaired		
– within 6 months	**47**	19
– 7 to 12 months	**–**	2
	347	187

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

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

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
HK$ million	**2009**	2008	**2009**	2008
Prepayments	**351**	213	**–**	–
Deposits and other receivables	**54**	43	**1**	–
	405	256	**1**	–

The above balance as at 31 December 2009 included prepayments for the acquisition of land use rights in Mainland China amounting to approximately HK$321 million (2008: HK$205 million) in relation to the Group's property development business.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
HK$ million	**2009**	2008
Listed equity investments in Hong Kong, at market value	**241**	438
Fund investments, at fair value	**14**	8
	255	446

The above equity investments and fund investments at 31 December 2009 were classified as held for trading.

The market value of the Group's equity investments at the date of approval of these financial statements was approximately HK$246 million.

30. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
HK$ million	**2009**	2008	**2009**	2008
Cash and bank balances	**477**	633	**106**	150
Time deposits	**154**	242	**–**	4
	631	875	**106**	154
Less: Time deposits pledged for bank facilities (note 34)	**(65)**	(89)	**–**	–
Cash and cash equivalents	**566**	786	**106**	154

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$31 million (2008: HK$161 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

31. TRADE AND BILLS PAYABLES

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

	Group			
	2009		2008	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**106**	**25**	106	19
31 to 60 days	**95**	**23**	76	14
61 to 90 days	**80**	**19**	134	24
Over 90 days	**137**	**33**	235	43
	418	**100**	551	100

The trade payables are non-interest-bearing and are normally settled on terms of 60-90 day.

32. OTHER PAYABLES AND ACCRUALS

	Group		Company	
HK$ million	**2009**	2008	**2009**	2008
Other payables	**60**	58	**–**	–
Accruals	**133**	153	**3**	4
	193	211	**3**	4

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

33. DERIVATIVE FINANCIAL INSTRUMENT

	Group	
HK$ million	**2009**	2008
Share swap contract	**4**	47

The carrying amount of the above share swap contract is the same as its fair value.

34. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2009			2008		
	Effective interest rate (%)	**Maturity**	**HK$ million**	Effective interest rate (%)	Maturity	HK$ million
Current						
Finance lease payables (Note 35)	**3.20–3.25**	**2010**	**1**	3.25–4.25	2009	4
Bank loans – unsecured	**1.23–4.00**	**2010**	**118**	1.69–6.25	2009	103
Bank loans – secured	**0.90–3.45**	**2010**	**165**	1.25–6.97	2009	244
			284			351
Non-current						
Finance lease payables (Note 35)	**3.20**	**2011**	**1**	3.25–4.25	2010	1
Bank loans – unsecured	**4.00**	**2011–2016**	**7**	N/A	N/A	–
Bank loans – secured	**0.90–2.75**	**2011–2016**	**136**	1.65–4.00	2010–2016	123
			144			124
			428			475

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

	Group	
HK$ million	**2009**	2008
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**283**	347
In the second year	**45**	22
In the third to fifth years, inclusive	**64**	62
Beyond five years	**34**	39
	426	470
Other borrowings repayable:		
Within one year or on demand	**1**	4
In the second year	**1**	1
	2	5
	428	475

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

(i) mortgage over the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of approximately HK$226 million (2008: HK$170 million) (note 16);

(ii) mortgage over the Group's land and buildings situated in Hong Kong and the PRC, which had an aggregate carrying value at the end of the reporting period of approximately HK$429 million (2008: HK$457 million) (note 15);

(iii) mortgage over the Group's investment property classified as held for sale situated in Hong Kong, which had a carrying value at the end of the reporting period of approximately HK$120 million (2008: HK$87 million) (note 26); and

(iv) the pledge of certain of the Group's time deposits amounting to HK$65 million (2008: HK$89 million) (note 30).

(b) The Group's bank and other borrowings with carrying amounts of HK$188 million (2008: HK$243 million) and HK$240 million (2008: HK$232 million) are denominated in Hong Kong dollars and United States dollars ("US$"), respectively.

The carrying amounts of the Group's borrowings approximate to their fair values.

35. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles, machinery and office equipment for business use. These leases are classified as finance leases and have remaining lease ranging from one to two years.

At 31 December 2009, the total future minimum lease payments under finance leases and their present value were as follows:

Group

HK$ million	**Minimum lease payments 2009**	Minimum lease payments 2008	**Present value of minimum lease payments 2009**	Present value of minimum lease payments 2008
Amounts payable:				
Within one year	**1**	4	**1**	4
In the second year	**1**	1	**1**	1
Total minimum finance lease payments	**2**	5	**2**	5
Future finance charges	**–**	–		
Total net finance lease payables	**2**	5		
Portion classified as current liabilities (note 34)	**(1)**	(4)		
Non-current portion (note 34)	**1**	1		

36. DEFERRED TAX

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

Deferred tax liabilities

Group

HK$ million	2009 Depreciation allowance in excess of related depreciation	Revaluation of properties	Total
Gross deferred tax liabilities at 1 January 2009	3	–	3
Deferred tax charged/(credited) to the income statement during the year (note 11)	(1)	10	9
Gross deferred tax liabilities at 31 December 2009	2	10	12

Deferred tax assets

Group

HK$ million	2009 Losses available for offsetting against future taxable profits
Gross deferred tax assets at 1 January 2009 and 31 December 2009	1

36. DEFERRED TAX *(continued)*

Deferred tax liabilities

Group

HK$ million	2008 Depreciation allowance in excess of related depreciation
Gross deferred tax liabilities at 1 January 2008	4
Deferred tax credited to the income statement during the year (Note 11)	(1)
Gross deferred tax liabilities at 31 December 2008	3

Deferred tax assets

Group

HK$ million	2008 Losses available for offsetting against future taxable profits
Gross deferred tax assets at 1 January 2008	2
Deferred tax charged to the income statement during the year (Note 11)	(1)
Gross deferred tax assets at 31 December 2008	1

The Group and the Company has tax losses arising in Hong Kong of HK$768 million (2008: HK$826 million) and HK$172 million (2008: HK$146 million), respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

At 31 December 2009, 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 as these subsidiaries incurred losses during the two years ended 31 December 2009.

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

37. SHARE CAPITAL

Shares

HK$ million	Company 2009	2008
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200**	200
Issued and fully paid:		
606,144,907 (2008: 853,614,826) ordinary shares of HK$0.10 each	**61**	85

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

	Number of ordinary shares of HK$0.10 each in issue	Issued capital HK$ million	Share premium account HK$ million	Total HK$ million
At 1 January 2008	797,123,505	80	77	157
Issue of new shares upon conversion of convertible bonds	56,491,321	5	48	53
At 31 December 2008 and 1 January 2009	853,614,826	85	125	210
Repurchase of shares (Note)	(247,469,919)	(24)	(113)	(137)
At 31 December 2009	606,144,907	61	12	73

Note: During the year, the Company repurchased a total of 247,469,919 of its ordinary shares by way of cash offer on 2 March 2009 and 2 December 2009 at an aggregate consideration of HK$151 million, including the transaction costs of approximately HK$3 million. These shares were subsequently cancelled by the Company during the year.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 38 to the financial statements.

38. SHARE OPTION SCHEME

Share option scheme of the Company

The Share Option Scheme which was adopted by the Company on 28 February 2002. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. As at 31 December 2009, there was no share option outstanding under the Share Option Scheme. No share option has been granted, exercised, cancelled and has lapsed under the Share Option Scheme during the year.

The purpose of the Share Option Scheme is to provide incentives and rewards to the eligible participants who contribute to the success of the operations of the Group. Eligible participants of the Share Option Scheme include any employee, executive or officer of the Group (including executive and non-executive directors of the Group) and any supplier, consultant, agent, adviser, shareholder, customer, partner or business associate who, in the opinion of the Board, will contribute or has contributed to the Group.

Pursuant to the Share Option Scheme, the maximum number of Shares in respect of which share options may be granted under the Share Option Scheme is such number of Shares, when aggregated with the Shares subject to any other share option scheme(s) of the Company, must not exceed 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme or 30% of the issued share capital of the Company from time to time.

The maximum number of Shares issuable upon exercise of the share options granted under the Share Option 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 is limited to 1% of the Shares in issue as at the date of grant. Any further grant of the share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the Shareholders' approval at a general meeting.

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 directors (the "INEDs") of the Company, excluding the INED(s) of the Company who is/are the grantee(s) of the share options. In addition, any share option granted to a substantial Shareholder or an INED of the Company, or to any of their respective associates, in excess of 0.1% of the Shares in issue as at the date of grant or with an aggregate value (based on the closing price of the Shares as at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to the issue of a circular by the Company and the Shareholders' approval 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 or the expiry date of the Share Option Scheme, whichever is earlier.

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; (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 the Shares.

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

38. SHARE OPTION SCHEME *(continued)*

Share option scheme of CCT Tech

CCT Tech's current share option scheme was effective on 7 November 2002. Unless otherwise cancelled or amended, the share option scheme of CCT Tech will remain in force for a period of 10 years from the date of its adoption.

The purpose of the share option scheme of CCT Tech is to provide incentives and rewards to the eligible participants who contribute to the success of the operations, of CCT Tech and its subsidiaries. Eligible participants of the share option scheme of CCT Tech include any employee, executive or officer of CCT Tech and its subsidiaries (including executive and non-executive directors of CCT Tech and its subsidiaries) and any supplier, consultant, agent, adviser, shareholder, customer, partner or business associate who, in the opinion of the board of directors of CCT Tech, will contribute or has contributed to CCT Tech and its subsidiaries.

Pursuant to the share option scheme of CCT Tech, the maximum number of shares in respect of which share options may be granted under the share option scheme of CCT Tech is such number of shares, when aggregated with the shares subject to any other share option scheme(s) of CCT Tech, must not exceed 10% of the issued share capital of CCT Tech upon the listing of the shares on the Stock Exchange or 30% of the issued share capital of CCT Tech from time to time.

The maximum number of shares issuable upon exercise of the share options granted under the share option scheme of CCT Tech and any other share option scheme(s) of CCT Tech (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period is limited to 1% of the shares of CCT Tech in issue as at the date of grant. Any further grant of the share options in excess of this 1% limit shall be subject to the issue of a circular by CCT Tech (and if required, its holding company) and the shareholders of CCT Tech's approval (and if required, the approval of the shareholders of its holding company) at a general meeting.

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

The offer of a grant of the share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the board of directors of CCT Tech, 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 or the expiry date of the share option scheme of CCT Tech, whichever is earlier.

The exercise price of the share options is determinable by the board of directors of CCT Tech, but may not be less than the highest of (i) the closing price of the shares of CCT Tech as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the shares of CCT Tech 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 the shares of CCT Tech.

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

38. SHARE OPTION SCHEME *(continued)*

Share option scheme of CCT Tech *(continued)*

Details of the movements of the share options granted to the Directors and the other eligible participants under the share option scheme of CCT Tech during the year were as follows:

Name or category of the participants	Number of share options: Outstanding as at 1 January 2009	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding as at 31 December 2009	Date of grant of the share options	Exercise period of the share options	Exercise price of the share options (Note 1)
								HK$ per share
Executive Directors								
Tam Ngai Hung, Terry	–	223,000,000	–	–	223,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Cheng Yuk Ching, Flora	–	245,000,000	–	–	245,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
William Donald Putt	–	8,000,000	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
	–	476,000,000	–	–	476,000,000			
Independent non-executive Director								
Chen Li	–	8,000,000	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
	–	8,000,000	–	–	8,000,000			
Other eligible participants								
Chow Siu Ngor (Note 2)	–	8,000,000	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Lau Ho Kit, Ivan (Note 2)	–	8,000,000	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Employee in aggregate	–	100,000,000	–	–	100,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
	–	116,000,000	–	–	116,000,000			
	–	600,000,000	–	–	600,000,000			

38. SHARE OPTION SCHEME *(continued)*

Share option scheme of CCT Tech *(continued)*

Notes:

1. The exercise price of the share options is subject to adjustment in the case of capitalisation issue, rights issue, sub-division or consolidation of the shares of CCT Tech, or other similar changes in CCT Tech's share capital.

2. Mr. Chow Siu Ngor and Mr. Lau Ho Kit, Ivan are both INEDs of CCT Tech.

The closing market price of the shares of CCT Tech immediately before the date of grant in relation to the share options exercisable during the period from 23 July 2009 to 6 November 2012 as quoted in the Stock Exchange's daily quotation sheet was HK$0.011.

As at 31 December 2009 and the date of this Annual Report, there were 600,000,000 share options outstanding under the share option scheme of CCT Tech. Based on these outstanding share options, the total number of shares of CCT Tech available for issue is 600,000,000, which represents approximately 0.92% of the total issued share capital of CCT Tech as at 31 December 2009 and the date of this Annual Report.

The following theoretical values have been estimated for the 600,000,000 share options granted under the share option scheme of CCT Tech during the year, calculated using the Black-Scholes option pricing model which is a generally accepted method of valuing share options as at the date of grant of the share options:

Name of the grantees	Number of the share options granted during the year	Theoretical value of the share options
		HK$
Tam Ngai Hung, Terry	223,000,000	559,000
Cheng Yuk Ching, Flora	245,000,000	615,000
William Donald Putt	8,000,000	20,000
Chow Siu Ngor	8,000,000	20,000
Lau Ho Kit, Ivan	8,000,000	20,000
Chen Li	8,000,000	20,000
Others	100,000,000	250,000
	600,000,000	1,504,000

38. SHARE OPTION SCHEME *(continued)*

Share option scheme of CCT Tech *(continued)*

The fair value of the equity-settled share options granted by CCT Tech during the year was HK$1,504,000 which was estimated as at the date of grant, using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	–
Expected volatility (%)	49.93
Historical volatility (%)	49.93
Risk-free interest rate (%)	0.297
Expected life of share options (year)	1.647
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.

39. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 46 of the financial statements.

The Group's capital reserve was created from the reduction of the Company's share capital on 8 April 2002.

(b) Company

HK$ million	Notes	Capital redemption reserve	Share premium account	Capital reserve*	Distributable reserve	Equity component of convertible bonds	Retained profits/ (accumulated loss)	Total
At 1 January 2008		–	77	741	1,417	10	471	2,716
Issue of shares upon conversion of convertible bonds		–	48	–	–	(10)	–	38
Total comprehensive loss for the year	12	–	–	–	–	–	(895)	(895)
2008 interim dividend	13	–	–	–	–	–	(21)	(21)
Proposed 2008 final dividend	13	–	–	–	(20)	–	–	(20)
At 31 December 2008 and 1 January 2009		–	125	741	1,397	–	(445)	1,818
Repurchase of shares	37	24	(113)	–	(38)	–	–	(127)
Total comprehensive income for the year	12	–	–	–	–	–	53	53
2009 interim dividend	13	–	–	–	(20)	–	–	(20)
Proposed 2009 final dividend	13	–	–	–	(21)	–	–	(21)
At 31 December 2009		24	12	741	1,318	–	(392)	1,703

* The Company's capital reserve was created from the reduction of share capital on 8 April 2002.

40. DISPOSAL OF SUBSIDIARIES

During the prior year, on 12 August 2008, CCT Resources, the then non-wholly-owned subsidiary of the Group, acquired a 100% equity interest in Merdeka Timber Group Limited ("MTG"). MTG and its subsidiaries are principally engaged in the upstream and downstream forestry operation in the natural forest concessions in the Papua Province of Indonesia. The purchase consideration for the acquisition amounted to HK$785 million, satisfied by cash of HK$8 million which was paid at the acquisition date and by convertible bonds (the "MCL Convertible Bonds") of HK$777 million. In consideration of the effect of all potential voting rights of the MCL Convertible Bonds, the directors of the Company consider that the Group ceased to be in a position to exercise control over the financial and operating policies of CCT Resources. Accordingly, the Group's interest in CCT Resources was accounted for as an interest in an associate upon the issuance of the MCL Convertible Bonds.

HK$ million	2008
Net assets disposed of:	
Property, plant and equipment (note 15)	17
Trade receivables	1
Prepayments and other receivables	3
Cash and bank balances	31
Trade payables	(1)
Other payables and accruals	(6)
Minority interests	(21)
	24
Reclassification to interest in an associate	(24)
	–

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

	2008 HK$ million
Cash and bank balances disposed of	(31)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(31)

41. CONTINGENT LIABILITIES

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

	Company	
HK$ million	**2009**	2008
Corporate guarantees given to banks in connection with facilities granted to subsidiaries	**450**	289

As at 31 December 2009, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$312 million (2008: HK$205 million).

42. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group, are included in note 34(a) to the financial statements.

43. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16) under operating lease arrangements, with leases negotiated for terms ranging from one to seven years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
HK$ million	**2009**	2008
Within one year	**1**	1
In the second to fifth years, inclusive	**2**	2
After five years	**1**	2
	4	5

43. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 2 to 5 years.

At 31 December 2009, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
HK$ million	**2009**	2008	**2009**	2008
Within one year	**7**	9	**4**	4
In the second to fifth years, inclusive	**3**	7	**3**	3
	10	16	**7**	7

At 31 December 2009, the Group had total future minimum lease payments under non-cancellable operating leases with initial lease terms ranging from fifty to fifty one years in respect of land on which certain of the Group's factories are situated falling due as follows:

	Group	
HK$ million	**2009**	2008
Within one year	**3**	3
In the second to fifth years, inclusive	**11**	11
After five years	**125**	127
	139	141

44. COMMITMENTS

In addition to the operating lease commitments detailed in note 43(b) above, the Group had the following commitments at the end of the reporting period:

Capital commitments

	Group	
HK$ million	**2009**	2008
Contracted, but not provided for:		
Construction in progress	**1**	2
Purchases of a building	**3**	–
Land	**–**	206
Construction cost for property under development	**42**	–
	46	208

45. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

HK$ million	**2009**	2008
Short term employee benefits	**35**	44
Equity-settled share option expense	**2**	–
Total compensation paid to key management personnel	**37**	44

Further details of directors' emoluments are included in note 9 to the financial statements.

46. FINANCIAL INSTRUMENTS BY CATEGORY

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

2009

HK$ million	Group			
Financial assets	**Financial assets at fair value through profit or loss – held for trading**	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
Available-for-sale financial assets	–	–	4	4
Trade receivables	–	401	–	401
Financial assets included in prepayments, deposits and other receivables (note 28)	–	54	–	54
Financial assets at fair value through profit or loss	255	–	–	255
Pledged time deposits	–	65	–	65
Cash and cash equivalents	–	566	–	566
	255	1,086	4	1,345

HK$ million	Group		
Financial liabilities	**Financial liabilities at fair value through profit or loss – designated as such upon initial recognition**	**Financial liabilities at amortised cost**	**Total**
Trade and bills payables	–	418	418
Financial liabilities included in other payables and accruals (note 32)	–	60	60
Derivative financial instrument	4	–	4
Interest-bearing bank and other borrowings	–	428	428
	4	906	910

46. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2008

HK$ million	Group			
Financial assets	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Available-for-sale financial assets	Total
Available-for-sale financial assets	–	–	4	4
Trade receivables	–	422	–	422
Financial assets included in prepayments, deposits and other receivables (note 28)	–	43	–	43
Financial assets at fair value through profit or loss	446	–	–	446
Pledged time deposits	–	89	–	89
Cash and cash equivalents	–	786	–	786
	446	1,340	4	1,790

HK$ million	Group		
Financial liabilities	Financial liabilities at fair value through profit or loss – designated as such upon initial recognition	Financial liabilities at amortised cost	Total
Trade and bills payables	–	551	551
Financial liabilities included in other payables and accruals (note 32)	–	58	58
Derivative financial instrument	47	–	47
Interest-bearing bank and other borrowings	–	475	475
	47	1,084	1,131

46. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2009

HK$ million	**Company**
Financial assets	**Loans and receivables**
Financial assets included in interests in subsidiaries (note 20)	**1,247**
Due from subsidiaries (note 20)	**432**
Cash and cash equivalents	**106**
Financial assets included in prepayments, deposits and other receivables (note 28)	**1**
	1,786

2008

HK$ million	Company
Financial assets	Loans and receivables
Financial assets included in interests in subsidiaries (note 20)	676
Due from subsidiaries (note 20)	1,051
Cash and cash equivalents	154
	1,881

The Company has no financial liabilities at 31 December 2009 and 31 December 2008.

47. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

47. FAIR VALUE HIERARCHY *(continued)*

As at 31 December 2009, the Group held the following financial instruments measured at fair value:

Assets measured at fair value as at 31 December 2009:

HK$ million	Level 1	Level 2	Total
Available-for-sale financial assets:			
Other assets, at fair value	2	–	2
Financial assets at fair value through profit or loss	255	–	255
	257	–	257

Liabilities measured at fair value as at 31 December 2009:

HK$ million	Level 1	Level 2	Total
Derivative financial instrument	–	4	4

During the year ended 31 December 2009, there was no transfer to fair value measurement between Level 1 and Level 2.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group operates at a low gearing ratio and as the interest rates are stable and are maintained at relatively low level, the Group's interest rate risk is not significant.

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

	Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** HK$ million
2009		
HK$	**100**	**(2)**
US$	**100**	**(2)**
HK$	**(100)**	**2**
US$	**(100)**	**2**

	Group	
	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax HK$ million
2008		
HK$	100	3
US$	100	2
HK$	(100)	(3)
US$	(100)	(2)

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

Foreign currency risk

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

The following table demonstrates the sensitivity to a reasonably possible change in the Euro, US$ and RMB exchange rates, with all other variables held constant, of the Group's profit/(loss) before tax (due to changes in the fair value of monetary assets and liabilities).

	Group	
	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit/(loss) before tax HK$ million
2009		
If Euro strengthens against HK$	**17.58**	**–**
If Euro weakens against HK$	**(17.58)**	**–**
If US$ strengthens against RMB	**0.96**	**–**
If US$ weakens against RMB	**(0.96)**	**–**
2008		
If Euro strengthens against HK$	20.17	(3)
If Euro weakens against HK$	(20.17)	3
If US$ strengthens against RMB	3.90	1
If US$ weakens against RMB	(3.90)	(1)

Credit risk

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

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentration of credit risk is managed by counterparty.

There is no significant concentration of credit risk in relation to the Group's financial assets, other than trade receivables. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 27 to the financial statements.

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

Liquidity risk

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

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

As at 31 December 2009

HK$ million	Group **Within one year or on demand**	**In the second year**	**In the third to fifth years, inclusive**	**Beyond five years**	**Total**
Trade and bills payables	**418**	**–**	**–**	**–**	**418**
Other payables	**60**	**–**	**–**	**–**	**60**
Derivative financial instrument	**4**	**–**	**–**	**–**	**4**
Interest-bearing bank and other borrowings	**291**	**48**	**66**	**35**	**440**
	773	**48**	**66**	**35**	**922**

As at 31 December 2008

HK$ million	Group Within one year or on demand	In the second year	In the third to fifth years, inclusive	Beyond five years	Total
Trade and bills payables	551	–	–	–	551
Other payables	58	–	–	–	58
Derivative financial instrument	47	–	–	–	47
Interest-bearing bank and other borrowings	359	26	67	40	492
	1,015	26	67	40	1,148

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

HK$ million	Company **2009 Within one year or on demand**	2008 Within one year or on demand
Guarantees given to banks in connection with facilities granted to subsidiaries (note 41)	**312**	205

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

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments (note 29) as at 31 December 2009. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity index for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2009	**High/low 2009**	31 December 2008	High/low 2008
Hong Kong – Hang Seng Index	**21,873**	**23,100/11,345**	14,387	27,584/10,676

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on then carrying amounts at the end of the reporting period.

	Carrying amounts of equity investments HK$ million	**Increase/ (decrease) in equity price %**	**Increase/ (decrease) in profit before tax HK$ million**
2009			
Investments listed in:			
Hong Kong – Held for trading	**241**	**70.72**	**170**
	241	**(70.72)**	**(170)**

	Carrying amounts of equity investments HK$ million	Increase/ (decrease) in equity price %	Increase/ (decrease) in loss before tax HK$ million
2008			
Investments listed in:			
Hong Kong – Held for trading	438	85.45	(374)
	438	(85.45)	374

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

Capital management

The primary objectives of the Group's capital management are to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder's 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 2009 and 31 December 2008.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total capital plus total borrowings. The Group includes interest-bearing bank and other borrowings in the total borrowings. Capital includes equity attributable to the owners of the parent.

	Group	
HK$ million	**2009**	2008
Interest-bearing bank and other borrowings	**428**	475
Total borrowings	**428**	475
Total capital	**2,073**	2,213
Total capital and borrowings	**2,501**	2,688
Gearing ratio	**17.1%**	17.7%

49. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, in March 2010, the convertible bonds issued by CCT Resources with a nominal value of HK$50,000,000 were converted into 500,000,000 shares in CCT Resources of HK$0.01 each. After the conversion, the Group's shareholding in CCT Resources was diluted from approximately 42.13% to approximately 38.17 % and there is no significant impact on the Group's financial results.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 April 2010.

five year financial summary

A summary of the results and of the assets, liabilities and minority interests 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	**2009**	2008	2007	2006	2005
REVENUE	**1,653**	2,935	3,729	4,199	3,980
PROFIT/(LOSS) BEFORE TAX	**51**	(1,284)	414	387	271
Income tax expense	**(18)**	(5)	(17)	(21)	(18)
PROFIT/(LOSS) FOR THE YEAR	**33**	(1,289)	397	366	253
Profit/(loss) attributable to:					
Owners of the parent	**42**	(1,123)	484	358	225
Minority interests	**(9)**	(166)	(87)	8	28
	33	(1,289)	397	366	253

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
HK$ million	**2009**	2008	2007	2006	2005
TOTAL ASSETS	**3,517**	3,893	5,459	4,730	4,318
TOTAL LIABILITIES	**(1,089)**	(1,316)	(1,684)	(1,921)	(1,608)
	2,428	2,577	3,775	2,809	2,710
EQUITY:					
Equity attributable to owners of the parent	**2,073**	2,213	3,225	2,752	2,642
Minority interests	**355**	364	550	57	68
	2,428	2,577	3,775	2,809	2,710

glossary of terms

GENERAL TERMS

AGM	Annual general meeting
Audit Committee	The audit committee of the Company
Board	The board of Directors
CCT Resources	CCT Resources Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange and an associated corporation of the Company
CCT Tech	CCT Tech International Limited, a company listed on the Main Board of the Stock Exchange and a non wholly-owned subsidiary of the Company
CEO	The chief executive officer of the Company
Chairman	The chairman of the Company
Code	The Code on Corporate Governance Practices under the Listing Rules
Company	CCT Telecom Holdings Limited
Director(s)	The director(s) of the Company
Group	The Company and its subsidiaries
HK or Hong Kong	The Hong Kong Special Administrative Region of PRC
HK$	Hong Kong dollar(s), the lawful currency of Hong Kong
INED(s)	Independent non-executive director(s)
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
Model Code	The Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules
N/A	Not applicable
Percentage Ratios	The assets ratio, the profits ratio, the revenue ratio, the consideration ratio and the equity capital ratio as defined under Rule 14.07 of the Listing Rules
PRC	The People's Republic of China

Remuneration Committee	The remuneration committee of the Company
RMB	Renminbi, the lawful currency of PRC
R&D	Research and development
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	The ordinary share(s) of HK$0.10 each in the share capital of the Company
Shareholder(s)	Holder(s) of the Share(s)
Share Option Scheme	A share option scheme adopted by the Company on 28 February 2002
Stock Exchange	The Stock Exchange of Hong Kong Limited
US	The United States of America
US$	United States dollar(s), the lawful currency of US
%	Per cent.

FINANCIAL TERMS

Gearing Ratio	Total borrowings (representing bank & other borrowings and finance lease payable) divided by total capital employed (i.e. total Shareholders' fund plus total borrowings)
Earnings/(Loss) Per Share	Profit/(loss) attributable to the owners of the parent divided by weighted average number of Shares in issue during the year
Current Ratio	Current assets divided by current liabilities