

**CCIT TELECOM**

中建電訊集團有限公司

Stock Code : 138

**2012**





# chairman's letter

On behalf of the Board of CCT Telecom Holdings Limited, I present the interim results of the Company and its subsidiaries for the six months ended 30 June 2012.

In the first half of 2012, deteriorating global economic conditions overshadowed the performance of the Group's manufacturing businesses, which led to a decline of the Group's turnover by 19.5% to \$755 million in the current period, as compared to \$938 million in the same period last year. Despite the decline in revenue in the first half this year, reported net loss attributable to owners of the parent decreased to \$49 million, as compared to a net loss of \$56 million for the same period last year. The key elements of performance in the period will be highlighted in the section headed "Review of Operations" below.

## INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$0.03 per share for 2012 (30 June 2011: HK\$0.03 per share) to be payable from the Company's distributable reserve. The interim dividend of HK\$0.03 per share will be payable on or around Monday, 8 October 2012 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 19 September 2012.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 17 September 2012 to Wednesday, 19 September 2012 (both days inclusive), during which period no transfer of share(s) will be effected. In order to qualify for the interim dividend of HK\$0.03 per share, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Friday, 14 September 2012.

## REVIEW OF OPERATIONS

During the period under review, the principal businesses of the Group are (i) the manufacture and sale of telecom, electronic and child products ("**Telecom Product Business**"); (ii) the manufacture and sale of plastic components; (iii) the securities business; (iv) the property development; and (v) the property investment and holding.

### Telecom Product Business

The Telecom Product Business is engaged by the Company's principal listed subsidiary, CCT Tech and its subsidiaries, and this business represents and remains the largest business sector of the Group, in terms of turnover.

Reported turnover of the CCT Tech Group dropped by 17.2% to \$610 million, mainly attributable to lower revenue from the ODM business and the discontinuation of the GE licensed business since the end of last year. Lower income of the ODM business is caused by the traditional fixed line phone market



becoming mature and the weakness in European and Asian Pacific markets, where most of the Group's sales were generated. The decrease in revenue is, however, partly compensated by strong growth of CMS and contribution from the child product business which was transferred by the Company to CCT Tech in March this year.

Against a backdrop of challenging economic environment, sales of the CMS rose to \$82 million during the period, up 134.3% compared to \$35 million in the previous corresponding period. This strong growth was largely driven by the CMS business gaining additional customers and broadening its product mix to include audio, video and telecom products, and mobile phone accessories. The CMS products, including the e-Books, the Audio and Stereo Mobile Headsets and the Bluetooth Cell Link Devices continued to receive strong orders during the period.

The child product business has been successfully integrated into the manufacturing operations of the CCT Tech Group and contributed revenue of \$53 million to CCT Tech in the first half of 2012 since the intra-group transfer. New models of baby monitors, feeding and nursery products have been launched and these new products have received favourable market response. Benefiting from the strong manufacturing capability and economy of scale of the CCT Tech Group, the child product business has improved its operational efficiency, although this business was affected by the sluggish retail markets in the US and Europe, caused by the complex macroeconomic issues in these regions.

In the first half of 2012, we saw weakness in most of the key markets where the CCT Tech Group sell its products, as these regions were overshadowed by the global financial and economic issues. Sales to Europe, the CCT Tech Group's largest market, amounted to only \$342 million, a decrease of 24.8%, led by delayed orders by customers amidst the stagnant European economy as a result of the euro debt crisis. The CCT Tech Group's business in the Asian Pacific and other regions was not good either as sales declined by 23.0% to \$174 million. Sales of the CCT Tech Group to the North American market, however, increased by 67.9%, reaching \$94 million for the reporting period. Such increase was driven mainly by the contribution from the child product business to the CCT Tech Group.

Several years ago, the CCT Tech Group already anticipated the traditional fixed line phone market was becoming mature gradually. The CCT Tech Group has therefore invested in the R&D of technologically advanced and innovative products and has made significant inroads in these areas. Notably, the introduction of the screen communication tablet and the Android based multimedia phone has received market accolade. During the period, to cope with the maturing residential phone market, the CCT Tech Group has reorganised its R&D team and a new Advanced Product Team has been established. The Advanced Product Team will focus on development of home-use multimedia android devices and broadband telecom products, which the CCT Tech Group believes will have huge business potential in the future. With its strong R&D capability and talented team, the CCT Tech Group believes that it has a competitive edge in developing and introducing technologically advanced new products that can address consumer needs with high performance.

Rising input costs, especially, factory payroll and material costs posed major challenges to the CCT Tech Group during the period. However, benefiting from the timely efforts and measures to restructure and streamline operations and to control costs, the CCT Tech Group has been able to deliver a positive

EBITDA (earnings before interest, tax, depreciation and amortisation) of \$3 million and to narrow the net loss to \$29 million in the this period from \$40 million in the last corresponding period. The current period loss of the CCT Tech Group was largely attributable to depreciation of fixed assets. The CCT Tech Group's commitment to optimise efficiency and achievement has shown encouraging results to drive productivity and efficiency in order to recover the business.

### **Manufacturing of plastic components**

The Group's component business continues to provide vertical support to the CCT Tech Group for production of telecom, electronic and child products. Most of the components produced by the Group are sold to the CCT Tech Group. During the period, turnover of the component business was \$72 million, a decrease of 45.9% from the last corresponding period. The decline in business was led mainly by the drop in turnover of the Telecom Product Business. Rising costs posed major challenges to the component business as price of plastic resin increased and labor wages soared. As a result, its profit margin was eroded and this business segment posted an operating loss of \$23 million during the period.

### **Securities business**

The global financial markets remained volatile in the first half of 2012. In view of the uncertain outlook of the equity market, the Group took advantage of the rebound of the Hong Kong stock market in the first quarter of 2012 and disposed most of its share portfolio. As a result, this business segment realised a net gain of \$11 million during the period, as opposed to a net loss of \$18 million in the last corresponding period. Our remaining securities portfolio represents mainly low-risk investment in funds denominated in RMB, which pay us interest on a biannually basis and their value is subject to little price fluctuation. During the period, the Group also bought in the secondary market certain RMB denominated bonds of approximately \$51 million. These bonds have a maturity of two years from date of issue and pay interest at a fixed rate. These bonds have been pledged to our principal banker in return for an equivalent amount of Hong Kong dollar loan facility, bearing interest at floating rate on HIBOR basis. This arrangement allows to us to release the investment funds for use in working capital or other investment purposes and at the same time entitles us to earn interest income on the RMB bonds and enjoy exchange gain if RMB appreciates against Hong Kong dollar in the future.

### **Property development**

Our property projects in Anshan, the Liaoning Province, the PRC delivered solid results in the first half this year notwithstanding the central government of the PRC has not lessened its tight grip on the housing market. Such good performance is not by chance but is the result of our effective project management. We have made significant progress in our projects in Anshan and have been recognised as a reputable developer in the city. Our housing projects have received good market response because of their well-planned development, modern design of buildings, quality of construction and spacious public facilities. We offer to house buyers a more comfortable and better living environment than other projects in the region. Amidst a slowing housing market, we stepped up our sale promotional programs during the period. We are delighted to see that sale of the housing units of the second phase of



“Landmark City” and the first phase of “Evian Villa” gained momentum in the first half of 2012. During the period, this business has sold an aggregate of 169 housing units and shops with a total gross floor area (“GFA”) of 17,834 square meters. Reported revenue was \$99 million and operating profit was \$13 million, up 15.1% and 30.0% respectively, as compared to \$86 million and \$10 million respectively for the same period last year. We have started construction of the third phase of the “Landmark City” with a total GFA of 108,852 square meters in April, soon after the end of the last winter season. The development of the third phase of “Landmark City” has made good progress and we expect construction of the building structure will be completed by the end of this year.

### **Property investment and holding**

The Group’s investment and holding of properties include mainly three luxury residential houses situated in the southern side of the Hong Kong Island and the office properties at Fortis Tower, Wan Chai, Hong Kong. Although the Hong Kong government has imposed a series of measures with a view to curb housing prices and has aggressively increased land supply, all these measures have a short effect and have not cooled down the property market in general. Benefited from the demand-driven market, prices of both residential and commercial properties rose in the first half of 2012. As a result, this segment contributed a net profit before tax of \$40 million, attributable to unrealised revaluation gains on investment properties net off against expenses of this segment including mortgage loan interest and depreciation. The segment profit of \$40 million for the first six months of this year represented an increase of 185.7% as compared to \$14 million for the same period last year.

### **Medical device business**

The medical device business was acquired by the Group in 2011, in which the Group had a 51% interest at period end. The medical device business has not commenced business and is in process of applying for the PRC State Food and Drug Administration approval for its products which are medical devices including coronary dilation and peripheral dilation balloons and catheters. The medical device business is expected to commence commercial operations in the third quarter this year. In view of the huge demand of medical devices in China, we are optimistic in the future prospects of this newly acquired business.

### **OUTLOOK**

Looking forward, we expect that the future is not short of challenges. The economic conditions in Europe and other Western economies will continue to be subdued. Though the European leaders have pledged to preserve the euro, there are fears that the recent Europe rescue is not enough to stem the debt crisis. The economy of the debt-stricken euro countries remains fragile. In the US, the disappointing sluggish recovery and high unemployment rate continue to dampen consumer sales. The US housing market is still depressed. It is difficult to predict when or whether the US Federal Reserve will introduce a new round of quantitative easing (QE3) to stimulate economy and whether President Obama or Mr. Romney will win the US presidential election at the end of this year. All these factors cast uncertainties on the US economic outlook. In the Mainland, the Chinese gross domestic product grew by 7.8% in the first half of 2012, its slowest rate in almost three years, due to lower export demand and

slower economic activities. Amidst slowing growth, China's central bank has reduced the deposit reserve requirement ratio three times and has cut interest rate twice in order to boost economy. We believe the Chinese leaders will continue to relax liquidity in order to ensure the Chinese economy will land softly.

Against a backdrop of global economic uncertainties, the management of the CCT Tech Group will strive to improve its performance in the second half of this year. CCT Tech expects orders will increase in the second half as compared to the first half as there is sign to show that customers have started to replenish inventory. The CCT Tech Group will continue to develop and roll out advanced and innovative products which can deliver multiple functions at competitive prices. The CCT Tech Group will strive to maintain a competitive position in the phone business and to penetrate further into the emerging residential multimedia android device market.

The CCT Tech Group has established a strong foothold in the CMS market. Its effective productivity and excellent track record of product quality has achieved favourable market response. CCT Tech is confident on the growth potential of its CMS business. The CCT Tech Group is committed to put in more resources in expanding such business by gaining new customers and expanding its product range and mix.

High production costs will remain a major challenge to the performance of the CCT Tech Group. The management of the CCT Tech Group expects labour wages in China will increase further, due to shortage of labour. To combat rising costs, the management of the CCT Tech Group has taken cost control as an important task of its daily routine and continuous effort will be taken to drive productivity and efficiency. CCT Tech has seen benefits from these efforts and initiatives, which it believes will pave the way for recovery of its business. With the measures and initiatives taken by the CCT Tech Group, together with its healthy financial position and sound business fundamentals, we believe the CCT Tech Group will be able to withstand the adverse impact arising from the weakening operating conditions and to regain a solid financial foothold.

We recognise the problems of the component business and have taken proactive measures to resolve them. We have strengthened the management of this business segment and have stepped up efforts to control costs and to drive productivity and efficiency. These initiatives have begun to show benefits and we will work hard to improve the segment's performance in the second half of this year.

We do not believe the Chinese leaders will relax its austerity measures on the housing market in the near future. However, amidst a slowing economy and drop in inflation rate, we believe there is room for the Chinese central bank to further lower the deposit reserve requirement ratio and interest rates in order to pump liquidity into its banking sector and to bolster its economy. We have seen signs of mild recovery in the housing market in several major cities in China. Our assumption is that the China's housing market will benefit in the future from improved market liquidity and sentiment. We will step up our sale effort on our property projects in the second half this year. Flexible payment methods and promotion programs will be introduced to boost sale of the completed housing units of our projects. We will strive to increase sales in the second half, in a slow market. We are confident that this business segment will continue to deliver strong results in the coming years and will become a key driver for our revenue and profitability growth in the future.



We are optimistic about the property market in Hong Kong as supply falls short of demand at least in the next few years, notwithstanding the Hong Kong government's determination to increase land supply. It is because firstly land available for development in Hong Kong is scarce especially in city areas. Secondly, land supplied to the market today will take two to three years before housing units can be made available to the market. Thirdly, the strong local demand plus influx of huge investment from overseas, notably from China will continue to boost Hong Kong's property market. The effect of the measures announced by the Chief Executive of Hong Kong on 30 August 2012 to cool the currently heated market remains to be seen. The market has generally responded that the short term supply of flats under the new measures is little. These measures are aimed at increasing supply of mass market houses and they should have no effect on the markets of luxury houses and commercial properties in which the Group invests. Our strategy in the property investments has proven to be wise and successful as we have already derived substantial revaluation gains from our property investments. However, given the significant property price hike recently, there may be some price consolidation in the near future. Notwithstanding this, we are confident that the property market in Hong Kong will continue to be robust in the long run, especially under the current low interest rate environment. After the period end, we have made further moves in the property market in Hong Kong. In the first move, we have decided to sell the office building at 17/F of CCT Telecom Building, Fotan, Shatin for a consideration of \$42.7 million, which will give us to an unaudited gain of approximately \$34 million upon completion of the disposal at the end of October 2012. This office property is disposed of because it is in excess of the Group's office need but we will continue to keep the office property at 18/F of CCT Telecom Building for own use. One week after we announced the disposal of the property at 17/F of the CCT Telecom Building, we signed the provisional sale and purchase agreement with a third party vendor to acquire the shopping arcade situated at the Basement of Podium of Blocks, 1, 2 and 3, City Garden, North Point for a consideration of \$159.8 million. The Board is confident in the retail property in Hong Kong because of the buoyant retail market boosted by increasing number of visitors from the mainland China. We believe that the acquisition represents a good expansion to our property investments as the Group will earn a stream of rental income from the acquisition and it will benefit from long term capital gains in the event the property appreciates in value 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 in combating the challenging operating environment. 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, especially during the current tough and difficult business environment.

**Mak Shiu Tong, Clement**

*Chairman*

Hong Kong, 31 August 2012



# financial review

## HIGHLIGHTS ON FINANCIAL RESULTS AND OTHER COMPREHENSIVE INCOME

\$ million	Six months ended 30 June		
	2012 (Unaudited)	2011 (Unaudited)	% increase/ (decrease)
		(restated)	
<b>Financial results</b>			
Turnover	755	938	(19.5%)
Loss for the period	(65)	(76)	(14.5%)
Loss attributable to:			
Owners of the parent	(49)	(56)	(12.5%)
Non-controlling interests	(16)	(20)	(20.0%)
	(65)	(76)	(14.5%)
Loss per share	(\$0.081)	(\$0.092)	(12.0%)
Dividends per share	\$0.030	\$0.030	—
<b>Other comprehensive income, net of tax</b>			
Change in fair value of available-for-sale investments	—	32	N/A
Exchange differences on translation of foreign operations	(8)	14	N/A
	(8)	46	N/A

### Discussion on Financial Results and Other Comprehensive Income

The Group reported a turnover of \$755 million for the six months ended 30 June 2012, a decrease of 19.5% as compared to \$938 million for the last corresponding period. The drop in revenue was mainly due to the lower income of the CCT Tech Group, as its business was affected by worsening global economy.

The Group recorded a loss after tax of \$65 million for the period, a decrease of 14.5% as compared to the loss after tax of \$76 million reported in the last corresponding period, led by a number of factors as explained in other sections of this review. Excluding the share of loss of the non-controlling interest mainly in the CCT Tech Group, the loss attributable to owners of the parent was \$49 million in the current period, down 12.5% compared to the loss of \$56 million in the previous corresponding period.

Other comprehensive loss of \$8 million in the current period represented unrealised exchange loss on translation of the accounts of the property development subsidiaries in the PRC. On the other hand, other comprehensive income of \$46 million in the last corresponding period represented: (i) unrealised



fair value gains of \$32 million on available-for-sale investments, calculated based on market price of such investments as at 30 June 2011; and (ii) the unrealised exchange gain of \$14 million on translation of the accounts of the property development subsidiaries in the PRC. The exchange loss or gain arose from the translation of the books of accounts of the PRC subsidiaries kept in RMB into Hong Kong dollar.

## ANALYSIS BY BUSINESS SEGMENT

\$ million	Turnover Six months ended 30 June				
	2012		2011		% increase/ (decrease)
	Amount (Unaudited)	Relative %	Amount (Unaudited)	Relative %	
Telecom Product Business	654	86.6%	834	88.9%	(21.6%)
Component business	72	9.5%	133	14.2%	(45.9%)
Securities business	12	1.6%	4	0.4%	200.0%
Property development	99	13.1%	86	9.2%	15.1%
Property investment and holding	1	0.1%	1	0.1%	—
Intersegment transactions	(83)	(10.9%)	(120)	(12.8%)	(30.8%)
Total	755	100.0%	938	100.0%	(19.5%)

\$ million	(Loss)/profit before tax Six months ended 30 June		
	2012 (Unaudited)	2011 (Unaudited)	% increase/ (decrease)
Telecom Product Business	(25)	(32)	(21.9%)
Component business	(23)	(15)	53.3%
Securities business	11	(18)	N/A
Property development	13	10	30.0%
Property investment and holding	40	14	185.7%
Unallocated items	(72)	(26)	176.9%
Total	(56)	(67)	(16.4%)

The Telecom Product Business continued to be the largest business segment of the Group, which contributed 86.6% of the Group's total turnover for the six months ended 30 June 2012. Despite the decrease in turnover, this business segment was able to narrow its operating loss from \$32 million in the previous corresponding period to \$25 million in the current period. The improvement was mainly caused by the positive effect from cost saving and restructuring initiatives.

Revenues of the component business decreased by 45.9% to \$72 million in the first half this year, led mainly by the decrease in sales of the Telecom Product Business to which the component business supplied most of its components. This business segment incurred an operating loss of \$23 million in the current period, up 53.3% as compared to \$15 million in the previous corresponding period. The disappointing result was largely due to rise in production costs, notably the plastic resin costs and the factory payroll.

The Group's securities business delivered an operating gain of \$11 million in the six months ended 30 June 2012, mainly from divestment of its share portfolio in the period, as opposed to a net loss of \$18 million in the same period last year.

The property development business reported turnover of \$99 million from sale of housing units and shops with a total GFA of 17,834 square meters, in the Anshan Projects. The turnover for the corresponding period was \$86 million. The segment achieved a net operating profit of \$13 million, up 30.0% from the net profit of \$10 million in the previous corresponding period.

The property investment and holding business recognised a net profit of \$40 million in the first six months of 2012, up 185.7% as compared to \$14 million for the same period last year. The solid result was due to the unrealised fair value gains arising from revaluation of the Group's investment properties in Hong Kong at period end, as property prices rose in the period.

Unallocated items, representing the head office administrative expenses and other expenses not allocated to the business segments of the Group, increased by 176.9% to \$72 million. This increase was caused largely by the unrealised fair value loss of \$51 million on the Group's interest in the shares of Merdeka Resources due to decline in the market price of its shares as at 30 June 2012.

## ANALYSIS BY GEOGRAPHICAL SEGMENT

\$ million	Turnover				
	Six months ended 30 June				
	2012		2011		% increase/ (decrease)
Amount (Unaudited)	Relative %	Amount (Unaudited)	Relative %		
Europe	344	45.6%	462	49.3%	(25.5%)
Asian Pacific and others	287	38.0%	353	37.6%	(18.7%)
North America	124	16.4%	123	13.1%	0.8%
Total	755	100.0%	938	100.0%	(19.5%)

European market remained the largest market of the Group and contributed 45.6% of the Group's total turnover for the six months ended 30 June 2012. Sales to Europe dropped by 25.5% to \$344 million in the current period as European customers delayed orders amidst stagnant economy in Europe, caused by the euro debt crisis. The Group's business in the Asian Pacific and other regions accounted for



38.0% of the Group's total turnover and contributed revenue of \$287 million, dropped 18.7% from \$353 million in the last corresponding period. The drop in revenue reflected the adverse impact of the slowing global economy on revenue of our manufacturing business from these regions, which was partly offset by the increase in revenue from our property development business in China. The business in the North American market was somewhat flat and reported revenue of \$124 million in the period.

### HIGHLIGHTS ON SIGNIFICANT MOVEMENT OF FINANCIAL POSITION

\$ million	30 June 2012 (Unaudited)	31 December 2011 (Audited)	% increase/ (decrease)
		(restated)	
<b>NON-CURRENT ASSETS</b>			
Investment properties	286	254	12.6%
Available-for-sale investments	26	79	(67.1%)
Held-to-maturity debt securities	51	—	N/A
<b>CURRENT ASSETS</b>			
Inventories	126	156	(19.2%)
Trade receivables	288	375	(23.2%)
Properties under development	235	192	22.4%
Completed properties held for sale	362	437	(17.2%)
Investment property classified as held for sale	170	147	15.6%
Financial assets at fair value through profit or loss	28	135	(79.3%)
Pledged time deposits	398	300	32.7%
Cash and cash equivalents	456	573	(20.4%)
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	358	562	(36.3%)
Current interest-bearing bank and other borrowings	599	549	9.1%
<b>EQUITY AND NON-CURRENT LIABILITIES</b>			
Non-current interest-bearing bank and other borrowings	442	412	7.3%
Equity attributable to owners of the parent	1,824	1,900	(4.0%)

### Discussion on Financial Position

The Group's investment properties increased from \$254 million as at 31 December 2011 to \$286 million as at 30 June 2012. The increase represented the unrealised fair value gains arising from the revaluation of the investment properties as at 30 June 2012.

Available-for-sale investments represented largely our holdings of shares in Merdeka Resources. The decrease of the account balance at period end was led mainly by the unrealised fair value loss on our investment in Merdeka Resources.

Held-to-maturity debt securities represented the two-year RMB bonds of \$51 million bought during the reporting period, which allow the Group to enjoy a fixed interest rate and future appreciation in RMB, if any. The bonds have been pledged to a bank to secure equivalent amount of Hong Kong dollar loan facilities.

The Group's inventories amounted to \$126 million at end of the period, down 19.2%, in line with drop in revenue. The inventory turnover period for the period maintained at a reasonable low level of 36.2 days (31 December 2011: 30.5 days).

Trade receivables amounted to \$288 million at end of the current period, down 23.2% from \$375 million at end of last year, generally in line with drop in sales.

Properties under development rose to \$235 million, up 22.4% during the period. The increase was mainly attributable to the construction and development expenditure incurred on the property projects in Anshan.

As at 30 June 2012, completed properties held for sale amounted to \$362 million, which represented the costs of the completed property units in Anshan, which have not yet sold at the period end. The account balance decreased by 17.2% due to housing units sold in the first half this year.

Investment property classified as held for sale was \$170 million at end of the reporting period, up 15.6%, led by the revaluation gain on such property during the period.

The decrease in the balance of the financial assets at fair value through profit or loss reflected the disposal of most of our holdings in Hong Kong listed shares during the period. The remaining balance of these assets was \$28 million, represented largely the low-risk investment in RMB denominated funds.

Pledged time deposits rose from \$300 million as at 31 December 2011 to \$398 million as at 30 June 2012, due to increase in deposits pledged to secure additional banking facilities. Of the pledged deposits, a total amount of \$306 million (equivalent to RMB251 million) was placed on deposits denominated in RMB, which have been pledged to a banker to secure equivalent amount of Hong Kong dollar loan facilities. Such arrangement is aimed at hedging risk of RMB appreciation against Hong Kong dollar as a large part of the Group's production costs in China are paid in RMB. Under the arrangement, the Group can benefit from any possible exchange appreciation of the RMB deposits against Hong Kong dollar whilst the Group can continue to use the funds for business purposes by drawn down the Hong Kong dollar loan facilities.

Cash and cash equivalents dropped by 20.4% to \$456 million as at 30 June 2012. The net decrease in cash and bank balance was used to fund operations of the Group and payment of the 2011 final dividend in the first half of 2012.



Trade and bills payables decreased by 36.3% to \$358 million, largely reflecting reduction of purchases following drop in sales.

The aggregate amount of the current and non-current interest-bearing bank and other borrowings increased from \$961 million as at 31 December 2011 to \$1,041 million as at 30 June 2012, up 8.3%. The net increase represented the Hong Kong dollar loans of \$100 million borrowed in the period on the security of an equivalent amount of the RMB deposits for hedging RMB exposure less the net repayment of bank loans during the period.

Equity attributable to owners of the parent declined by 4.0% to \$1,824 million as at 30 June 2012, led primarily by the loss incurred and dividend paid during the first half of 2012.

### CAPITAL STRUCTURE AND GEARING RATIO

\$ million	30 June 2012		31 December 2011	
	Amount (Unaudited)	Relative %	Amount (Audited)	Relative %
			(restated)	
Bank borrowings	<b>1,038</b>	<b>36.2%</b>	958	33.5%
Finance lease payable	<b>3</b>	<b>0.1%</b>	3	0.1%
Total borrowings	<b>1,041</b>	<b>36.3%</b>	961	33.6%
Equity	<b>1,824</b>	<b>63.7%</b>	1,900	66.4%
Total capital employed	<b>2,865</b>	<b>100.0%</b>	2,861	100.0%

The Group's gearing ratio was 36.3% as at 30 June 2012 (31 December 2011: 33.6%). The slight increase in the gearing ratio is led by the net increase of the bank borrowings during the period under review.

Outstanding bank borrowings amounted to \$1,038 million at 30 June 2012 (31 December 2011: \$958 million). 57.6% of these bank borrowings were arranged on a short-term basis for the manufacturing business activities of the Group and were repayable within one year. The remaining 42.4% of the bank borrowings were of long-term nature, principally comprised of mortgage loans on properties held by the Group. Out of the Group's bank borrowings, bank loans of \$719 million (31 December 2011: \$763 million) were borrowed to finance the ordinary businesses of the Group and the balance of \$319 million (31 December 2011: \$195 million) were Hong Kong dollar loans fully secured by equivalent amount of RMB deposits and bonds for hedging against RMB exposure.

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 30 June 2012 amounted to approximately \$3 million (31 December 2011: \$3 million).

As at 30 June 2012, the maturity profile of the bank and other borrowings of the Group falling due within one year, in the second to the fifth year and beyond five years amounted to \$599 million, \$307 million and \$135 million, respectively (31 December 2011: \$549 million, \$251 million and \$161 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

## LIQUIDITY AND FINANCIAL RESOURCES

<b>\$ million</b>	<b>30 June 2012 (Unaudited)</b>	31 December 2011 (Audited)
Current assets	<b>2,352</b>	2,622
Current liabilities	<b>1,183</b>	1,397
Current ratio	<b>198.8%</b>	187.7%

The Group's current ratio as at 30 June 2012 was 198.8% (31 December 2011: 187.7%). This liquid position reflected the healthy financial position of the Group.

As at 30 June 2012, the Group's cash balance amounted to \$854 million (31 December 2011: \$881 million), of which \$398 million (31 December 2011: \$300 million) was pledged for general banking facilities and for arrangement of hedging against RMB appreciation. Almost all of the Group's cash was placed on deposits with licensed banks in Hong Kong. In view of the Group's current cash position and the banking facilities available, the Group maintains a sound financial position and has sufficient resources to finance its operations and its future expansion plan.

## CAPITAL COMMITMENTS

As at 30 June 2012, capital commitment of the Group amounted to \$6 million (31 December 2011: \$9 million) mainly for construction cost of property development projects in Anshan. The capital commitment will be funded partly by internal resources and partly by bank borrowings.

## TREASURY MANAGEMENT

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

During the period under review, the Group's business receipts were mainly denominated in US dollar and RMB (largely from property development business) with some in Hong Kong dollar. Payments were mainly made in Hong Kong dollar, RMB and US dollar. Cash was generally placed in short-term deposits denominated in Hong Kong dollar, RMB and US dollar. As at 30 June 2012, the Group's borrowings were mainly denominated in Hong Kong dollar, RMB and US dollar and interest on the Group's borrowings was principally determined on a floating rate basis.



The objective of the Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. The Group does not have any significant interest rate risk as the interest rates currently remain at extremely low level. In terms of foreign exchange exposures, the Group is principally exposed to two major currencies, namely the US dollar in terms of receipts and RMB in terms of the production costs (including workers' wages and overhead) in the PRC. Regarding US dollar exposure, since the Hong Kong dollar remains pegged to the US dollar, the exchange fluctuation is not expected to be significant. In addition, as large portion of the Group's purchases are also made in US dollar, which are to be paid out of our sales receipts in US dollar, the management considers that the foreign exchange exposure risk for the US dollar is not material.

As for RMB exposure, as wages and overhead of our factories in the PRC are paid in RMB, our production costs will rise due to the further appreciation of RMB. In order to hedge against the RMB appreciation risk, we started to convert some of our surplus funds from Hong Kong dollars to RMB about two years ago. These RMB funds have been placed on short-term deposits or invested in bonds to secure equivalent amount of Hong Kong dollar facilities, which have been drawn down to finance working capital of the Group. Despite the recent adjustments in RMB, we consider such arrangement is an effective way to hedge a substantial part of our exposure against RMB appreciation in the long run.

#### **ACQUISITION AND DISPOSAL OF MATERIAL SUBSIDIARIES AND ASSOCIATES**

The Group did not acquire or dispose of any material subsidiaries and associates during the period under review.

#### **SIGNIFICANT INVESTMENT**

The Group did not hold any significant investment as at 30 June 2012 (31 December 2011: Nil).

#### **PLEDGE OF ASSETS**

As at 30 June 2012, certain of the Group's assets with a net book value of \$1,331 million (31 December 2011: \$1,305 million) and time deposits of \$398 million (31 December 2011: \$300 million) were pledged to secure the general banking facilities granted to the Group and for hedging RMB exposure.

#### **CONTINGENT LIABILITIES**

As at 30 June 2012, the Group did not have any significant contingent liabilities.

#### **EMPLOYEES AND REMUNERATION POLICY**

The total number of employees of the Group as at 30 June 2012 was 5,682 (31 December 2011: 6,458). The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitive remuneration package to employees. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. At 30 June 2012, there were no outstanding share options issued by the Company.



# interim results

The Board of the Company is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2012 together with the comparative figures for the corresponding period in 2011 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

HK\$ million	Notes	Six months ended 30 June	
		2012 (Unaudited)	2011 (Unaudited)
			(restated)
<b>REVENUE</b>	3	<b>755</b>	938
Cost of sales		<b>(716)</b>	(871)
Gross profit		<b>39</b>	67
Other income and gains	4	<b>74</b>	46
Selling and distribution costs		<b>(19)</b>	(30)
Administrative expenses		<b>(80)</b>	(122)
Other expenses		<b>(56)</b>	(21)
Finance costs		<b>(14)</b>	(7)
<b>LOSS BEFORE TAX</b>	5	<b>(56)</b>	(67)
Income tax expense	6	<b>(9)</b>	(9)
<b>LOSS FOR THE PERIOD</b>		<b>(65)</b>	(76)
<b>Attributable to:</b>			
Owners of the parent		<b>(49)</b>	(56)
Non-controlling interests		<b>(16)</b>	(20)
		<b>(65)</b>	(76)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	8		
Basic		<b>(HK\$0.081)</b>	(HK\$0.092)
Diluted		<b>(HK\$0.081)</b>	(HK\$0.092)

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



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

HK\$ million	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
<b>LOSS FOR THE PERIOD</b>	<b>(65)</b>	(restated) (76)
Other comprehensive income, net of tax:		
Change in fair value of available-for-sale investments	—	32
Exchange differences on translation of foreign operations	<b>(8)</b>	14
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(73)</b>	(30)
<b>Attributable to:</b>		
Owners of the parent	<b>(57)</b>	(10)
Non-controlling interests	<b>(16)</b>	(20)
	<b>(73)</b>	(30)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

30 June 2012

HK\$ million	Notes	<b>30 June 2012 (Unaudited)</b>	31 December 2011 (Audited)
			(restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>858</b>	882
Prepayments for acquisition of property, plant and equipment		—	7
Investment properties		<b>286</b>	254
Prepaid land lease payments		<b>99</b>	100
Goodwill		<b>87</b>	87
Available-for-sale investments		<b>26</b>	79
Held-to-maturity debt securities		<b>51</b>	—
Other receivable		<b>14</b>	14
Deferred tax assets		<b>1</b>	1
Total non-current assets		<b>1,422</b>	1,424
<b>Current assets</b>			
Inventories		<b>126</b>	156
Properties under development		<b>235</b>	192
Completed properties held for sale		<b>362</b>	437
Investment property classified as held for sale		<b>170</b>	147
Non-current assets held for sale		—	20
Trade receivables	10	<b>288</b>	375
Prepayment, deposits and other receivables		<b>289</b>	279
Financial assets at fair value through profit or loss		<b>28</b>	135
Pledged time deposits		<b>398</b>	300
Time deposits with original maturity of more than three months		—	8
Cash and cash equivalents		<b>456</b>	573
Total current assets		<b>2,352</b>	2,622
<b>Total assets</b>		<b>3,774</b>	4,046



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*
*30 June 2012*

HK\$ million	Notes	<b>30 June 2012 (Unaudited)</b>	31 December 2011 (Audited)
			(restated)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	12	61	61
Reserves		1,763	1,839
		<b>1,824</b>	1,900
<b>Non-controlling interests</b>			
		<b>266</b>	284
<b>Total equity</b>		<b>2,090</b>	2,184
<b>Non-current liabilities</b>			
Derivative financial instrument		14	14
Interest-bearing bank and other borrowings		442	412
Other payable		16	16
Deferred tax liabilities		29	23
Total non-current liabilities		<b>501</b>	465
<b>Current liabilities</b>			
Trade and bills payables	11	358	562
Tax payable		35	39
Other payables and accruals		189	244
Receipts in advance		2	3
Interest-bearing bank and other borrowings		599	549
Total current liabilities		<b>1,183</b>	1,397
<b>Total liabilities</b>		<b>1,684</b>	1,862
<b>Total equity and liabilities</b>		<b>3,774</b>	4,046
<b>Net current assets</b>		<b>1,169</b>	1,225
<b>Total assets less current liabilities</b>		<b>2,591</b>	2,649

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 June 2012

HK\$ million	Attributable to owners of the parent											Non-controlling interests	Total equity
	Issued capital	Share premium account	Capital reserve	Distributable reserve	Investment revaluation reserve	Share option reserve	Capital redemption reserve	Other reserve	Exchange fluctuation reserve	Accumulated losses	Total		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2012 as previously reported	61	12	745	1,261	2	3	24	–	96	(315)	1,889	284	2,173
Change in accounting policy – Adoption of HKAS 12 amendment	–	–	–	–	–	–	–	–	–	11	11	–	11
At 1 January 2012 as restated	61	12	745	1,261	2	3	24	–	96	(304)	1,900	284	2,184
Total comprehensive loss for the period	–	–	–	–	–	–	–	–	(8)	(49)	(57)	(16)	(73)
Changes in ownership interests in subsidiaries without change of control	–	–	–	–	–	–	–	2	–	–	2	(2)	–
2011 final dividend	–	–	–	(21)	–	–	–	–	–	–	(21)	–	(21)
At 30 June 2012	61	12	745	1,240	2	3	24	2	88	(353)	1,824	266	2,090
At 1 January 2011 as previously reported	61	12	745	1,300	(8)	3	24	–	68	(120)	2,085	352	2,437
Change in accounting policy – Adoption of HKAS 12 amendment	–	–	–	–	–	–	–	–	–	10	10	–	10
At 1 January 2011 as restated	61	12	745	1,300	(8)	3	24	–	68	(110)	2,095	352	2,447
Total comprehensive income/ (loss) for the period as restated	–	–	–	–	32	–	–	–	14	(56)	(10)	(20)	(30)
2010 final dividend	–	–	–	(21)	–	–	–	–	–	–	(21)	–	(21)
At 30 June 2011 as restated	61	12	745	1,279	24	3	24	–	82	(166)	2,064	332	2,396



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

*For the six months ended 30 June 2012*

HK\$ million	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<b>(151)</b>	(139)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(17)</b>	(248)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>59</b>	219
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(109)</b>	(168)
Cash and cash equivalents at beginning of period	<b>573</b>	610
Effect of foreign exchange rate changes, net	<b>(8)</b>	14
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>456</b>	456
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>279</b>	293
Non-pledged time deposits with original maturity of less than three months when acquired	<b>177</b>	163
	<b>456</b>	456

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with Hong Kong Accounting Standards (“**HKAS**”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2011 (the “**2011 Annual Report**”).

### 2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s 2011 Annual Report.

The following new and revised HKFRSs have been adopted by the Company with effect from 1 January 2012.

HKFRS 1 Amendments	<i>Amendment to HKFRS 1 <b>First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</b></i>
HKFRS 7 Amendments	<i>Amendments to HKFRS 7 <b>Financial Instruments: Disclosures — Transfers of Financial Assets</b></i>
HKAS 12 Amendments	<i>Amendments to HKAS 12 <b>Income Taxes — Deferred Tax: Recovery of Underlying Assets</b></i>

Other than as further explained below regarding the impact of HKAS 12 Amendments, the adoption of the new and revised HKFRSs does not have any significant financial effect on the interim financial statements.

The principal effects of adopting the new and revised HKAS are as follows:

#### *Amendments to HKAS 12 **Income Taxes — Deferred Tax: Recovery of Underlying Assets***

In prior years, deferred tax was provided on the basis that the carrying amounts of investment properties would be recovered through use. Following the adoption of HKAS 12 Amendments, deferred tax is provided on the basis that the carrying amounts of the investment properties will be recovered through sale except that the basis of recovery through use will continue to apply to those investment properties which are depreciable and are held with an objective to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. This change in accounting policy has been applied retrospectively.



## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

The impact of the said change in accounting policy have effects on the Group's financial statements as follows:

HK\$ million	Six months ended 30 June		
	2012	2011	
Decrease in income tax expenses	5	1	
<b>Decrease in loss attributable to ordinary equity holders of the parent</b>	<b>5</b>	<b>1</b>	
<b>Decrease in loss per share</b>	<b>HK\$0.008</b>	<b>HK\$0.002</b>	
HK\$ million	30/06/2012	31/12/2011	01/01/2011
Decrease in deferred tax liabilities	16	11	10
<b>Increase in net assets</b>	<b>16</b>	<b>11</b>	<b>10</b>
Decrease in accumulated losses	16	11	10
<b>Increase in total equity</b>	<b>16</b>	<b>11</b>	<b>10</b>

## 3. 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, electronic and child products segment which is the manufacture and sale of telecom, electronic and child products;
- (b) the components segment which is the manufacture and sale of plastic components;
- (c) the securities business segment which is the trading in securities and the holding of securities and treasury products;
- (d) the property development segment engages in the development and sale of properties; and
- (e) the property investment and holding segment which is the investment and holding of properties.



### 3. OPERATING SEGMENT INFORMATION *(continued)*

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

Segment assets exclude non-current assets held for sale, deferred tax assets and corporate and other unallocated assets as these assets are managed on a group basis.

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

#### 2012

HK\$ million	Telecom, electronic and child products (Unaudited)	Components (Unaudited)	Securities business (Unaudited)	Property development (Unaudited)	Property investment and holding (Unaudited)	Reconciliations (Unaudited)	Group total (Unaudited)
<b>Segment revenue:</b>							
Sales to external customers	630	14	12	99	–	–	755
Other revenue	4	2	–	–	–	1	7
Intersegment revenue	24	58	–	–	1	(83)	–
	<b>658</b>	<b>74</b>	<b>12</b>	<b>99</b>	<b>1</b>	<b>(82)</b>	<b>762</b>
Operating (loss)/profit	(28)	(27)	11	16	43	–	15
Interest income	3	–	–	–	–	–	3
Finance costs	(8)	–	–	(3)	(3)	–	(14)
Reconciled items:							
Corporate and other unallocated expenses	–	–	–	–	–	(21)	(21)
Impairment loss on available-for-sale investments	–	–	–	–	–	(51)	(51)
Gain on disposal of items of property, plant and equipment	8	4	–	–	–	–	12
<b>(Loss)/profit before tax</b>	<b>(25)</b>	<b>(23)</b>	<b>11</b>	<b>13</b>	<b>40</b>	<b>(72)</b>	<b>(56)</b>
<b>Other segment information:</b>							
Expenditure for non-current assets	8	1	–	–	5	1	15
Depreciation and amortisation	(24)	(8)	–	–	(6)	–	(38)
Other material non-cash items:							
Fair value gain on investment properties and investment property classified as held for sale	–	–	–	–	54	–	54
Net impairment of trade receivables	(1)	–	–	–	–	–	(1)



### 3. OPERATING SEGMENT INFORMATION *(continued)*

2011

HK\$ million	Telecom, electronic and child products (Unaudited)	Components (Unaudited)	Securities business (Unaudited)	Property development (Unaudited)	Property investment and holding (Unaudited)	Reconciliations (Unaudited)	Group total (Unaudited)
<b>Segment revenue:</b>							
Sales to external customers	830	18	4	86	–	–	938
Other revenue	12	1	–	–	–	10	23
Intersegment revenue	4	115	–	–	1	(120)	–
	846	134	4	86	1	(110)	961
Operating (loss)/profit	(28)	(15)	(17)	10	15	–	(35)
Interest income	1	–	–	–	–	–	1
Finance costs	(5)	–	(1)	–	(1)	–	(7)
Reconciled item:							
Corporate and other unallocated expenses	–	–	–	–	–	(26)	(26)
<b>(Loss)/profit before tax</b>	<b>(32)</b>	<b>(15)</b>	<b>(18)</b>	<b>10</b>	<b>14</b>	<b>(26)</b>	<b>(67)</b>
<b>Other segment information:</b>							
Expenditure for non-current assets	22	1	–	1	–	–	24
Depreciation and amortisation	(27)	(10)	–	–	(4)	–	(41)
Other material non-cash items:							
Fair value gain on investment properties and investment property classified as held for sale	–	–	–	–	21	–	21
Fair value loss on financial assets at fair value through profit or loss	–	–	(21)	–	–	–	(21)

## 3. OPERATING SEGMENT INFORMATION (continued)

30 June 2012

HK\$ million	Telecom, electronic and child products (Unaudited)	Components (Unaudited)	Securities business (Unaudited)	Property development (Unaudited)	Property investment and holding (Unaudited)	Reconciliations (Unaudited)	Group total (Unaudited)
<b>Segment assets</b>	1,573	165	78	861	889	(9)	3,557
Reconciled item:							
Corporate and other unallocated assets	–	–	–	–	–	217	217
<b>Total assets</b>	<b>1,573</b>	<b>165</b>	<b>78</b>	<b>861</b>	<b>889</b>	<b>208</b>	<b>3,774</b>
<b>Segment liabilities</b>	1,080	46	25	142	299	(9)	1,583
Reconciled item:							
Corporate and other unallocated liabilities	–	–	–	–	–	101	101
<b>Total liabilities</b>	<b>1,080</b>	<b>46</b>	<b>25</b>	<b>142</b>	<b>299</b>	<b>92</b>	<b>1,684</b>

31 December 2011

HK\$ million	Telecom, electronic and child products (Audited)	Components (Audited)	Securities business (Audited)	Property development (Audited)	Property investment and holding (Audited)	Reconciliations (Audited)	Group total (Audited)
<b>Segment assets</b>	1,694	198	135	881	835	(45)	3,698
Reconciled items:							
Non-current assets held for sale	–	–	–	–	–	20	20
Corporate and other unallocated assets	–	–	–	–	–	328	328
<b>Total assets</b>	<b>1,694</b>	<b>198</b>	<b>135</b>	<b>881</b>	<b>835</b>	<b>303</b>	<b>4,046</b>
<b>Segment liabilities (restated)</b>	1,170	60	56	199	313	(45)	1,753
Reconciled item:							
Corporate and other unallocated liabilities	–	–	–	–	–	109	109
<b>Total liabilities</b>	<b>1,170</b>	<b>60</b>	<b>56</b>	<b>199</b>	<b>313</b>	<b>64</b>	<b>1,862</b>



### 3. OPERATING SEGMENT INFORMATION *(continued)*

#### Geographical information

##### (a) Revenue from external customers

HK\$ million	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Europe	344	462
Asian Pacific and others	287	353
North America	124	123
	<b>755</b>	<b>938</b>

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

##### (b) Non-current assets

HK\$ million	30 June 2012 (Unaudited)	31 December 2011 (Audited)
	Hong Kong	725
Mainland China	697	731
	<b>1,422</b>	<b>1,424</b>

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

#### Information about major customers

For the six months ended 30 June 2012, revenue from each of two major customers of the telecom, electronic and child product segment was HK\$126 million and HK\$91 million, respectively, representing 17% and 12% of the Group's total revenue, respectively.

For the six months ended 30 June 2011, revenue from each of three major customers of the telecom, electronic and child product segment was HK\$220 million, HK\$212 million and HK\$92 million, respectively, representing 23%, 23% and 10% of the Group's total revenue, respectively.

#### 4. OTHER INCOME AND GAINS

HK\$ million	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Fair value gain on investment properties and investment property classified as held for sale	54	21
Foreign exchange gain	1	2
Gain on disposal of items of property, plant and equipment	12	—
Others	7	23
	<b>74</b>	<b>46</b>

#### 5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

HK\$ million	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Cost of inventories sold	704	767
Cost of properties sold	71	66
Depreciation	37	38
Amortisation of prepaid land lease payments	1	3

#### 6. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for the six months ended 30 June 2012 and 2011 as the Group had no profits chargeable to Hong Kong profits tax during that periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

HK\$ million	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Current — Elsewhere	4	6
Overprovision in prior year	(3)	—
PRC land appreciation tax	2	1
Deferred tax	6	2
Total tax charge for the period	<b>9</b>	<b>9</b>



## 7. DIVIDENDS

The board of directors has declared an interim dividend for 2012 of HK\$0.03 per share (30 June 2011: HK\$0.03 per share) to be payable from the Company's distributable reserve. The interim dividend will be paid on or around Monday, 8 October 2012 to the shareholders whose names appear on the register of members of the Company on Wednesday, 19 September 2012. The register of members of the Company will be closed from Monday, 17 September 2012 to Wednesday, 19 September 2012 (both days inclusive).

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

The calculation of the basic and diluted loss per share amounts for the period is based on the loss for the period attributable to ordinary equity holders of the parent of HK\$49 million (30 June 2011: HK\$56 million (restated)), and the weighted average number of 606,144,907 (30 June 2011: 606,144,907) ordinary shares in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the periods ended 30 June 2012 and 2011 in respect of a dilution as the impact of the outstanding share options granted by a subsidiary of the Company had an anti-dilutive effect on the basic loss per share amounts presented.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired fixed assets of approximately HK\$15 million (six months ended 30 June 2011: HK\$24 million).

## 10. TRADE RECEIVABLES

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

HK\$ million	30 June 2012 (Unaudited)		31 December 2011 (Audited)	
	Balance	Percentage	Balance	Percentage
Current to 30 days	119	41	142	38
31 to 60 days	94	33	108	28
61 to 90 days	47	16	100	26
Over 90 days	28	10	25	8
	288	100	375	100

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

**11. TRADE AND BILLS PAYABLES**

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

HK\$ million	<b>30 June 2012 (Unaudited)</b>		31 December 2011 (Audited)	
	<b>Balance</b>	<b>Percentage</b>	Balance	Percentage
Current to 30 days	<b>83</b>	<b>23</b>	233	41
31 to 60 days	<b>73</b>	<b>20</b>	101	18
61 to 90 days	<b>45</b>	<b>13</b>	73	13
Over 90 days	<b>157</b>	<b>44</b>	155	28
	<b>358</b>	<b>100</b>	562	100

**12. SHARE CAPITAL**

HK\$ million	<b>30 June 2012 (Unaudited)</b>	31 December 2011 (Audited)
Authorised: 2,000,000,000 (31 December 2011: 2,000,000,000) ordinary shares of HK\$0.10 each	<b>200</b>	200
Issued and fully paid: 606,144,907 (31 December 2011: 606,144,907) ordinary shares of HK\$0.10 each	<b>61</b>	61

There were no transactions involving the Company's issued ordinary share capital during the six months ended 30 June 2012.

**13. CONTINGENT LIABILITIES**

As at 30 June 2012, the Group did not have any significant contingent liabilities (31 December 2011: Nil).



#### 14. PLEDGE OF ASSETS

At 30 June 2012, the Group's interest-bearing bank borrowings were secured by:

- (a) mortgage over the Group's investment properties situated in Hong Kong, which had an aggregate carrying amount at the end of the reporting period of approximately HK\$286 million (31 December 2011: HK\$254 million);
- (b) mortgage over certain of the Group's leasehold land and buildings situated in Hong Kong and the PRC, which had an aggregate carrying amount at the end of the reporting period of approximately HK\$602 million (31 December 2011: HK\$594 million);
- (c) mortgage over an investment property classified as held for sale situated in Hong Kong, which had a carrying amount at the end of the reporting period of approximately HK\$170 million (31 December 2011: HK\$147 million);
- (d) the pledge of the Group's leasehold land situated in the PRC, which had an aggregate carrying amount at the end of the reporting period of approximately HK\$102 million (31 December 2011: HK\$103 million);
- (e) the pledge of certain of the Group's completed properties held for sale situated in the PRC, which had an aggregate carrying amount at the end of the reporting period of approximately HK\$146 million (31 December 2011: HK\$151 million);
- (f) the pledge of certain of the Group's held-to-maturity debt securities, which had an aggregate carrying amount at the end of the reporting period of approximately HK\$25 million (31 December 2011: Nil);
- (g) the pledge of certain of the Group's time deposits approximately amounting to HK\$398 million (31 December 2011: HK\$300 million); and
- (h) last year, the pledge of certain of the Group's financial assets at fair value through profit or loss, which had an aggregate carrying amount at the 31 December 2011 of approximately HK \$56 million.



## 15. OPERATING LEASE ARRANGEMENTS

### As lessee

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

At 30 June 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

HK\$ million	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Within one year	2	2
In the second to fifth years, inclusive	2	2
	<b>4</b>	<b>4</b>

At 30 June 2012, 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:

HK\$ million	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Within one year	3	3
In the second to fifth years, inclusive	12	12
Beyond five years	126	129
	<b>141</b>	<b>144</b>



## 16. COMMITMENTS

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

HK\$ million	<b>30 June 2012 (Unaudited)</b>	31 December 2011 (Audited)
Contracted, but not provided for:		
Building	<b>2</b>	3
Construction cost for properties under development	<b>4</b>	4
Plant and machinery	<b>—</b>	2
	<b>6</b>	9

## 17. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

HK\$ million	<b>Six months ended 30 June</b>	
	<b>2012 (Unaudited)</b>	2011 (Unaudited)
Short term employee benefits	<b>10</b>	13

## 18. APPROVAL OF THE INTERIM REPORT

The interim report was approved by the Board on 31 August 2012.

# disclosure of interests

## DIRECTORS' INTERESTS

As at 30 June 2012, the Directors and chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company:

### (a) Interests and short positions in the Shares and the underlying Shares as at 30 June 2012

*Long positions in the Shares:*

Name of the Directors	Number of the Shares interested and nature of interest		Total	Approximate percentage of the total issued share capital of the Company
	Personal	Corporate		(%)
Mak Shiu Tong, Clement (Note)	8,475,652	294,775,079	303,250,731	50.03
Tam Ngai Hung, Terry	500,000	—	500,000	0.08
William Donald Putt	591,500	—	591,500	0.10

Note: Of the shareholding 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.



**(b) Interests and short positions in the shares and the underlying shares of the share options of an associated corporation – CCT Tech as at 30 June 2012**

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

Name of the Directors	Number of the shares interested and nature of interest			Total	Approximate percentage of the total issued share capital of CCT Tech (%)
	Personal	Corporate			
Mak Shiu Tong, Clement (Note)	—	33,026,391,124	33,026,391,124		50.49
Tam Ngai Hung, Terry	20,000,000	—	20,000,000		0.03
Cheng Yuk Ching, Flora	18,000,000	—	18,000,000		0.03
Chen Li	10,000,000	—	10,000,000		0.02

Note: The interest disclosed represents 33,026,391,124 shares of CCT Tech 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 shareholding of approximately 50.03% of the total issued share capital in the Company as at 30 June 2012.

*(ii) Long positions in the underlying shares of the share options granted under the CCT Tech Old Scheme:*

Name of the Directors	Date of grant of the share options	Exercise period of the share options	Exercise price per share	Number of the share options outstanding	Number of the total underlying shares	Approximate percentage of the total issued share capital of CCT 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

Save as disclosed above, as at 30 June 2012, none of the Directors and chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

#### DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the sections headed "Directors' Interests" above and "Share Option Schemes" below, at no time during the period for the six months ended 30 June 2012 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

#### SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2012, the following persons (not being the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

#### Long positions in the Shares as at 30 June 2012:

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 controlled by Mr. Mak Shiu Tong, Clement. 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 30 June 2012, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.



## share option schemes

### **SHARE OPTION SCHEMES OF THE COMPANY**

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

As at 30 June 2012, no share option was outstanding under the 2011 Scheme. No share option has been granted, exercised, cancelled or lapsed under the 2011 Scheme during the period for the six months ended 30 June 2012.

### **SHARE OPTION SCHEMES OF CCT TECH**

CCT Tech adopted the CCT Tech Old Scheme on 17 September 2002, which took effect on 7 November 2002. At the AGM of each of CCT Tech and the Company, held on 27 May 2011, the respective shareholders of CCT Tech and the Company approved the adoption of the CCT Tech New Scheme and the termination of the operation of the CCT Tech Old Scheme. Thereafter, no further share options will be granted under the CCT Tech Old Scheme. However, the provisions of the CCT Tech Old Scheme will remain in force to the extent necessary to give effect to the exercise of any share options granted prior to the termination date of 27 May 2011 or otherwise as may be required in accordance with the provisions of the CCT Tech Old Scheme. The share options granted prior to the termination of the CCT Tech Old Scheme will continue to be valid and exercisable in accordance with the CCT Tech Old Scheme.

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

## The CCT Tech Old Scheme

No share option was granted, exercised, cancelled or lapsed under the CCT Tech Old Scheme during the period for the six months ended 30 June 2012. There were 600,000,000 share options granted under the CCT Tech Old Scheme before 27 May 2011 and all such share options remained outstanding as at 30 June 2012. Movements, if any, of the share options granted to the Directors and the other eligible participants under the CCT Tech Old Scheme during the period were as follows:

Name or category of the participants	Number of share options				Outstanding as at 30 June 2012	Date of grant of the share options	Exercise period of the share options	Exercise price of the share options (Note 1)
	Outstanding as at 1 January 2012	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period				
<b>Executive Directors</b>								
Tam Ngai Hung, Terry (Note 2)	223,000,000	–	–	–	223,000,000	23/7/2009	23/7/2009–6/11/2012	0.01
Cheng Yuk Ching, Flora (Note 2)	245,000,000	–	–	–	245,000,000	23/7/2009	23/7/2009–6/11/2012	0.01
William Donald Putt (Note 2)	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009–6/11/2012	0.01
	476,000,000	–	–	–	476,000,000			
<b>Independent non-executive Directors</b>								
Chen Li (Note 3)	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009–6/11/2012	0.01
	8,000,000	–	–	–	8,000,000			
<b>Other eligible participants</b>								
Chow Siu Ngor (Note 4)	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009–6/11/2012	0.01
Lau Ho Kit, Ivan (Note 4)	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009–6/11/2012	0.01
Others	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			


HK\$  
per share

### Notes:

- The exercise price of the share options is subject to adjustment in the case of capitalisation issue, rights issue, subdivision or consolidation of the shares of CCT Tech, or other similar changes in the CCT Tech's share capital.
- Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt are also executive directors of CCT Tech.
- Mr. Chen Li is also an INED of CCT Tech.
- 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 of the outstanding share options as quoted in the Stock Exchange's daily quotation sheet was HK\$0.011 a share of CCT Tech.





Based on the 600,000,000 outstanding share options under the CCT Tech Old Scheme, 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 30 June 2012 and the date of this Interim Report. The exercise in full of the outstanding share options will, under the present capital structure of CCT Tech, result in the issue of 600,000,000 additional ordinary shares of CCT Tech and additional share capital of HK\$6,000,000.

#### **The CCT Tech New Scheme**

No share option has been granted, exercised, cancelled or lapsed under the CCT Tech New Scheme since its adoption and accordingly no share option was outstanding under the CCT Tech New Scheme as at 30 June 2012.



# other information

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed Shares during the period for the six months ended 30 June 2012.

## **CORPORATE GOVERNANCE**

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

In the opinion of the Directors, the Company has complied with all the Code Provisions under (i) the Old Code throughout the period from 1 January 2012 to 31 March 2012 and (ii) the CG Code throughout the period from 1 April 2012 to 30 June 2012, except for the following deviations from the Code Provisions of the Old Code and the CG Code:

### ***Code Provision A.2.1***

The Code Provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

There is no separation of the roles of chairman and chief executive officer of the Company and hence the Company has not complied with the Code Provision A.2.1 during the period from 1 January 2012 to 30 June 2012.

Mr. Mak Shiu Tong, Clement currently assumes the roles of both the Chairman and the CEO. Mr. Mak is an executive of high caliber with a wide range of skills and diversified business expertise. He has substantial experience 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. Furthermore, the Board believes that the combined roles of Mr. Mak enhance the communication between the Board and the management and ensure the effective execution of the Board's strategy by the management because of Mr. Mak's extensive industry experience.



#### **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.

Up to 31 March 2012, all of the INEDs were not appointed for a specific term but their appointment was 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. As such, the Company deviated from Code Provision A.4.1 of the Old Code for the three months ended 31 March 2012.

On 29 March 2012, all INEDs signed letters of appointment with the Company, under which they have been appointed by the Company for a term of three years commencing from 1 April 2012, and their appointment is subject to retirement by rotation and re-election at the AGM of the Company in accordance with the bye-laws of the Company. Since then, the Company has complied with the Code Provision A.4.1 of the CG Code during the period from 1 April 2012 to 30 June 2012.

#### **Code Provision A.4.2**

The Company has not complied with the Code Provision A.4.2 which provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the bye-laws of the Company, any Director appointed to fill a casual vacancy shall hold office only until the next following AGM of the Company and shall then be eligible for re-election. The Board considers that the deviation for the Code Provision A.4.2 is not material as casual vacancy of Directors seldom happens and duration between appointment to fill casual vacancy and the immediate following AGM of the Company is less than one year and is considered to be short.

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

Other information on the corporate governance practices of the Company has been disclosed in the corporate governance report contained in the 2011 Annual Report of the Company issued in April 2012.

### **Model Code for Securities Transactions by the Directors**

The Company has adopted its code of conduct regarding the securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code adopted by the Company throughout the six months ended 30 June 2012.

### **CHANGE OF COMPANY SECRETARY**

Ms. Tong Kam Yin, Winnie resigned as the company secretary of the Company on 10 May 2012. Mr. Tam Ngai Hung, Terry, has been appointed to replace Ms. Tong as the company secretary of the Company with effect from 10 May 2012. Mr. Tam is an executive Director and deputy chairman of the Company and he possesses the professional qualifications and relevant experience set out in Rule 3.28 of the Listing Rules to enable him to discharge the functions of the company secretary.

### **REVIEW OF INTERIM REPORT**

The Group's interim report including the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2012 has been reviewed by the Audit Committee of the Company.

### **BOARD AND COMMITTEES OF THE BOARD**

#### **Executive Directors** (Note)

Mak Shiu Tong, Clement *(Chairman and CEO)*

Tam Ngai Hung, Terry *(Deputy Chairman)*

Cheng Yuk Ching, Flora

William Donald Putt

#### **Independent Non-executive Directors** (Note)

Tam King Ching, Kenny

Lau Ho Man, Edward

Chen Li

#### **Audit Committee**

Tam King Ching, Kenny *(Chairman)*

Lau Ho Man, Edward

Chen Li



**Remuneration Committee**

Lau Ho Man, Edward (*Chairman*)  
Tam King Ching, Kenny  
Chen Li  
Mak Shiu Tong, Clement  
Tam Ngai Hung, Terry

**Nomination Committee (established on 29 March 2012)**

Mak Shiu Tong, Clement (*Chairman*)  
Tam Ngai Hung, Terry  
Tam King Ching, Kenny  
Lau Ho Man, Edward  
Chen Li

**Company Secretary**

Tam Ngai Hung, Terry

Note: On 29 March 2012, all Directors signed letter of appointment with the Company, under which they have been appointed by the Company for a term of three years commencing from 1 April 2012.

# glossary of terms

## GENERAL TERMS

“2011 Scheme”	The share option scheme conditionally adopted by the Company on 27 May 2011 which took effect on 30 May 2011
“AGM”	Annual general meeting
“Audit Committee”	The audit committee of the Company
“Board”	The board of Directors
“CCT 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
“CCT Tech Group”	CCT Tech and its subsidiaries
“CCT Tech New Scheme”	The share option scheme conditionally adopted by CCT Tech on 27 May 2011, which took effect on 30 May 2011
“CCT Tech Old Scheme”	The share option scheme conditionally adopted by CCT Tech on 17 September 2002, which took effect on 7 November 2002 and the operation of which was subsequently terminated with effect from the adoption of the CCT Tech New Scheme
“CEO”	The chief executive officer of the Company
“CG Code”	The Corporate Governance Code as set out in Appendix 14 to the Listing Rules, which has become effective from 1 April 2012 to replace the Old Code
“Chairman”	The chairman of the Company
“CMS”	Contract manufacturing service
“Company”	CCT Telecom Holdings Limited
“Director(s)”	The director(s) of the Company
“GE”	General Electric
“Group”	The Company and its subsidiaries
“HK” or “Hong Kong”	The Hong Kong Special Administrative Region of PRC
“HK\$” or “\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“INED(s)”	Independent non-executive director(s)
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange



“Merdeka Resources”	Merdeka Resources Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, of which the Company is a substantial shareholder as at the date of this report
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules
“N/A”	Not applicable
“Nomination Committee”	The nomination committee of the Company
“ODM”	Original design manufacturing
“Old Code”	The Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules before 1 April 2012, which has been replaced by the CG Code with effect from 1 April 2012
“PRC” or “China”	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)”	The holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US”	The United States of America
“%”	Per cent.

## FINANCIAL TERMS

“Gearing Ratio”	Total borrowings (representing bank & other borrowings and finance lease payable) divided by total capital employed (comprising total Shareholders’ fund plus total borrowings)
“Loss Per Share”	Loss attributable to the ordinary equity holders of the parent divided by weighted average number of Shares in issue during the period
“Current Ratio”	Current assets divided by current liabilities



