THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in CCT Telecom Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

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CCT TELECOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 00138)

PROPOSED CONVERSION OF CONVERTIBLE BONDS AND APPLICATION FOR A WHITEWASH WAIVER

Financial Adviser to Mr. Mak Shiu Tong, Clement

VC CAPITAL LIMITED
滙盈融資有限公司

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

第一上海
FIRST SHANGHAI GROUP

First Shanghai Capital Limited

A letter from the Board is set out on pages 3 to 8 of this circular.

A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set out on page 9 of this circular.

A letter from First Shanghai, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 10 to 15 of this circular.

A notice convening the SGM to be held at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong on Monday, 30 June 2008 at 10:00 a.m. is set out on pages 118 to 119 of this circular. A form of proxy for use at the SGM is enclosed herein. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to 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 as soon as practicable but in any event, not later than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be). Such form of proxy for use at the SGM is also published on the HKExnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company *(*www.cct.com.hk*)*. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or at any adjourned meeting (as the case may be) in person should you so wish.

11 June 2008

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"2009 Convertible Bonds"	the zero-coupon convertible bonds issued by the Company to Capital Winner on 23 June 2006, due on 23 June 2009, with an outstanding principal amount of HK$30,000,000 as at the Latest Practicable Date, convertible into 26,548,672 new Shares at the conversion price of HK$1.13 per Share (subject to adjustments in accordance with the terms of such convertible bonds)
"2010 Convertible Bonds"	the zero-coupon convertible bonds issued by the Company to New Capital on 25 April 2005, due on 25 April 2010, with an outstanding principal amount of HK$18,085,360 as at the Latest Practicable Date, convertible into 29,942,649 new Shares at the conversion price of HK$0.604 per Share (subject to adjustments in accordance with the terms of such convertible bonds)
"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Announcement"	the announcement of the Company dated 21 May 2008 in relation to the proposed conversion of convertible bonds and application for a whitewash waiver
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Bye-laws"	the bye-laws of the Company
"Capital Force"	Capital Force International Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Mak and his family members, and the holder of 96,868,792 Shares as at the Latest Practicable Date
"Capital Winner"	Capital Winner Investments Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Mak and his family members, and the holder of the 2009 Convertible Bonds
"Company"	CCT Telecom Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
"Conversion"	the conversion of the 2009 Convertible Bonds in full as proposed by Capital Winner and the conversion of the 2010 Convertible Bonds in full as proposed by New Capital, subject to the conditions as set out in the paragraph headed "Conditions of the Conversion" in the "Letter from the Board" of this circular
"Director(s)"	the director(s) of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
"Group"	the Company and its subsidiaries from time to time

"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	the independent committee of the Board, comprising Mr. Tam King Ching, Kenny, Mr. Lau Ho Man, Edward and Mr. Chen Li, being the independent non-executive Directors who have no interest in the Conversion, which has been formed for the purpose of advising the Independent Shareholders in relation to the Whitewash Waiver
"Independent Financial Adviser" or "First Shanghai"	First Shanghai Capital Limited, a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Whitewash Waiver
"Independent Shareholders"	the Shareholders other than Mr. Mak and parties acting in concert with him and who are not involved in, or interested in, the Conversion and the Whitewash Waiver
"Latest Practicable Date"	6 June 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Mak"	Mr. Mak Shiu Tong, Clement, the Chairman and Chief Executive Officer of the Company and a substantial Shareholder
"New Capital"	New Capital Industrial Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Mak and his family members, and the holder of the 2010 Convertible Bonds
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong on Monday, 30 June 2008 at 10:00 a.m. to consider and, if thought fit, approve the resolution in connection with the Whitewash Waiver
"Share(s)"	the ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	the registered holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"VC Capital"	VC Capital Limited, a licensed corporation permitted to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the financial adviser to Mr. Mak in relation to the Conversion and the Whitewash Waiver
"Whitewash Waiver"	a waiver by the Executive in respect of the obligations of Mr. Mak and parties acting in concert with him to make a mandatory general offer for all the Shares not already owned by them under Rule 26 of the Takeovers Code as a result of the Conversion

CCT TELECOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 00138)

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

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

11 June 2008

To the Shareholders

Dear Sir or Madam,

PROPOSED CONVERSION OF CONVERTIBLE BONDS AND APPLICATION FOR A WHITEWASH WAIVER

INTRODUCTION

On 21 May 2008, the Directors announced that they have been informed by Capital Winner and New Capital on 20 May 2008 of the Conversion. As at the Latest Practicable Date, Mr. Mak and parties acting in concert with him held 238,999,410 Shares, representing approximately 29.98% of the total issued share capital of the Company. The Conversion will entitle Mr. Mak and parties acting in concert with him to be beneficially interested in 295,490,731 Shares, representing approximately 34.62% of the enlarged total issued share capital of the Company assuming that no additional Shares will be issued by the Company from the Latest Practicable Date until the Conversion takes place, and Mr. Mak and parties acting in concert with him will be obliged to make a mandatory general offer for all the Shares not already owned by them pursuant to Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive. An application has been made to the Executive by Mr. Mak for the Whitewash Waiver. The Executive has indicated that the Whitewash Waiver will be granted, subject to the approval of the Independent Shareholders taken by way of poll at the SGM. At the SGM, Mr. Mak and parties acting in concert with him will abstain from voting on the resolution in respect of the Whitewash Waiver.

The purpose of this circular is (i) to provide you with, amongst other things, further information relating to the Conversion and the Whitewash Waiver; (ii) to set out the recommendation of the Independent Board

Committee to the Independent Shareholders and the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iii) to give you a notice of the SGM to approve the Whitewash Waiver.

THE CONVERSION

The Company has received a conditional conversion letter on 20 May 2008 from Capital Winner informing it of its proposed conversion of the 2009 Convertible Bonds in full. The Company has also received a conditional conversion letter from New Capital on 20 May 2008 informing it of its proposed conversion of the 2010 Convertible Bonds in full. Both Capital Winner and New Capital are companies wholly-owned by Mr. Mak and his family members.

The 2010 Convertible Bonds were issued by the Company to New Capital as a noteholder of CCT Tech International Limited on 25 April 2005 for the acceptance of the general offers made by a subsidiary of the Company on 31 January 2005 for the shares of CCT Tech International Limited. The 2010 Convertible Bonds are interest-free and had an outstanding principal amount of HK$18,085,360 as at the Latest Practicable Date, which are convertible into 29,942,649 new Shares at the conversion price of HK$0.604 per Share (subject to adjustments in accordance with the terms of the 2010 Convertible Bonds).

The 2009 Convertible Bonds were issued by the Company to Capital Winner on 23 June 2006 as part of the consideration for the acquisition of a property situated at Tai Tam Road, Hong Kong (further details of the acquisition are set out in the circular of the Company dated 19 May 2006). The 2009 Convertible Bonds are interest-free and had an outstanding principal amount of HK$30,000,000 as at the Latest Practicable Date, which are convertible into 26,548,672 new Shares at the conversion price of HK$1.13 per Share (subject to adjustments in accordance with the terms of the 2009 Convertible Bonds).

THE WHITEWASH WAIVER

The total number of issued Shares as at the Latest Practicable Date was 797,123,505 Shares. Mr. Mak and parties acting in concert with him were interested in 238,999,410 Shares as at the Latest Practicable Date, representing approximately 29.98% of the existing total issued share capital of the Company. Assuming that no additional Shares will be issued from the Latest Practicable Date until the Conversion takes place, when the 2009 Convertible Bonds and the 2010 Convertible Bonds are fully converted, Capital Winner and New Capital will be issued an aggregate of 56,491,321 new Shares, representing approximately 7.09% of the total issued share capital of the Company immediately before completion of the Conversion and approximately 6.62% of the total issued share capital of the Company as enlarged by the Conversion respectively. As a result of the Conversion, Mr. Mak and parties acting in concert with him will be beneficially interested in 295,490,731 Shares, representing approximately 34.62% of the enlarged total issued share capital of the Company.

The table below shows the shareholding structure of the Company immediately before and after completion of the Conversion (assuming that no additional Shares will be issued from the Latest Practicable Date until completion of the Conversion):

Name of the Shareholders	Immediately before completion of the Conversion		Immediately after completion of the Conversion	
	Number of Shares	*%*	*Number of Shares*	*%*
Mr. Mak and parties acting in concert with him –				
Mr. Mak	715,652	0.09	715,652	0.08
Capital Force *(Note 1)*	96,868,792	12.15	96,868,792	11.35
New Capital	141,414,966	17.74	171,357,615	20.08
Capital Winner	0	0.00	26,548,672	3.11
Sub-total	238,999,410	29.98	295,490,731	34.62
Tam Ngai Hung, Terry *(Note 2)*	500,000	0.06	500,000	0.06
Cheng Yuk Ching, Flora *(Notes 2 and 3)*	14,236,713	1.79	14,236,713	1.67
William Donald Putt *(Note 2)*	591,500	0.07	591,500	0.07
Samuel Olenick *(Note 4)*	545,000	0.07	545,000	0.06
Other Shareholders	542,250,882	68.03	542,250,882	63.52
Total	**797,123,505**	**100.00**	**853,614,826**	**100.00**

Notes:

1. *Capital Force is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Mak and his family members. The directors of Capital Force are Ms. Yiu Yu Ying and Mr. Mak Chun Kiu, the spouse and son of Mr. Mak respectively.*

2. *Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt are executive Directors.*

3. *Included in such interest in the Shares are 160,000 Shares held by the spouse of Ms. Cheng Yuk Ching, Flora, who is deemed to be interested in such Shares under the provisions of Part XV of the SFO.*

4. *Mr. Samuel Olenick was an independent non-executive Director until his resignation on 5 February 2008.*

As the Conversion will increase the holding of the voting rights of the Company by Mr. Mak and parties acting in concert with him to more than 30%, Mr. Mak and parties acting in concert with him will be obliged to make a mandatory general offer for all the Shares not already owned by them pursuant to Rule 26 of the Takeovers Code. An application has been made to the Executive by Mr. Mak for the Whitewash Waiver. The Executive has indicated that the Whitewash Waiver will be granted, subject to the approval of the Independent Shareholders taken by way of poll at the SGM. Mr. Mak and parties acting in concert with him will abstain from voting on the resolution of the Whitewash Waiver at the SGM where voting will be taken by way of poll.

Save for the 238,999,410 Shares, the 2009 Convertible Bonds and the 2010 Convertible Bonds, Mr. Mak and parties acting in concert with him did not hold any other options, warrants or convertible securities in the Company, nor have they entered into any outstanding derivatives in respect of securities in the Company as at the Latest Practicable Date. Mr. Mak and parties acting in concert with him have also confirmed that there have been no disqualifying transactions as stipulated under paragraph 3 of Schedule VI to the Takeovers Code in the six months immediately prior to the date of the Announcement.

Save for the 2009 Convertible Bonds and the 2010 Convertible Bonds, the Company did not have any other options, warrants or convertible securities outstanding as at the Latest Practicable Date.

Mr. Mak and parties acting in concert with him have also confirmed that there have been no dealings in the Shares by them for the 6-month period immediately prior to the date of the Announcement and up to and including the Latest Practicable Date.

CONDITIONS OF THE CONVERSION

The Conversion is subject to the following conditions:

(i) the granting of the Whitewash Waiver by the Executive; and

(ii) the approval by the Independent Shareholders of the relevant resolution regarding the Whitewash Waiver by way of poll at the SGM.

The conditions above cannot be waived.

If any of the conditions of the Conversion is not fulfilled, the Conversion will not take place and the conditional conversion letters from each of Capital Winner and New Capital will lapse.

INFORMATION ON THE GROUP

The Group is principally engaged in (i) the manufacture, sale, design and development of telecom and electronic products; (ii) the manufacture of power supply and plastic components; (iii) the manufacture and sale of infant and child products; (iv) securities investment business; (v) property investment and development; and (vi) the provision of e-commerce service.

INFORMATION ON CAPITAL WINNER AND NEW CAPITAL

Capital Winner is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Mak and his family members. The directors of Capital Winner are Ms. Yiu Yu Ying and Mr. Mak Chun Kiu, the spouse and son of Mr. Mak respectively. Capital Winner does not have any business save for being the holder of the 2009 Convertible Bonds.

New Capital is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Mak and his family members. The directors of New Capital are Ms. Yiu Yu Ying and Mr. Mak Chun Kiu, the spouse and son of Mr. Mak respectively. New Capital does not have any business save for being the holder of the 141,414,966 Shares and the 2010 Convertible Bonds.

INTENTION REGARDING THE COMPANY AND ITS EMPLOYEES

As stated in the paragraph headed "The Conversion" above, the 2009 Convertible Bonds and the 2010 Convertible Bonds were issued by the Company to Capital Winner and New Capital respectively. Both Capital Winner and New Capital are companies wholly-owned by Mr. Mak and his family members. Mr. Mak is a substantial Shareholder and has been the Chairman and Chief Executive Officer of the Company and an executive Director since January 1994. He has a positive view on the business prospects of the Group and intends to consolidate his beneficial shareholding in the Company through the Conversion. Mr. Mak intends to continue with the existing businesses of the Group and does not intend to introduce any major changes in the businesses of the Group. He also intends that the employment of the employees of the Group will be continued and the material fixed assets of the Group will not be redeployed as a result of the Conversion. Accordingly, there will be no material change to the existing businesses and employment of the existing employees of the Group as a result of the Conversion.

As (i) Mr. Mak has been the Chairman and Chief Executive Officer of the Company and an executive Director since January 1994 and has been instrumental in the strategic direction and management of the

businesses of the Group; (ii) the Conversion will not give rise to a change in the businesses of the Group; (iii) upon the Conversion, the Company will no longer be required to repay the 2009 Convertible Bonds and the 2010 Convertible Bonds upon their respective maturity dates, and the financial burden of the Group will be relieved; and (iv) the Conversion will strengthen the capital base of the Company, the Directors (other than Mr. Mak who has an interest in the Conversion and the Whitewash Waiver) consider that the granting of the Whitewash Waiver, without obliging Mr. Mak and parties acting in concert with him to make a general offer for all the Shares other than those already owned by them under Rule 26 of the Takeovers Code as a result of the Conversion, is in the interests of the Company and the Shareholders as a whole.

SGM

The SGM will be convened at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong on Monday, 30 June 2008 at 10:00 a.m. to consider and, if thought fit, approve the resolution in connection with the Whitewash Waiver.

A notice convening the SGM is set out on pages 118 to 119 of this circular and a form of proxy for use at the SGM is enclosed herein. Whether or not you intend to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be). Such form of proxy for use at the SGM is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cct.com.hk). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or at any adjourned meeting (as the case may be) in person should you so wish.

RIGHT TO DEMAND A POLL

In accordance with bye-law 66 of the Bye-laws, every resolution submitted to a general meeting shall be determined on a show of hands in the first instance by the Shareholders present in person or by duly authorised corporate representative or by proxy, but a poll may be demanded (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) by the chairman of the general meeting or by:

(a) at least three Shareholders present in person or by duly authorised corporate representative or by proxy for the time being entitled to vote at the general meeting; or

(b) any Shareholder or the Shareholders present in person or by duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the general meeting; or

(c) any Shareholder or the Shareholders present in person or by duly authorised corporate representative or by proxy and holding the Shares conferring a right to vote at the general meeting being the Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

RECOMMENDATION

The Independent Board Committee, having considered the Whitewash Waiver and having taken into account the advice of First Shanghai on the Whitewash Waiver, considers that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolution in connection

with the Whitewash Waiver to be proposed at the SGM. Your attention is also drawn to (i) the letter from the Independent Board Committee to the Independent Shareholders as set out on page 9 of this circular; and (ii) the letter from First Shanghai to the Independent Board Committee and the Independent Shareholders as set out on pages 10 to 15 of this circular in relation to the Whitewash Waiver.

ADDITIONAL INFORMATION

Your attention is also drawn to the information as set out in the appendices of this circular and the notice of the SGM as set out on pages 118 to 119, which form part of this circular.

Yours faithfully,
For and on behalf of the Board of
CCT TELECOM HOLDINGS LIMITED
Tam Ngai Hung, Terry
Director

CCT TELECOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 00138)

The Independent Board Committee:
Tam King Ching, Kenny
Lau Ho Man, Edward
Chen Li

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

11 June 2008

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED CONVERSION OF CONVERTIBLE BONDS AND APPLICATION FOR A WHITEWASH WAIVER

We have been appointed as members of the Independent Board Committee to advise you in respect of the Whitewash Waiver, details of which are set out in the letter from the Board in the circular (the "**Circular**") of the Company dated 11 June 2008, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We wish to draw your attention to the letter of advice from First Shanghai as set out on pages 10 to 15 of the Circular, which contains its advice and recommendation to us as to whether or not the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, as well as the principal factors and reasons for its advice and recommendation.

Having considered, amongst other matters, the factors and reasons considered by, and the opinion of, First Shanghai as stated in its aforementioned letter of advice, we are of the opinion that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Whitewash Waiver.

Yours faithfully,
The Independent Board Committee of
CCT TELECOM HOLDINGS LIMITED

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

The following is the text of a letter received from First Shanghai setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Whitewash Waiver for inclusion in this circular.



FIRST SHANGHAI CAPITAL LIMITED
19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

11 June 2008

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

PROPOSED CONVERSION OF CONVERTIBLE BONDS AND APPLICATION FOR A WHITEWASH WAIVER

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Whitewash Waiver, details of which are set out in the circular of the Company dated 11 June 2008 (the "Circular") to the Shareholders of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

As at the Latest Practicable Date, Mr. Mak and parties acting in concert with him (the "Mak Concert Group") were interested in approximately 29.98% of the total issued share capital of the Company. As the Mak Concert Group will be interested in approximately 34.62% of the enlarged total issued share capital of the Company after the Conversion, the Mak Concert Group would be obliged to make a mandatory general offer for all the Shares not already owned by them under the Takeovers Code should the Conversion be taken place unless the Whitewash Waiver is granted by the Executive, which is subject to approval by the Independent Shareholders by way of poll at the SGM.

The Independent Board Committee, comprising all the independent non-executive Directors who have no interest in the Conversion, namely Mr. Tam King Ching, Kenny, Mr. Lau Ho Man, Edward and Mr. Chen Li, has been formed to advise the Independent Shareholders in respect of the Whitewash Waiver. We, First Shanghai Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the above.

In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the Directors and the senior management of the Group, and have assumed that all such information and representations made or referred to in the Circular and provided to us by the Directors and the senior management of the Group were true at the time they were made and continued to be true up to the time of the holding of the SGM. We have also assumed that all statements of

belief, opinion and intention made in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Group and have been advised that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the senior management of the Group nor have we conducted any form of investigation into the business, affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Whitewash Waiver to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Background information of the 2010 Convertible Bonds and the 2009 Convertible Bonds

2010 Convertible Bonds

The 2010 Convertible Bonds were issued by the Company to New Capital as a noteholder of CCT Tech International Limited ("CCT Tech") on 25 April 2005 for the acceptance of the general offers made by a subsidiary of the Company on 31 January 2005 for the shares, the then convertible notes due 2005, and the then outstanding options of CCT Tech (the "Offers").

As at the Latest Practicable Date, the outstanding principal amount of the 2010 Convertible Bonds was HK$18,085,360, convertible into 29,942,649 new Shares at the conversion price of HK$0.604 per Share (subject to adjustments in accordance with the terms of the 2010 Convertible Bonds). According to the terms of the 2010 Convertible Bonds, the outstanding amount of the 2010 Convertible Bonds is interest-free and shall be redeemed in full on maturity (i.e. 25 April 2010).

2009 Convertible Bonds

The 2009 Convertible Bonds were issued by the Company to Capital Winner on 23 June 2006 as part of the consideration for the acquisition of a property situated at Tai Tam Road, Hong Kong (the "Property Acquisition", further details of which have been set out in the circular of the Company dated 19 May 2006).

As at the Latest Practicable Date, the outstanding principal amount of the 2009 Convertible Bonds was HK$30,000,000, which were convertible into 26,548,672 new Shares at the conversion price of HK$1.13 per Share (subject to adjustments in accordance with the terms of the 2009 Convertible Bonds). According to the terms of the 2009 Convertible Bonds, the outstanding amount of the 2009 Convertible Bonds is interest-free and shall be redeemed in full on maturity (i.e. 23 June 2009).

2. Background of and reasons for the Whitewash Waiver

As at the Latest Practicable Date, the total number of issued Shares was 797,123,505 of which the Mak Concert Group were interested in 238,999,410 Shares, representing approximately 29.98% of the total issued share capital of the Company. Upon Conversion, New Capital and Capital Winner will be issued 29,942,649 additional new Shares and 26,548,672 additional new Shares respectively. As a result of the Conversion, the Mak Concert Group will be interested in 295,490,731 Shares, representing approximately 34.62% of the enlarged total issued share capital of the Company.

As the Conversion will increase the holding of voting rights of the Mak Concert Group in the Company to more than 30%, under Rule 26 of the Takeovers Code, the Mak Concert Group will be obliged to make a

mandatory general offer for all the Shares not owned by them, unless the Whitewash Waiver is granted by the Executive, which is subject to approval by the Independent Shareholders by way of poll at the SGM under Note 1 on Dispensations from Rule 26 of the Takeovers Code.

Mr. Mak has applied to the Executive for the Whitewash Waiver, which is subject to the Independent Shareholders' approval by poll at the SGM. In this connection, we have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the Whitewash Waiver is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole and whether the Independent Shareholders should vote in favour of the Whitewash Waiver at the SGM. As set out in the letter from the Board in the Circular, the Board considers that the granting of the Whitewash Waiver to facilitate the Conversion without obliging the Mak Concert Group to make a mandatory offer under the Takeovers Code is in the interest of the Company and the Independent Shareholders as a whole. Shareholders should note that if the resolution (to be taken by way of poll) in respect of the Whitewash Waiver is rejected by the Independent Shareholders at the SGM, the Conversion will not take place and it will not give rise to a general offer opportunity to the Independent Shareholders.

In analyzing the reasons for the Whitewash Waiver, we have considered the fact that Mr. Mak has been the Chairman and Chief Executive Officer of the Company and a Director for more than 14 years and is instrumental in strategic direction and management of the Group. The Conversion shows Mr. Mak's further commitment to the Company. The Conversion will bring the interest of the Company more in line with that of Mr. Mak who is the Chairman and key management of the Company and whose continued contribution and commitment to the Group would be important towards the management and the future growth and development of the Group. The Conversion will only increase the Mak Concert Group's shareholding interest in the Company and will not result in introduction or change of leader within the Mak Concert Group. Meanwhile, the balance of shareholdings in the Company within the Mak Concert Group will not change significantly.

Moreover, the issue of the 2010 Convertible Bonds and the 2009 Convertible Bonds by the Group as part of the consideration for the Offers and the Property Acquisition including the issue of the convertible Shares were approved by votes of the then independent Shareholders at the extraordinary general meeting and the special general meeting of the Company respectively and now the Conversion is only an execution of the conversion rights previously granted to New Capital and Capital Winner.

3. Possible financial effects on the Group

(i) Net asset value attributable to the equity holders of the Company (the "NAV") and NAV per Share

As stated in the 2007 annual report of the Group (the "2007 Annual Report"), the Group recorded an audited NAV of approximately HK$3,225.0 million as at 31 December 2007 and the number of ordinary Shares in issue as at 31 December 2007 was 797,123,505 Shares. The NAV per Share as at 31 December 2007 (which is calculated by dividing the NAV as at 31 December 2007 by the number of ordinary Shares in issue as at 31 December 2007) was approximately HK$4.05.

Upon the Conversion, the NAV will be increased by the liability component of the 2010 Convertible Bonds and the 2009 Convertible Bonds in the amount of approximately HK$43.1 million to approximately HK$3,268.1 million, representing an increase of approximately 1.34%. The number of ordinary Shares in issue will be increased by 56,491,321 Shares to 853,614,826 Shares upon the Conversion and hence the NAV per Share will be slightly decreased to approximately HK$3.83, representing a decrease of approximately 5.43%.

Despite the NAV per Share will be decreased slightly by approximately 5.43%, Shareholders should note that NAV per Share only shows the carrying value of the net assets of the Group

attributable to each Share and does not reflect the economical benefits attributable to each Share. Meanwhile, the Conversion would improve the asset base of the Group in substance which is beneficial to the Company and the Shareholders as a going concern.

(ii) Gearing ratio

According to the 2007 Annual Report, the Group had total borrowings (representing bank loans and other borrowings, convertible bonds and finance lease payables) of approximately HK$436.0 million and equity of approximately HK$3,225.0 million as at 31 December 2007. The gearing ratio (which is expressed as the total borrowings divided by aggregate total of the total borrowings and the equity) as at 31 December 2007 was approximately 0.12 times.

Upon the Conversion, the total borrowings of the Group will be decreased by approximately HK$43.1 million to approximately HK$392.9 million and the equity will correspondingly be increased by approximately HK$43.1 million to approximately HK$3,268.1 million. The gearing ratio will be improved to approximately 0.11 times.

(iii) Working capital

According to the 2007 Annual Report, the Group had net cash inflow from operating activities for the year ended 31 December 2007 and had a net current asset position as at 31 December 2007. As the Conversion will relieve the Company from the obligation to repay the respective outstanding principal amount of the 2010 Convertible Bonds and the 2009 Convertible Bonds on their respective maturity dates, the Conversion will (a) further strengthen the working capital of the Group by the savings in the repayment of the aggregate outstanding principal amount of approximately HK$48.1 million of the 2010 Convertible Bonds and the 2009 Convertible Bonds; and (b) provide further funds and greater financial flexibility to the Group for its future development. The financial position of the Group will therefore be improved accordingly.

In addition, as disclosed in the 2007 Annual Report, the Group's core manufacturing businesses faced difficult operating environment and incurred losses for the year ended 31 December 2007. The Directors advised that they anticipate that the operating environment during the year ending 31 December 2008 will remain challenging and uncertain. Accordingly, the Directors advised that it is in the interest of the Company and the Shareholders as a whole to conserve the working capital of the Group to meet the uncertainty of the operations and the future requirements of the business development of the Group. As the Conversion will save repayment of the outstanding principal amounts of the 2010 Convertible Bonds and the 2009 Convertible Bonds, we concur with the Directors that the Conversion can reserve the working capital resource of the Group to meet any uncertain business development of the Group which is in the interest of the Company and the Shareholders as a whole.

(iv) Earnings and earnings per Share (the "EPS")

According to the 2007 Annual Report, the Group recorded profit attributable to equity holders of the Company of approximately HK$484.0 million and the weighted average number of ordinary Shares in issue for the year ended 31 December 2007 was 796,359,311 Shares. The EPS (which is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary Shares in issue during the year) was approximately HK$0.61 per Share.

The imputed interest expense provided according to the accounting policies of the Group on the 2010 Convertible Bonds and the 2009 Convertible Bonds for the year ended 31 December 2007

amounted to approximately HK$2.7 million, which is calculated by applying the effective interest method to the liability components of the 2010 Convertible Bonds and 2009 Convertible Bonds. Assuming the Conversion had taken place on 1 January 2007, the imputed interest expense of approximately HK$2.7 million would have been eliminated and thus the profit attributable to equity holders of the Company for the year ended 31 December 2007 would have been improved to approximately HK$486.7 million. On the other hand, the weighted average number of ordinary Shares in issue during the year ended 31 December 2007 would have been increased by 56,491,321 to 852,850,632 Shares assuming the Conversion had taken place on 1 January 2007. Hence, the diluted EPS would have been decreased slightly to approximately HK$0.57 per Share, representing a decrease of approximately 6.56%. However, Shareholders should note that the diluted EPS as a result of the Conversion is based on the assumption that Conversion had taken place on 1 January 2007 for illustrative purpose only. The actual effect to the EPS of the Group as a result of the Conversion for the year ending 31 December 2008 may be different from the above and principally depends on the financial performance of the Group for the year ending 31 December 2008.

Despite the financial performance of the Group for the year ending 31 December 2008, the Conversion will save any imputed interest expense to be recognized on the income statements of the Group for the year ending 31 December 2008 which is positive to the earnings of the Group.

As mentioned above, the slight dilution to the NAV per Share and EPS is for illustrative purpose only and may not reflect the actual financial effect of the Conversion to the Group for the year ending 31 December 2008. Given the Conversion will (i) strengthen the working capital resource of the Group by approximately HK$48.1 million; (ii) provide further funding and flexibility to the Group to meet its future challenge and development; (iii) eliminate the imputed interest expense on the 2010 Convertible Bonds and the 2009 Convertible Bonds for the year ending 31 December 2008; (iv) strengthen the equity and the capital base of the Company by the issue of 56,491,321 new Shares upon the Conversion, representing approximately 7.1% of the existing total issued capital of the Company; and (v) produce positive effect on the net assets, earnings and gearing positions of the Group, we consider that the Conversion would have positive impact on the financial position of the Group for the year ending 31 December 2008.

4. Dilution effect on the shareholding interests of the Independent Shareholders upon the Conversion

The following table sets out the Company's existing shareholding structure immediately before and after the Conversion (assuming no additional Shares will be issued before the Conversion):

Name of Shareholders	**Shareholding immediately before completion of the Conversion**		**Shareholding immediately after completion of the Conversion**	
	Number of Shares	***%***	***Number of Shares***	***%***
Mak Concert Group				
Mr. Mak	715,652	0.09	715,652	0.08
Capital Force *(Note 1)*	96,868,792	12.15	96,868,792	11.35
New Capital	141,414,966	17.74	171,357,615	20.08
Capital Winner	0	0	26,548,672	3.11
Sub-total	238,999,410	29.98	295,490,731	34.62
Tam Ngai Hung, Terry *(Note 2)*	500,000	0.06	500,000	0.06
Cheng Yuk Ching, Flora *(Notes 2 and 3)*	14,236,713	1.79	14,236,713	1.67
William Donald Putt *(Note 2)*	591,500	0.07	591,500	0.07
Samuel Olenick *(Note 4)*	545,000	0.07	545,000	0.06
Other Shareholders	542,250,882	68.03	542,250,882	63.52
Total	**797,123,505**	**100.00**	**853,614,826**	**100.00**

Notes:

1. *Capital Force is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Mak and his family members. The directors of Capital Force are Ms. Yiu Yu Ying and Mr. Mak Chun Kiu, the spouse and son of Mr. Mak respectively.*
2. *Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt are executive Directors.*
3. *Included in such interest in the Shares are 160,000 Shares held by the spouse of Ms. Cheng Yuk Ching, Flora, who is deemed to be interested in such Shares under the provisions of Part XV of the SFO.*
4. *Mr. Samuel Olenick was an independent non-executive Director until his resignation on 5 February 2008.*

As at the Latest Practicable Date, the total number of issued Shares was 797,123,505 and the Mak Concert Group was interested in 238,999,410 Shares, representing approximately 29.98% of the total issued share capital of the Company. Assuming no additional Shares will be issued before the Conversion is implemented, the Conversion will increase the total issued share capital of the Company by approximately 7.1% to 853,614,826 Shares, of which the Mak Concert Group will in aggregate be interested in 295,490,731 Shares, representing approximately 34.62% of the enlarged total issued share capital of the Company after the Conversion. The shareholdings of the Independent Shareholders will thereby be reduced from approximately 70.02% to 65.38%. Hence, the Conversion will dilute the shareholding of the Independent Shareholders slightly by approximately 4.64%.

Nevertheless, having considered (i) the financial benefit attributable to the Group as a result of the Conversion as mentioned above; and (ii) the Whitewash Waiver is in the interest of the Company and the Shareholders as a whole, we consider the slight dilution on the shareholdings of the Independent Shareholders from approximately 70.02% to 65.38% is acceptable.

RECOMMENDATION

Having considered that (i) the issue of the 2010 Convertible Bonds and the 2009 Convertible Bonds, including the conversion rights attached thereto, had been duly approved by the then independent Shareholders; (ii) the Conversion shows Mr. Mak's further commitment to the Company and will consolidate the shareholding interest of Mr. Mak in the Group, whose continued commitment and contribution to the Group is beneficial to the future and development of the Group; (iii) the Conversion will not result in introduction or change of leader or change of balance of shareholdings in the Company within the Mak Concert Group; and (iv) the financial benefits attributable to the Group as elaborated in the section headed "Possible financial effects on the Group" above, we consider that the granting of the Whitewash Waiver is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

We therefore recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution relating to the Whitewash Waiver at the SGM. We also recommend the Independent Shareholders to vote in favour of the resolution in relation to the Whitewash Waiver at the SGM.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited

Helen Zee	**Fanny Lee**
Managing Director	Executive Director

I. FINANCIAL SUMMARY

The following financial information has been extracted from the audited financial statements of the Group for each of the three years ended 31 December 2007:

	For the year ended 31 December		
	2007	**2006**	**2005**
	HK$ million	*HK$ million*	*HK$ million*
Revenue	4,066	4,199	3,980
Cost of sales	(3,778)	(3,789)	(3,526)
Gross Profit	288	410	454
Other income and gains	667	444	175
Selling and distribution costs	(56)	(63)	(59)
Administrative expenses	(324)	(284)	(257)
Other expenses	(118)	(80)	(19)
Finance costs	(43)	(40)	(23)
Profit before tax	414	387	271
Tax	(17)	(21)	(18)
Profit for the year	397	366	253
Attributable to:			
Equity holders of the parent	484	358	225
Minority interests	(87)	8	28
	397	366	253
Dividends			
Paid special interim	—	—	319
Paid interim	20	16	—
Proposed final	24	20	13
	44	36	13
Total	44	36	332
Earnings per share attributable to ordinary equity holders of the parent			
Basic	HK$ 0.61	HK$ 0.49	HK$ 0.44
Diluted	HK$ 0.57	HK$ 0.43	HK$ 0.37

There were neither extraordinary nor exceptional items during each of the three years ended 31 December 2007.

The auditor's reports of the Group for the three years ended 31 December 2007, prepared by Ernst & Young, Certified Public Accountants, do not contain any qualifications.

II. FINANCIAL STATEMENTS

The following is a summary of the audited consolidated financial statements of the Group for the financial year ended 31 December 2007 as extracted from the 2007 annual report of the Group.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

HK$ million	Notes	**2007**	**2006**
REVENUE	5	4,066	4,199
Cost of sales		(3,778)	(3,789)
Gross profit		288	410
Other income and gains		667	444
Selling and distribution costs		(56)	(63)
Administrative expenses		(324)	(284)
Other expenses		(118)	(80)
Finance costs	7	(43)	(40)
PROFIT BEFORE TAX	6	414	387
Tax	10	(17)	(21)
PROFIT FOR THE YEAR		397	366
Profit/(loss) attributable to:			
Equity holders of the parent	11	484	358
Minority interests		(87)	8
		397	366
DIVIDENDS	12		
Paid interim		20	16
Proposed final		24	20
Total		44	36
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		HK$0.61	HK$0.49
Diluted		HK$0.57	HK$0.43

CONSOLIDATED BALANCE SHEET

31 December 2007

HK$ million	Notes	**2007**	**2006**
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,287	1,222
Investment properties	15	315	490
Prepaid land lease payments	16	219	225
Other intangible assets	17	32	45
Goodwill	18	55	128
Long term receivable	33	—	312
Available-for-sale financial assets	20	11	11
Deferred tax assets	34	2	4
Total non-current assets		1,921	2,437
CURRENT ASSETS			
Inventories	22	223	233
Trade and bills receivables	23	718	837
Prepayments, deposits and other receivables	24	276	42
Financial assets at fair value through profit or loss	25	398	226
Held-to-maturity financial assets	21	—	2
Pledged time deposits	26	250	88
Cash and cash equivalents	26	1,673	865
Total current assets		3,538	2,293
CURRENT LIABILITIES			
Trade and bills payables	27	851	886
Tax payable		31	25
Other payables and accruals	28	300	177
Derivative financial instruments	29	62	—
Interest-bearing bank and other borrowings	30	212	207
Total current liabilities		1,456	1,295
NET CURRENT ASSETS		2,082	998
TOTAL ASSETS LESS CURRENT LIABILITIES		4,003	3,435

CONSOLIDATED BALANCE SHEET (continued)

31 December 2007

HK$ million	Notes	**2007**	**2006**
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	30	224	296
Long term payable	33	—	256
Derivative financial instrument	33	—	71
Deferred tax liabilities	34	4	3
Total non-current liabilities		228	626
Net assets		3,775	2,809
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	35	80	78
Reserves	37(a)	3,121	2,654
Proposed final dividend	12	24	20
		3,225	2,752
Minority interests		550	57
Total equity		3,775	2,809

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

		Attributable to equity holders of the parent												
HK$ million	Notes	Issued capital	Share premium account	Capital reserve (Note 37(a))	Distributable reserve	Investment revaluation reserve	Equity component of convertible bonds	Share option reserve	Exchange fluctuation reserve	Retained Profits	Proposed final dividend	Total	Minority interests	Total equity
At 1 January 2006		65	—	741	1,417	320	31	—	1	54	13	2,642	68	2,710
Change in fair value of available-for-sale financial assets		—	—	—	—	(1)	—	—	—	—	—	(1)	—	(1)
Exchange realignment		—	—	—	—	—	—	—	3	—	—	3	—	3
Total income and expense recognised directly in equity		—	—	—	—	(1)	—	—	3	—	—	2	—	2
Profit for the year		—	—	—	—	—	—	—	—	358	—	358	8	366
Total income and expense for the year		—	—	—	—	(1)	—	—	3	358	—	360	8	368
Realisation of revaluation reserve upon disposal of investment		—	—	—	—	(318)	—	—	—	—	—	(318)	—	(318)
Equity-settled share option arrangements		—	—	—	—	—	—	2	—	—	—	2	—	2
Restatement of fair value losses on financial assets at fair value through profit or loss upon business combination	38	—	—	—	—	—	—	—	—	35	—	35	—	35
Acquisition of subsidiaries	38	—	—	—	—	—	—	—	—	—	—	—	11	11
Deemed acquisition of minority interests upon conversion of convertible notes		—	—	—	—	—	—	—	—	—	—	—	(30)	(30)
Issue of convertible bonds	32	—	—	—	—	—	5	—	—	—	—	5	—	5
Issue of new shares upon conversion of convertible bonds	35	13	67	—	—	—	(23)	—	—	—	—	57	—	57
2005 final dividend declared		—	—	—	—	—	—	—	—	(2)	(13)	(15)	—	(15)
2006 interim dividend	12	—	—	—	—	—	—	—	—	(16)	—	(16)	—	(16)
Proposed 2006 final dividend	12	—	—	—	—	—	—	—	—	(20)	20	—	—	—
At 31 December 2006 and 1 January 2007		78	67*	741*	1,417*	1*	13*	2*	4*	409*	20	2,752	57	2,809
Exchange realignment		—	—	—	—	—	—	—	15	—	—	15	—	15
Total income and expense recognised directly in equity		—	—	—	—	—	—	—	15	—	—	15	—	15
Profit for the year		—	—	—	—	—	—	—	—	484	—	484	(87)	397
Total income and expense for the year		—	—	—	—	—	—	—	15	484	—	499	(87)	412
Equity-settled share option arrangements		—	—	—	—	—	—	5	—	—	—	5	—	5
Arising from disposal of interest in a subsidiary		—	—	—	—	—	—	—	—	—	—	—	514	514
Deemed disposal of interest in a subsidiary upon exercise of share options in the subsidiary		—	—	4	—	—	—	(4)	—	—	—	—	45	45
Deemed disposal of interest in a subsidiary upon placement of shares by the subsidiary		—	—	—	—	—	—	—	—	—	—	—	21	21
Issue of new shares upon conversion of convertible bonds	35	2	10	—	—	—	(3)	—	—	—	—	9	—	9
2006 final dividend declared		—	—	—	—	—	—	—	—	—	(20)	(20)	—	(20)
2007 interim dividend	12	—	—	—	—	—	—	—	—	(20)	—	(20)	—	(20)
Proposed 2007 final dividend	12	—	—	—	—	—	—	—	—	(24)	24	—	—	—
At 31 December 2007		80	77*	745*	1,417*	1*	10*	3*	19*	849*	24	3,225	550	3,775

Notes:

* These reserve accounts comprise the consolidated reserves of HK$3,121 million (2006: HK$2,654 million) in the consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

HK$ million	Notes	**2007**	**2006**
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		414	387
Adjustments for:			
Finance costs	7	43	40
Interest income	5,6	(98)	(39)
Depreciation	6	135	128
Equity-settled share option expense		12	2
Amortisation of prepaid land lease payments	6	6	5
Goodwill impairment	6	25	21
Amortisation of deferred expenditure	6	36	47
Impairment of trade receivables	6	22	8
Write-off of other receivables	6	6	—
Write-off and impairment of deferred development costs	6	14	15
Write-off or impairment of items of property, plant and equipment	6	14	11
Gain on disposal of items of property, plant and equipment, net	6	—	(1)
Fair value gain on an investment properties	6	(19)	(39)
Gain on disposal of an investment property	6	(34)	—
Gain on partial disposal of subsidiaries	6	(456)	—
Gain on derecognition of derivative financial instrument	6	(71)	—
Write-down of inventories to net realisable value	6	14	46
Fair value gain on financial assets at fair value through profit or loss	6	(18)	(13)
Gain on disposal of available-for-sale financial assets	6	—	(318)
Loss on disposal of held-to-maturity financial assets	6	—	1
Gain on deemed acquisition of minority interests upon conversion of convertible notes	6	—	(30)
Gain on deemed disposal of interest in a subsidiary upon exercise of share options in the subsidiary	6	(21)	—
Gain on deemed disposal of interest in a subsidiary upon placement of shares by the subsidiary	6	(21)	—
Fair value loss on derivative financial instruments	6	36	21
		39	292
(Increase)/decrease in inventories		(4)	15
Decrease/(increase) in trade and bills receivables		97	(5)
(Increase)/decrease in prepayments, deposits and other receivables		(240)	10
Increase/(decrease) in trade and bills payables and other payables and accruals		88	(71)
Cash generated (used in)/from operations		(20)	241
Interest received		98	31
Interest paid		(26)	(34)
Hong Kong profits tax paid		(1)	(15)
PRC tax paid		(7)	(8)
Net cash inflow from operating activities		44	215

CONSOLIDATED CASH FLOW STATEMENT (continued)

Year ended 31 December 2007

HK$ million	Notes	**2007**	**2006**
Net cash inflow from operating activities		44	215
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(205)	(126)
Proceeds from disposal of items of property, plant and equipment		5	7
Purchases of investment properties		—	(147)
Proceeds from disposal of an investment property		228	—
Additions to prepaid land lease payments		—	(10)
Additions to intangible assets		(36)	(53)
Acquisition of subsidiaries	38	—	4
Proceeds from partial disposal of subsidiaries		748	—
Decrease in a long term receivable		312	—
Proceeds from disposal of held-to-maturity financial assets		2	15
Net purchases of financial assets at fair value through profit or loss		(154)	(156)
Proceeds from disposal of available-for-sale financial assets		—	557
Increase in derivative financial instruments		26	—
Increase in pledged time deposits		(162)	(17)
Net cash inflow from investing activities		764	74
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares by/placement of shares in subsidiaries		101	—
New bank loans		116	236
New/(repayment of) trust receipts loans, net		19	(40)
Repayment of bank loans		(200)	(110)
Capital element of finance lease rental payments		(6)	(7)
Dividends paid		(40)	(31)
Net cash (outflow)/inflow from financing activities		(10)	48
NET INCREASE IN CASH AND CASH EQUIVALENTS		798	337
Cash and cash equivalents at beginning of year		865	528
Effect of foreign exchange rate changes, net		10	—
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,673	865
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	564	419
Non-pledged time deposits with original maturity of less than three months when acquired	26	1,109	446
		1,673	865

BALANCE SHEET

31 December 2007

HK$ million	Notes	**2007**	**2006**
NON-CURRENT ASSETS			
Property, plant and equipment	14	2	2
Interests in subsidiaries	19	1,374	2,140
Long term receivable	33	—	312
Total non-current assets		1,376	2,454
CURRENT ASSETS			
Due from a subsidiary	19	699	—
Prepayments, deposits and other receivables	24	1	1
Financial assets at fair value through profit or loss	25	—	226
Held-to-maturity financial assets	21	—	2
Pledged time deposits	26	—	5
Cash and cash equivalents	26	794	346
Total current assets		1,494	580
CURRENT LIABILITIES			
Other payables and accruals	28	7	15
Total current liabilities		7	15
NET CURRENT ASSETS		1,487	565
TOTAL ASSETS LESS CURRENT LIABILITIES		2,863	3,019
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	43	49
Long term payable	33	—	256
Derivative financial instrument	33	—	71
Total non-current liabilities		43	376
Net assets		2,820	2,643
EQUITY			
Issued capital	35	80	78
Reserves	37(b)	2,716	2,545
Proposed final dividend	12	24	20
Total equity		2,820	2,643

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2007

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 Group was involved in the following principal activities:

- the manufacture and sale of telecom and electronic products, accessories and components;
- the manufacture and sale of infant and child products;
- the provision of e-commerce services;
- investment in securities; and
- investment and development 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, certain derivative financial instruments 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$") and all values are rounded to the nearest million (HK$ million) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. 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 significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the prior year 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 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to *HKAS 1 Presentation of Financial Statements — Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 46 to the financial statements.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to its employees in accordance with the Company's share option scheme, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group's existing policy of accounting for derivatives complies with the requirements of the interpretation, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity

instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	Share-based Payments — Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[5]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[5]
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

Notes:

1. *Effective for annual periods beginning on or after 1 January 2009*
2. *Effective for annual periods beginning on or after 1 March 2007*
3. *Effective for annual periods beginning on or after 1 July 2008*
4. *Effective for annual periods beginning on or after 1 January 2008*
5. *Effective for annual periods beginning on or after 1 July 2009*

HKFRS 2 has been amended to restrict the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

HKFRS 3 has been revised to introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKFRS 8, which will replace 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. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 1 has been revised to introduce changes in the presentation and disclosure of financial statements and does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HKAS 27 has been revised to require a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes introduced by HKFRS 3 (revised) and HKAS 27 (revised) must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group's current policy for share-based payment transactions aligns with the requirements of the interpretation, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 may result in new or amended disclosures, 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.

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.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet 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 2007. 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 impairment asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such 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 impairment loss is credited to the income statement in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. 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 it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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

Buildings	2.5% - 6%
Plant and machinery	10% - 20%
Tools, moulds and equipment	10% - 20%
Furniture and office equipment	10% - 20%
Motor vehicles	15% - 30%

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 each balance sheet date.

An item of property, plant and equipment 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. It 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 or investment properties 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 balance sheet date.

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.

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)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are 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 balance sheet date.

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.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets 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.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. 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 under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest

method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other three categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. 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 policy set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

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.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using 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.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost 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 been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. 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 impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

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 transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged declined in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

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 where:

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

Where the Group has transferred its rights to receive cash flows from an asset 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. 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.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, an amount due to the ultimate holding company and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

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.

Derivative financial instruments

The Group uses derivative financial instruments such as share accumulator contract and share swap contract. Such 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 on 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 the 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 is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, 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.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date 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 goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, except 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.

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, 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 each balance sheet date 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. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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 at the balance sheet date.

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 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model, further details of which are given in note 36 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

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, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date 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.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance 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. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, 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. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the 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.

In addition to the MPF Scheme, the Group operates a separate defined contribution retirement benefit scheme for those employees who are eligible to participate in this scheme. This scheme operates in a similar way to the MPF Scheme, except that when an employee leaves this scheme before his/her interest in the Group's employer contributions vests fully, the ongoing contributions payable by the Group are reduced by the relevant amount of the forfeited employer contributions.

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.

Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

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 are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. 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 are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

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

Cash and cash equivalents

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

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

Revenue recognition

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

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

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

(c) from the dealings in securities and 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; and

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

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 balance sheet, 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.

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.

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 reporting date. 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 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.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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 2007 was HK$55 million (2006: HK$128 million). More details are given in note 18.

Estimation of fair value of investment properties

The fair value of the Group's investment properties is assessed by management based on the property valuation performed by independent qualified valuers on the basis of depreciated replacement cost. The valuation is based on an estimate of the market value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

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 2007 was HK$2 million (2006: HK$4 million). The amount of unrecognised tax losses at 31 December 2007 was HK$202 million (2006: HK$245 million). Further details are contained in note 34 to the financial statements.

Development costs

Development costs are capitalised in accordance with the accounting policy for deferred development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2007, the best estimate of the carrying amount of capitalised development costs was HK$32 million (2006: HK$45 million).

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the telecom and electronic products segment engages in the manufacture and sale of telecom and electronic products, accessories and components;

(b) the infant and child products segment engages in the manufacture and sale of infant and child products;

(c) the securities investment segment engages in trading in the securities and the holding of securities and treasury products;

(d) the property investment and development segment engages in property investment and property development; and

(e) the corporate and others segment comprises the provision of e-commerce services and corporate income and expense items.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

(a) Business Segments

The following tables present revenue and profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2007 and 2006.

Group

	Telecom and electronic products		Infant and child products		Securities investment		Property investment and development		Corporate and others		Consolidated	
HK$ million	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Segment revenue:												
Sales to external customers	3,374	3,882	115	112	486	149	4	3	43	34	4,022	4,180
Other revenue	18	34	2	—	—	—	—	—	1	2	21	36
Total revenue	3,392	3,916	117	112	486	149	4	3	44	36	4,043	4,216
Segment results	(201)	109	9	8	130	48	52	39	423	204	413	408
Interest income											44	19
Finance costs											(43)	(40)
Profit before tax											414	387
Tax											(17)	(21)
Profit for the year											397	366
Segment assets	2,970	3,186	83	68	845	226	554	499	1,005	747	5,457	4,726
Unallocated assets											2	4
Total assets											5,459	4,730
Segment liabilities	1,023	997	23	19	107	—	3	3	57	371	1,213	1,390
Unallocated liabilities											471	531
Total liabilities											1,684	1,921

HK$ million	Telecom and electronic products 2007	2006	Infant and child products 2007	2006	Securities investment 2007	2006	Property investment and development 2007	2006	Corporate and others 2007	2006	Consolidated 2007	2006
Other segment information:												
Capital expenditure	244	172	2	2	—	—	3	177	3	18	252	369
Depreciation	130	112	2	2	—	—	—	—	4	16	136	130
Amortisation	41	51	—	—	—	—	—	—	1	1	42	52
Impairment losses recognised directly in the income statements	—	—	—	—	—	—	—	—	25	21	25	21
Fair value loss on derivative financial instruments	—	—	—	—	36	—	—	—	—	21	36	21
Other non-cash expenses	54	69	—	—	—	—	—	—	16	11	70	80
Fair value gain on investment properties	—	—	—	—	—	—	19	39	—	—	19	39
Gain on disposal of an investment property	—	—	—	—	—	—	34	—	—	—	34	—
Gain on disposal of available-for-sale financial assets	—	—	—	2	—	—	—	—	—	316	—	318
Fair value gain on financial assets at fair value through profit or loss	—	—	—	—	18	13	—	—	—	—	18	13
Gain on deemed disposal of interests in subsidiaries	—	—	—	—	—	—	—	—	42	—	42	—
Gain on deemed acquisition of minority interests upon conversion of convertible bonds	—	—	—	—	—	—	—	—	—	30	—	30
Gain on partial disposal of subsidiaries	—	—	—	—	—	—	—	—	456	—	456	—
Gain on derecognition of derivative financial instrument	—	—	—	—	—	—	—	—	71	—	71	—

(b) Geographical Segments

The following table presents revenue information for the Group's geographical segments for the years ended 31 December 2007 and 2006.

Group

	United States of America		Asia Pacific		Europe		Consolidated	
HK$ million	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Segment revenue:								
Sales to external customers	1,793	2,142	1,736	1,405	493	633	4,022	4,180
Other revenue	—	—	21	36	—	—	21	36
Total revenue	1,793	2,142	1,757	1,441	493	633	4,043	4,216

Over 90% of the Group's assets are located in Hong Kong and the Mainland of the People's Republic of China (the "PRC"). Accordingly, no separate analysis of assets by geographical segment is presented.

5. REVENUE

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

Revenue from the following activities has been included in turnover:

HK$ million	**2007**	**2006**
Revenue		
Manufacture and sale of telecom and electronic products	3,374	3,882
Manufacture and sale of infant and child products	115	112
Gross income from securities investment	438	137
Provision of e-commerce service	43	34
Rental income from investment properties (note 6)	4	3
Interest income from held-to-maturity financial assets and financial assets at fair value through profit or loss	48	12
Bank interest income	44	19
	4,066	4,199

6. PROFIT BEFORE TAX

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

HK$ million	Notes	Group 2007	2006
Cost of inventories sold		3,408	3,693
Depreciation	14	136	130
Less: Amount capitalised in deferred development costs		(1)	(2)
		135	128
Amortisation of prepaid land lease payments	16	6	5
Minimum lease payments under operating leases in respect of land and buildings		12	6
Research and development costs:			
Deferred expenditure amortised*	17	36	47
Current year expenditure		76	58
Goodwill impairment**	18	25	21
Auditors' remuneration		7	7
Employee benefits expense (excluding directors' remuneration — note 8)			
Wages and salaries		477	419
Equity-settled share option expense		9	—
Pension scheme contributions****		5	4
Less: Amount capitalised in deferred development costs		(21)	(20)
		470	403
Impairment of trade receivables**	23	22	8
Write-off of other receivables**		6	—
Gain on disposal of items of property, plant and equipment, net**		—	(1)
Write-off or impairment of items of property, plant and equipment**	14	14	11
Write-off or impairment of deferred development costs**	17	14	15
Write-down of inventories to net realisable value*		14	46
Foreign exchange differences, net		5	(7)
Loss on disposal of held-to-maturity financial assets**		—	1
Fair value loss on derivative financial instruments**		36	21
and after crediting:			
Fair value gain on investment properties***	15	19	39
Gain on disposal of an investment property***		34	—
Gain on partial disposal of subsidiaries***		456	—
Gain on derecognition of derivative financial instrument***		71	—
Gain on deemed acquisition of minority interests upon conversion of convertible notes***		—	30
Gain on deemed disposal of interest in a subsidiary upon exercise of share options in the subsidiary***		21	—
Gain on deemed disposal of interest in a subsidiary upon placement of shares by the subsidiary***		21	—
Gain on disposal of available-for-sale financial assets***		—	318
Fair value gain on financial assets at fair value through profit or loss***		18	13
Gross rental income from investment properties	5	4	3
Interest income on long term receivable***		6	8

Notes

* 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.

7. FINANCE COSTS

	Group	
HK$ million	**2007**	**2006**
Interest on bank loans and overdrafts wholly repayable within five years	14	12
Interest on bank loans wholly repayable after five years	12	11
Interest on convertible bonds	3	4
Interest on other liability	14	13
Total interest expense on financial liabilities not at fair value through profit or loss	43	40

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules (the "Listing Rules") Governing the Listing of Securities 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	**2007**	**2006**
Fees:		
Executive directors	—	—
Independent non-executive directors	1	1
	1	1
Executive directors' other emoluments:		
Salaries, allowances and benefits in kind	21	22
Performance related bonuses*	34	25
Employee share option benefits	3	2
Pension scheme contributions	1	1
	59	50
	60	51

Notes

* 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, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company's subsidiary, CCT Tech International Limited, which is listed on the Main Board of the Stock Exchange. 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 is included in the above directors' remuneration disclosures.

In the prior year, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company's subsidiary, Tradeeasy Holdings Limited ("Tradeeasy"), which is listed on the Growth Enterprise Market of the Stock Exchange. 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 prior year was included in the above directors' remuneration disclosures.

(a) Independent Non-executive Directors

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

	2007	**2006**
	HK$'000	*HK$'000*
Samuel Olenick	240	240
Tam King Ching, Kenny	240	240
Lau Ho Man, Edward	240	240
	720	720

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

(b) Executive Directors

HK$ million	**Salaries, allowances and benefits in kind**	**Performance related bonuses**	**Employee share option benefits**	**Pension scheme contributions**	**Total remuneration**
2007					
Mak Shiu Tong, Clement ("Mr. Mak")	14	18	1	1	34
Tam Ngai Hung, Terry	4	8	1	—	13
Cheng Yuk Ching, Flora	3	8	1	—	12
William Donald Putt	—	—	—	—	—
	21	34	3	1	59
2006					
Mak Shiu Tong, Clement	13	13	1	1	28
Tam Ngai Hung, Terry	4	7	1	—	12
Cheng Yuk Ching, Flora	4	6	—	—	10
William Donald Putt	—	—	—	—	—
	21	26	2	1	50

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2006: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2006: two) non-director, highest paid employees for the year are as follows:

	Group	
HK$ million	**2007**	**2006**
Salaries, allowances and benefits in kind	5	6
Performance related bonuses	1	1
Employee share option benefits	1	—
Pension scheme contributions	—	—
	7	7

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

	Number of employees	
	2007	**2006**
HK$2,000,001 – HK$2,500,000	1	—
HK$2,500,001 – HK$3,000,000	—	1
HK$4,000,001 – HK$4,500,000	1	—
HK$4,500,001 – HK$5,000,000	—	1
	2	2

During the year, the non-director, highest paid employees were granted share options, in respect of their services to the Group under the share option scheme of the Company's subsidiary, CCT Tech International Limited, which is listed on the Main Board of the Stock Exchange. 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 is included in the above five highest paid employees disclosures.

No share options were granted to the non-director, highest paid employees in respect of their services to the Group for the prior year.

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) 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, based on existing legislation, interpretations and practices in respect thereof.

Certain PRC subsidiaries of the Group, which are categorised as wholly foreign-owned enterprises, are entitled to preferential tax treatments including full exemption from the PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction in the PRC income tax for the next three consecutive years.

HK$ million	Group 2007	2006
Group:		
Current — Hong Kong:		
Charge for the year	6	10
Overprovision in prior years	(1)	—
Current — Elsewhere		
Charge for the year	9	12
Deferred — note 34	3	(1)
Total tax charge for the year	17	21

A reconciliation of the tax expense applicable to profit before tax using 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 — 2007

HK$ million	Hong Kong	%	The PRC, excluding Hong Kong	%	Total	%
Profit/(loss) before tax	631.5		(218.0)		413.5	
Tax at the statutory or appropriate tax rate	110.5	17.5	(71.9)	33.0	38.6	9.3
Lower tax rate for specific provinces or local authority	—	—	3.9	(1.8)	3.9	0.9
Adjustment in respect of current tax of previous periods	(0.8)	(0.1)	0.1	—	(0.7)	(0.2)
Income not subject to tax	(113.6)	(18.0)	(1.4)	0.6	(115.0)	(27.8)
Expenses not deductible for tax	17.4	2.7	18.3	(8.4)	35.7	8.6
Tax losses utilised from previous periods	(16.5)	(2.6)	(0.6)	0.3	(17.1)	(4.1)
Tax losses not recognised	9.0	1.4	67.4	(30.9)	76.4	18.5
Tax exemption	—	—	(4.8)	2.2	(4.8)	(1.1)
Tax charge at the Group's effective rate	6.0	0.9	11.0	(5.0)	17.0	4.1

Group — 2006

HK$ million	Hong Kong	%	The PRC, excluding Hong Kong	%	Total	%
Profit before tax	319.3		67.6		386.9	
Tax at the statutory or appropriate tax rate	55.9	17.5	22.3	33.0	78.2	20.2
Lower tax rate for specific provinces or local authority	—	—	(2.9)	(4.3)	(2.9)	(0.7)
Adjustment in respect of current tax of previous periods	0.1	—	(0.1)	(0.1)	—	—
Income not subject to tax	(74.9)	(23.5)	(53.9)	(79.7)	(128.8)	(33.3)
Expenses not deductible for tax	21.1	6.6	73.0	108.0	94.1	24.3
Tax losses utilised from previous periods	(0.2)	(0.1)	—	—	(0.2)	(0.1)
Tax losses not recognised	7.2	2.3	7.2	10.7	14.4	3.7
Tax exemption	—	—	(33.5)	(49.6)	(33.5)	(8.7)
Others	—	—	0.1	0.1	0.1	—
Tax charge at the Group's effective rate	9.2	2.8	12.2	18.1	21.4	5.4

Subsequent to the balance sheet date, the Company received a letter in late February 2008 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. Protective tax assessments in the aggregate amount of HK$34 million for the year of assessment 2001/2002 have been issued by the IRD to certain subsidiaries of the Company. Objection has 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 by the IRD is only at the initial stage, there is still uncertainty about the outcome of the case. 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.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2007 includes a profit of HK$208 million (2006: HK$32 million) which has been dealt with in the financial statements of the Company (note 37(b)).

12. DIVIDENDS

HK$ million	2007	2006
Paid interim — HK$0.025 (2006: HK$0.020) per ordinary share	20	16
Proposed final — HK $0.030 (2006: HK $0.025) per ordinary share	24	20
Total	44	36

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

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

The calculation of the basic earnings per share amounts for the year is based on the profit for the year attributable to ordinary equity holders of the parent of HK$484 million (2006: HK$358 million), and the weighted average number of 796,359,311 (2006: 732,918,201) ordinary shares in issue during the year.

The calculation of the diluted earnings per share amounts for the year is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on convertible bonds (see below). The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

HK$ million	**2007**	**2006**
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	484	358
Interest on convertible bonds (note 7)	3	4
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	487	362

	Number of shares	
	2007	**2006**
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	796,359,311	732,918,201
Effect of dilution — weighted average number of ordinary shares:		
Convertible bonds	57,261,612	108,046,640
	853,620,923	840,964,841

14. 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 2007							
At 31 December 2006 and 1 January 2007:							
Cost	1,086	480	194	149	24	20	1,953
Accumulated depreciation and impairment	(222)	(258)	(131)	(106)	(14)	—	(731)
Net carrying amount	864	222	63	43	10	20	1,222
At 1 January 2007, net of accumulated depreciation and impairment	864	222	63	43	10	20	1,222
Additions	6	96	20	28	6	59	215
Disposals	—	(4)	—	—	(1)	—	(5)
Depreciation provided during the year	(49)	(47)	(24)	(12)	(4)	—	(136)
Impairment	(14)	—	—	—	—	—	(14)
Transfer	7	—	—	—	—	(7)	—
Exchange realignment	—	5	—	—	—	—	5
At 31 December 2007, net of accumulated depreciation and impairment	814	272	59	59	11	72	1,287
At 31 December 2007:							
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

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 2006							
At 31 December 2005 and 1 January 2006:							
Cost	1,115	430	167	120	24	1	1,857
Accumulated depreciation and impairment	(191)	(215)	(108)	(77)	(13)	—	(604)
Net carrying amount	924	215	59	43	11	1	1,253
At 1 January 2006, net of accumulated depreciation and impairment	924	215	59	43	11	1	1,253
Acquisition of subsidiaries (note 38)	2	—	—	1	—	—	3
Additions	16	49	27	12	4	19	127
Disposals	(3)	(1)	—	—	(2)	—	(6)
Write-off	(10)	—	—	(1)	—	—	(11)
Depreciation provided during the year	(48)	(44)	(23)	(12)	(3)	—	(130)
Transfer to investment properties (note 15)	(17)	—	—	—	—	—	(17)
Exchange realignment	—	3	—	—	—	—	3
At 31 December 2006, net of accumulated depreciation and impairment	864	222	63	43	10	20	1,222
At 31 December 2006:							
Cost	1,086	480	194	149	24	20	1,953
Accumulated depreciation and impairment	(222)	(258)	(131)	(106)	(14)	—	(731)
Net carrying amount	864	222	63	43	10	20	1,222

Company

HK$ million	**Furniture and office equipment**
31 December 2007	
At 31 December 2006 and 1 January 2007, net of accumulated depreciation	2
Depreciation provided during the year	—
At 31 December 2007, net of accumulated depreciation	2
At 31 December 2007:	
Cost	3
Accumulated depreciation	(1)
Net carrying amount	2
31 December 2006	
At 31 December 2005 and 1 January 2006, net of accumulated depreciation	3
Depreciation provided during the year	(1)
At 31 December 2006, net of accumulated depreciation	2
At 31 December 2006:	
Cost	5
Accumulated depreciation	(3)
Net carrying amount	2

The net book value of the fixed assets of the Group held under finance leases included in the total amounts of plant and machinery and motor vehicles as at 31 December 2007 amounted to approximately HK$10 million (2006: HK$11 million) and HK$3 million (2006: HK$4 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	29	785	814

At 31 December 2007, certain of the Group's land and buildings with an aggregate carrying value of approximately HK$490 million (2006: HK$517 million) were pledged to secure general banking facilities granted to the Group (note 30).

15. INVESTMENT PROPERTIES

HK$ million	Group 2007	2006
Carrying amount at 1 January	490	257
Additions	—	177
Disposals	(194)	—
Fair value gain on investment properties	19	39
Transfer from an owner-occupied property (note 14)	—	17
Carrying amount at 31 December	315	490

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

	HK$ million
Long term leases	279
Medium term leases	36
	315

The Group's investment properties were revalued on 31 December 2007 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 42(a) to the financial statements.

At 31 December 2007, the Group's investment properties with a value of HK$314 million (2006: HK$487 million) were pledged to secure general banking facilities granted to the Group (note 30).

Further particulars of the Group's investment properties 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%
House No. 7, Rosecliff, No. 20 Tai Tam Road, Hong Kong	Residential	Long term lease	100%
15/F, CCT Telecom Building, No. 11 Wo Shing Street, Shatin, Hong Kong	Office building	Medium term lease	100%
Carpark No. 26, 27, 234, 236 and 237 at the Basement of Site No. 3, Whampoa Garden, Hunghom, Kowloon, Hong Kong	Carpark	Long term lease	100%

16. PREPAID LAND LEASE PAYMENTS

HK$ million	Group 2007	2006
Carrying amount at 1 January	230	225
Additions	—	10
Recognised during the year	(6)	(5)
Carrying amount at 31 December	224	230
Current portion included in prepayments, deposits and other receivables	(5)	(5)
Non-current portion	219	225

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

17. OTHER INTANGIBLE ASSETS

Group

HK$ million	**Deferred development costs**
31 December 2007	
Cost at 1 January 2007, net of accumulated amortisation and impairment	45
Additions — internal development	37
Write-off	(12)
Impairment	(2)
Amortisation provided during the year	(36)
At 31 December 2007	32
At 31 December 2007:	
Cost	94
Accumulated amortisation and impairment	(62)
Net carrying amount	32
31 December 2006	
Cost at 1 January 2006, net of accumulated amortisation and impairment	45
Acquisition of subsidiaries (note 38)	7
Additions — internal development	55
Write off	(15)
Amortisation provided during the year	(47)
At 31 December 2006	45
At 31 December 2006:	
Cost	102
Accumulated amortisation and impairment	(57)
Net carrying amount	45

18. GOODWILL

The amount of the goodwill capitalised as an asset and recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries, is as follows:

Group

HK$ million

31 December 2007	
At 1 January 2007:	
Cost	156
Accumulated impairment	(28)
Net carrying amount	128
Cost at 1 January 2007, net of accumulated impairment	128
Release of goodwill upon partial disposal of subsidiaries	(48)
Impairment during the year	(25)
Net carrying amount at 31 December 2007	55
At 31 December 2007:	
Cost	108
Accumulated impairment	(53)
Net carrying amount	55
31 December 2006	
At 1 January 2006:	
Cost	117
Accumulated impairment	(7)
Net carrying amount	110
Cost at 1 January 2006, net of accumulated impairment	110
Acquisition of interests in subsidiaries (note 38)	39
Impairment during the year	(21)
Net carrying amount at 31 December 2006	128
At 31 December 2006:	
Cost	156
Accumulated impairment	(28)
Net carrying amount	128

Goodwill acquired through business combinations has been allocated to the following cash-generating units for impairment testing:

- Telecom and electronic products cash-generating unit;
- Provision of e-commerce services cash-generating unit; and
- Property holding cash-generating unit.

Telecom and electronic products cash-generating unit

The recoverable amount of the telecom and electronic products 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 18%.

Provision of e-commerce services cash-generating unit

The recoverable amount of the provision of e-commerce service 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 15%. An impairment loss of HK$20 million was recognised to reduce the carrying amount of goodwill to nil.

Property holding cash-generating unit

The recoverable amount of the property holding cash-generating unit is determined based on estimated fair value less costs to sell. An impairment loss of HK$5 million was recognised to reduce the carrying amount of goodwill to nil.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

HK$ million	**2007**	**2006**
Telecom and electronic products	55	103
Provision of e-commerce services	—	20
Property holding	—	5
Carrying amount of goodwill	55	128

Key assumptions were used in the value in use calculation of the telecom and electronic products cash-generating unit and the provision of e-commerce services cash-generating unit for 31 December 2007. 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 budgeted 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 with which and the country in which the cash-generating units carried on their business.

19. INTERESTS IN SUBSIDIARIES

HK$ million	Company 2007	2006
Unlisted shares, at cost	45	45
Due from subsidiaries	2,921	3,131
	2,966	3,176
Impairment	(893)	(1,036)
	2,073	2,140
Less: Portion of amounts due from subsidiaries classified as current asset	(699)	—
	1,374	2,140

The balances with the subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for a balance of HK$699 million (2006: Nil) due from a subsidiary which is unsecured and repayable on demand, and bears interest at 3% above the Hong Kong dollar prime rate as determined by The Hongkong and Shanghai Banking Corporation Limited per annum. The carrying amounts of the amounts due from subsidiaries approximate to their fair values.

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	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 Telecom (HK) Limited	Hong Kong	HK$2,600,000 Ordinary	—	50.49	Sourcing of telecom products, raw materials and components
CCT Telecom Securities Limited	Hong Kong	HK$1 Ordinary	—	100	Securities investment
CCT Tech International Limited ("CCT Tech")@	Bermuda/ Hong Kong	HK$654,139,940 Ordinary	—	50.49	Investment holding
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

Name	Place of incorporation / registration and operations	Nominal value of issued ordinary / registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
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
Wiltec Industries (HK) Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	—	100	Sale of infant and child products
Huiyang CCT Telecommunications Products Co., Ltd.	PRC	HK$120,000,000 Registered^	—	50.49	Manufacturing of telecom products
Huiyang CCT Plastic Products Co., Ltd.	PRC	HK$48,600,000 Registered^	—	100	Manufacturing of plastic casings and parts
CCT Telecom (An Shan) Property Development Company Limited	PRC	HK$160,000,000 Registered^	—	100	Property development
CCT Land Development (Chao Yang) Company Limited	PRC	US$15,433,900 Registered^	—	100	Property development
CCT Tech (Chao Yang) Company Limited	PRC	US$6,950,000 Registered^	—	50.49	Manufacturing of telecom and electronic products
CCT (Chao Yang) Plastic Products Company Limited	PRC	US$11,577,000 Registered^	—	100	Manufacturing of plastic casings and parts
Tradeeasy Holdings Limited@@	Cayman Islands/ Hong Kong	HK$11,798,890 Ordinary	—	54.53	Provision of e-commerce services

Notes:

* *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.*

@@ *Listed on the Growth Enterprise Market of the Stock Exchange.*

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

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.

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
HK$ million	**2007**	**2006**
Unlisted equity investment, at cost less impairment	2	2
Other assets, at fair value	9	9
	11	11

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.

21. HELD-TO-MATURITY FINANCIAL ASSETS

	Group and Company	
HK$ million	**2007**	**2006**
Unlisted held-to-maturity financial assets, at amortised cost	—	2

The held-to-maturity financial assets at 31 December 2006 had maturities of one year and carried an effective interest rate of 2.25% per annum. The held-to-maturity financial assets were realised in 2007 and there were no held-to-maturity financial assets outstanding as at 31 December 2007.

22. INVENTORIES

	Group	
HK$ million	**2007**	**2006**
Raw materials	61	78
Work in progress	55	57
Finished goods	107	98
	223	233

23. TRADE AND BILLS RECEIVABLES

	Group	
HK$ million	**2007**	**2006**
Trade receivables	746	851
Impairment	(28)	(14)
	718	837

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 one 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 balance sheet date, the Group has certain concentration of credit risk as 58% (2006: 45%) and 85% (2006: 83%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	Group			
	2007		**2006**	
HK$ million	**Balance**	**Percentage**	**Balance**	**Percentage**
Current to 30 days	217	30	294	35
31 to 60 days	223	31	249	30
61 to 90 days	199	28	243	29
Over 90 days	79	11	51	6
	718	100	837	100

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

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

	Group	
HK$ million	**2007**	**2006**
At 1 January	14	18
Impairment losses recognised (note 6)	22	8
Amount written off as uncollectible	(8)	(12)
At 31 December	28	14

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$28 million (2006: HK$14 million) with a carrying amount of HK$586 million (2006: HK$401 million): The individually impaired trade receivables relate to customers that were in default 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.

An analysis of trade and bills receivables that were past due but not impaired is as follows:

	Group	
HK$ million	**2007**	**2006**
Neither past due nor impaired	549	615
Past due but not impaired		
— within 6 months	161	205
— 7 to 12 months	7	16
— over 1 year	1	1
	718	837

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.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
HK$ million	**2007**	**2006**	**2007**	**2006**
Prepayments	238	10	—	—
Deposits and other receivables	38	32	1	1
	276	42	1	1

The above balance included prepayments for the acquisition of land use rights in Mainland China amounting to approximately HK$225 million (2006: Nil) in relation to the Group's property development business.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
HK$ million	**2007**	**2006**	**2007**	**2006**
Listed equity investments in Hong Kong, at market value	227	71	—	71
Equity-linked deposits/notes, at fair value	153	155	—	155
Fund investments, at fair value	18	—	—	—
	398	226	—	226

The above equity investments, equity-linked deposits/notes and fund investments at 31 December 2007 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$189 million.

26. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
HK$ million	**2007**	**2006**	**2007**	**2006**
Cash and bank balances	564	419	17	10
Time deposits	1,359	534	777	341
	1,923	953	794	351
Less: Time deposits pledged for bank facilities (note 30)	(88)	(88)	—	(5)
Time deposits pledged for stock accumulator contracts	(162)	—	—	—
Cash and cash equivalents	1,673	865	794	346

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$20 million (2006: HK$11 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. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

27. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	Group			
	2007		**2006**	
HK$ million	**Balance**	**Percentage**	**Balance**	**Percentage**
Current to 30 days	184	22	232	26
31 to 60 days	229	27	233	26
61 to 90 days	159	18	168	19
Over 90 days	279	33	253	29
	851	100	886	100

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

28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
HK$ million	**2007**	**2006**	**2007**	**2006**
Other payables	175	86	—	10
Accruals	125	91	7	5
	300	177	7	15

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

29. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
HK$ million	**2007**	**2006**
Stock accumulator contracts	35	—
Share swap contract	27	—
	62	—

The carrying amounts of the above stock accumulator contracts and share swap contract are the same as their fair values.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2007			2006		
	Effective interest rate (%)	**Maturity**	**HK$ million**	**Effective interest rate (%)**	**Maturity**	**HK$ million**
Current						
Finance lease payables (note 31)	2.50–3.20	2008	3	2.50–5.75	2007	4
Bank loans — unsecured	6.00–7.00	2008	26	6.01–7.00	2007	26
Bank loans — secured	4.20–7.25	2008	183	4.74–7.25	2007	177
			212			207
Non-current						
Finance lease payables (note 31)	3.20 – 4.75	2010	5	N/A	N/A	—
Bank loans — secured	4.2 – 6.72	2009 – 2016	176	4.74 – 6.25	2008 – 2016	247
2010 Convertible Bonds (note 32(a))	7.25	2010	15	7.25	2010	23
2009 Convertible Bonds (note 32(b))	5.68	2009	28	5.68	2009	26
			224			296
			436			503

Company

	2007			2006		
	Effective interest rate (%)	Maturity	HK$ million	Effective interest rate (%)	Maturity	HK$ million
Non-current						
2010 Convertible Bonds (note 32(a))	7.25	2010	15	7.25	2010	23
2009 Convertible Bonds (note 32(b))	5.68	2009	28	5.68	2009	26
			43			49

	Group		Company	
HK$ million	2007	2006	2007	2006
Analysed into:				
Bank loans repayable:				
Within one year or on demand	209	203	—	—
In the second year	51	59	—	—
In the third to fifth years, inclusive	64	100	—	—
Beyond five years	61	88	—	—
	385	450	—	—
Other borrowings repayable:				
Within one year or on demand	3	4	—	—
In the second year	32	—	28	—
In the third to fifth years, inclusive	16	49	15	49
	51	53	43	49
	436	503	43	49

(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 balance sheet date of approximately HK$314 million (2006: HK$487 million) (note 15);

(ii) mortgage over the Group's land and buildings situated in Hong Kong and the PRC, which had an aggregate carrying value at the balance sheet date of approximately HK$490 million (2006: HK$517 million) (note 14); and

(iii) the pledge of certain of the Group's time deposits amounting to HK$88 million (2006: HK$88 million) (note 26).

(b) The Group's bank and other borrowings with carrying amounts of HK$216 million (2006: HK$304 million), HK$7 million (2006: HK$22 million) and HK$213 million (2006: HK$177 million) are denominated in Hong Kong dollars, RMB and United States dollars, respectively.

Except for the convertible bonds, the carrying amounts of the Group's and the Company's borrowings approximate to their fair values. The fair value of the Group's and the Company's convertible bonds with a carrying amount of HK$43 million (2006: HK$49 million) was HK$41 million (2006: HK$44 million) at the balance sheet date.

The fair value of the liability portion of the convertible bonds is estimated using an equivalent market interest rate for a similar bond without a conversion option. The fair value of other borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

31. 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 term of three years.

At the balance sheet date, the total future minimum lease payments under finance leases and their present value were as follows:

Group

HK$ million	**Minimum lease payments 2007**	**Minimum lease payments 2006**	**Present value of minimum lease payments 2007**	**Present value of minimum lease payments 2006**
Amounts payable:				
Within one year	4	4	3	4
In the second year	4	—	4	—
In the third to fifth years, inclusive	1	—	1	—
Total minimum finance lease payments	9	4	8	4
Future finance charges	(1)	—		
Total net finance lease payables	8	4		
Portion classified as current liabilities — note 30	(3)	(4)		
Non-current portion — note 30	5	—		

32. CONVERTIBLE BONDS

(a) On 25 April 2005, the Company issued convertible bonds with an aggregate nominal value of approximately HK$155 million (the "2010 Convertible Bonds") to those shareholders and noteholders of CCT Tech who accepted the general offers made by a subsidiary of the Company on 31 January 2005 to take over CCT Tech and who opted for the 2010 Convertible Bonds.

The 2010 Convertible Bonds are convertible at the option of the bondholders into ordinary shares in the Company at the conversion price of HK$0.604 per share (subject to adjustment as provided in the terms and conditions of the 2010 Convertible Bonds) at any time during the conversion period starting from the date of issue and ending on the fifth business day before the fifth anniversary of the date of issue. The 2010

Convertible Bonds are unsecured, interest-free and have a maturity date of 25 April 2010. Unless converted into the shares of the Company or early repaid by the Company, the outstanding balance of the 2010 Convertible Bonds shall be redeemed in full on maturity. The Company may at its sole discretion repay, in whole or in part, the outstanding balance of the 2010 Convertible Bonds not yet repaid or converted into the shares of the Company any time before maturity by giving the holders of the convertible bonds a prior written notice of 14 days.

During the prior years, the 2010 Convertible Bonds with a nominal value of approximately HK$127 million were converted into 204,834,544 shares in the Company of HK$0.10 each. During the year ended 31 December 2007, the 2010 Convertible Bonds with a nominal value of approximately HK$10 million were converted into 17,258,012 shares in the Company of HK$0.10 each (note 35).

(b) On 23 June 2006, the Company issued a convertible bond with a nominal value of HK$30 million (the "2009 Convertible Bond") as part of consideration for the acquisition of a property as further detailed in note 44(a) to the financial statements.

The 2009 Convertible Bond is convertible at the option of the bondholder into ordinary shares in the Company at the conversion price of HK$1.13 per share (subject to adjustment as provided in the terms and conditions of the 2009 Convertible Bond) at any time from the date of issue of 2009 Convertible Bond to the fifth business day immediately prior to the maturity thereof. The 2009 Convertible Bond is unsecured, interest-free and has a maturity date of 23 June 2009. Unless converted into the shares of the Company or early repaid by the Company, the outstanding balance of the 2009 Convertible Bond shall be redeemed in full on maturity. The Company may at its sole discretion repay, in whole or in part, the outstanding balance of the 2009 Convertible Bond not yet repaid or converted into the shares of the Company any time before maturity by giving the holders of the convertible bonds a prior written notice of 14 days. There was no conversion of the 2009 Convertible Bond during the year ended 31 December 2007.

The fair value of the liability component of the convertible bonds was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in the shareholders' equity.

The convertible bonds issued during the prior year had been split as to the liability and equity components, as follows:

HK$ million	**Group and Company 2006**
Nominal value of convertible bonds issued during the year	30
Equity component (note 37(b))	(5)
Liability component at the issuance date	25
Interest expense	1
Liability component at 31 December (note 30)	26

33. LONG TERM RECEIVABLE/LONG TERM PAYABLE/DERIVATIVE FINANCIAL INSTRUMENT

		Group and Company	
HK$ million	Notes	**2007**	**2006**
Long term receivable	(a)	—	312
Long term payable	(b)	—	256
Derivative financial instrument	(c)	—	71

In 2006, in order to restore the public float of CCT Tech on the Stock Exchange, the Company and Deutsche Bank entered into a sale and purchase agreement dated 17 March 2006 (the "S&P Agreement") for the sale of 13.8 billion shares in CCT Tech (the "CCT Tech Sale Shares") (representing approximately 21.4% of the then issued share capital of CCT Tech owned by a subsidiary of the Company to Deutsche Bank and three other independent third party investors at a price of HK$0.022 per share of CCT Tech with put options (the "Put Options") granted to Deutsche Bank which are exercisable under the terms of the put agreement (the "Put Agreement"). Under the Put Agreement, Deutsche Bank can exercise the Put Options to require the Company to repurchase the CCT Tech Sale Shares at a price of HK$0.02413 per share. The Put Options are not transferable and are only exercisable upon maturity of the Put Options on 9 May 2008 or the occurrence of certain events under the Put Agreement. The consideration for the disposal of the CCT Tech Sale Shares and the grant of the Put Options amounting to approximately HK$304 million (the "Consideration") was paid to Deutsche Bank as an initial exchange amount (the "Initial Exchange Amount") under the terms of the Put Agreement and served effectively as collateral to secure the obligations of the Company under the Put Agreement. The Initial Exchange Amount bears interest at a deposit rate of 4.53% per annum.

During the year, Deutsche Bank and the three investors disposed of a total of 13,799,807,849 CCT Tech Sale Shares to third parties. The related Put Options were unwound and the related long term receivable plus interest up to the date of unwind was refunded to the Company. As at 31 December 2007, there were 192,151 CCT Tech Sale Shares not yet disposed of by one of the three investors.

In 2006, the Group determined that the financial asset derecognition conditions in relation to the CCT Tech Sale Shares as stipulated in HKAS 39 have not been fulfilled. Accordingly, the Company continued to consolidate the results of the CCT Tech group for the years ended 31 December 2006 and 2007 as if the Sale Shares had not been disposed of up to the respective dates of unwind of the Put Options attributable to the CCT Tech Sale Shares.

(a) Long Term Receivable

Long term receivable as at 31 December 2006 represented the sum of the Initial Exchange Amount of HK$304 million and the accrued interest of HK$8 million on the Initial Exchange Amount receivable by the Company. Under the terms of the Put Agreement, if any of the CCT Tech Sale Shares are disposed of by Deutsche Bank or any of the three investors, the related Put Options will be unwound and the related long term receivable plus interest up to the date of unwind will be refunded to the Company. The amount of the long term receivable not being refunded will be used to offset against the long term payable upon the exercise of the Put Options.

During the year, as a total of 13,799,807,849 CCT Tech Sale Shares were disposed of by Deutsche Bank and the three investors through the stock market, the related portion of the long term receivable and

the accrued interest were refunded to the Company. As at 31 December 2007, the long term receivable in relation to the 192,151 outstanding CCT Tech Sale Shares amounted to approximately HK$4,000.

(b) Long Term Payable

Long term payable as at 31 December 2006 represented the liability of the Company in respect of the repurchase obligations of the CCT Tech Sale Shares under the Put Agreement. Under the terms of the Put Agreement, if Deutsche Bank or any of the three investors disposes of all or part of the CCT Tech Sale Shares to third parties, the related Put Options will be unwound. The attributable amount of the long term payable will be recognised in the consolidated income statement and included in the calculation of the gain or loss on disposal of the relevant CCT Tech Sale Shares.

During the year, as a total of 13,799,807,849 CCT Tech Sale Shares were disposed of by Deutsche Bank and the three investors, the related portion of the long term payable was recognised in the consolidated income statement and included in the calculation of the results on disposal of the relevant CCT Tech Sale Shares. As at 31 December 2007, the long term payable in relation to the 192,151 outstanding CCT Tech Sale Shares amounted to approximately HK$4,000.

(c) Derivative Financial Instrument

The derivative financial instrument as at 31 December 2006 represented the fair value of the Put Options. The derivative financial instrument was initially recognised at fair value at HK$50 million on the completion date of the S&P Agreement and was subsequently remeasured at fair value at the balance sheet date. The loss of HK$21 million on change in fair value of the Put Options for the year ended 31 December 2006 was taken directly to the income statement. The Put Options if not exercised or unwound will expire on 9 May 2008. The long term payable in relation to the Put Agreement will be used to offset against the long term receivable upon the exercise of the Put Options and the consequent buy back of the CCT Tech Sale Shares from Deutsche Bank, and the corresponding amount of the Put Options will be recognised in the consolidated income statement. If the CCT Tech Sale Shares are sold by Deutsche Bank and/or the three investors to third parties, the related Put Options will be unwound.

During the year, the Put Options relating to the 13,799,807,849 CCT Tech Sale Shares were unwound following the disposal of the aforesaid shares by Deutsche Bank and the three investors. Accordingly, the carrying amount of the Put Options unwound was recognised in the consolidated income statement. As at 31 December 2007, the fair value of the Put Options in relation to the 192,151 outstanding CCT Tech Sale Shares was insignificant.

Further details of the transaction were set out in the Company's circular to shareholders dated 11 April 2006.

34. DEFERRED TAX

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

Deferred Tax Liabilities

Group

HK$ million	**2007 Depreciation allowance in excess of related depreciation**
Gross deferred tax liabilities at 1 January 2007	3
Deferred tax charged to the income statement — note 10	1
Group referred tax liabilities at 31 December 2007	4

Deferred Tax Assets

Group

HK$ million	**2007 Losses available for offsetting against future taxable profits**
At 1 January 2007	4
Deferred tax charged to the income statement during the year — note 10	(2)
Gross deferred tax assets at 31 December 2007	2

Deferred Tax Liabilities

Group

HK$ million	**2006 Depreciation allowance in excess of related depreciation**
Gross deferred tax liabilities at 1 January 2006 and 31 December 2006	3

Deferred Tax Assets

Group

HK$ million	**2006 Losses available for offsetting against future taxable profits**
At 1 January 2006	3
Deferred tax credited to the income statement during the year — note 10	1
Gross deferred tax assets at 31 December 2006	4

The Group and the Company has tax losses arising in Hong Kong of HK$202 million (2006: HK$245 million) and HK$107 million (2006: HK$173 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.

At 31 December 2007, there was no significant unrecognised deferred tax liability (2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

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

35. SHARE CAPITAL

Shares

	Company	
HK$ million	**2007**	**2006**
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	200	200
Issued and fully paid:		
797,123,505 (2006: 779,865,493) ordinary shares of HK$0.10 each	80	78

During the year, the 2010 Convertible Bonds with a nominal value of approximately HK$10 million were converted into 17,258,012 shares in the Company of HK$0.10 each at a conversion price of HK$0.604 per share. Further details relating to the 2010 Convertible Bonds were set out in note 32(a) to the financial statements.

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 2006	655,693,308	65	—	65
Exercise of share options	—	—	—	—
Issue of new shares upon conversion of convertible bonds	124,172,185	13	67	80
At 31 December 2006 and 1 January 2007	779,865,493	78	67	145
Issue of new shares upon conversion of convertible bonds (note 32(a))	17,258,012	2	10	12
At 31 December 2007	797,123,505	80	77	157

Share Options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 36 to the financial statements.

36. SHARE OPTION SCHEME

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 2007, there were no share options outstanding under the Share Option Scheme. No share options have been granted, exercised, cancelled and have 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 operation 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 general limit on the grant of the share options under the Share Option Scheme was refreshed to 10% of the shares in issue as at the date of approval by the shareholders on 23 May 2007. As at the date of this Annual Report, the total number of shares available for issue in respect thereof is 121,931,873, which represents approximately 15.30% of the total issued share capital of the Company as at the date of this Annual Report.

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.

37. 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 54 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	Share premium account	Capital reserve	Distributable reserve	Equity component of convertible bonds	Retained profits	Total
At 1 January 2006		—	741	1,417	31	313	2,502
Issue of convertible bonds	32	—	—	—	5	—	5
Issue of shares upon conversion of convertible bonds		67	—	—	(23)	—	44
Profit for the year	11	—	—	—	—	32	32
2005 final dividend		—	—	—	—	(2)	(2)
2006 interim dividend	12	—	—	—	—	(16)	(16)
Proposed 2006 final dividend	12	—	—	—	—	(20)	(20)
At 31 December 2006 and 1 January 2007		67	741	1,417	13	307	2,545
Issue of shares upon conversion of convertible bonds		10	—	—	(3)	—	7
Profit for the year	11	—	—	—	—	208	208
2007 interim dividend	12	—	—	—	—	(20)	(20)
Proposed 2007 final dividend	12	—	—	—	—	(24)	(24)
At 31 December 2007		77	741	1,417	10	471	2,716

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

38. BUSINESS COMBINATION

In the prior year, on 25 April 2006, the Group subscribed for a total 550 million shares issued and allotted by Tradeeasy at a cash consideration of HK$22 million. Following the completion of the subscription of new shares on 25 April 2006, Tradeeasy became a 66.26% owned subsidiary of the Company. Tradeeasy and its subsidiaries (collectively referred as to the "Tradeeasy Group") are engaged in the provision of e-commerce services.

The fair values of the identifiable assets and liabilities of the Tradeeasy Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

HK$ million	**Fair value recognised on acquisition**	**Previous carrying amount**
Property, plant and equipment	3	3
Other intangible assets	7	7
Trade receivables	2	2
Prepayments, deposits and other receivables	2	2
Cash and bank balances	26	26
Other payables and accruals	(7)	(7)
Minority interests	(11)	(11)
	22	22
Goodwill on acquisition	39	
	61	
Satisfied by:		
Cash	22	
Reclassification from financial assets at fair value through profit or loss	4	
Restatement of fair value losses on financial assets at fair value through profit or loss upon the business combination	35	
	61	

An analysis of net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries in 2006 is as follows:

HK$ million	**2006**
Cash consideration	(22)
Cash and bank balances acquired	26
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	4

Since their acquisition, the Tradeeasy Group contributed approximately HK$34 million to the Group's turnover and HK$3 million to the consolidated profit for the year ended 31 December 2006.

39. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major Non-Cash Transactions

(a) During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the finance leases of HK$10 million (2006: HK$1 million).

(b) In the prior year, as further detailed in note 32(b) to the financial statements, the Company issued the 2009 Convertible Bond with a nominal value HK$30 million to a company controlled by Mr. Mak as part of the consideration for the acquisition of a property.

(c) In the prior year, as further detailed in note 33 to the financial statements, the aggregate consideration for the disposal of the CCT Tech Sale Shares and the grant of the Put Options amounting to approximately HK$304 million was paid to Deutsche Bank as collateral to secure the obligations of the Company under the Put Agreement and was recorded as a long term receivable in the consolidated balance sheet.

40. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Company	
HK$ million	**2007**	**2006**
Corporate guarantees given to banks in connection with facilities granted to subsidiaries	211	301

As at 31 December 2007, 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$165 million (2006: HK$247 million).

41. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group, are included in notes 26 and 30(a) to the financial statements.

42. OPERATING LEASE ARRANGEMENTS

(a) As Lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to eleven 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 the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
HK$ million	**2007**	**2006**
Within one year	1	4
In the second to fifth years, inclusive	2	4
After five years	2	3
	5	11

(b) As Lessee

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

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
HK$ million	**2007**	**2006**
Within one year	9	8
In the second to fifth years, inclusive	9	5
	18	13

At the balance sheet date, 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	**2007**	**2006**
Within one year	2	2
In the second to fifth years, inclusive	11	9
After five years	116	117
	129	128

43. COMMITMENTS

In addition to the operating lease commitments detailed in note 42(b) above, the Group had the following commitments at the balance sheet date:

Capital commitments

	Group	
HK$ million	**2007**	**2006**
Contracted, but not provided for:		
Construction in progress	18	64
Purchases of plant and machinery and equipment	10	5
Land	51	—
	79	69

44. RELATED PARTY TRANSACTIONS

(a) On 27 April 2006, Rich Full International Industries Limited ("Rich Full"), an indirectly wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Fine Bonus Enterprises Limited ("Fine Bonus"), a company controlled by Mr. Mak and his associates, for the purchase of a property by Rich Full from Fine Bonus at a consideration of HK$80 million, of which HK$50 million was paid by cash and HK$30 million was satisfied by the issuance of the 2009 Convertible Bond. This transaction was approved by the independent shareholders of the Company on 5 June 2006 and was completed on 23 June 2006. Further details of the transaction were set out in the circular of the Company dated 19 May 2006.

(b) Compensation of key management personnel of the Group

HK$ million	2007	2006
Short term employee benefits	68	64
Post-employment benefits	—	—
Total compensation paid to key management personnel	68	64

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

The related party transaction in (a) above also constitutes a connected transaction as defined in Chapter 14A of the Listing Rules.

45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2007
Financial assets

	Group			
HK$ million	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	—	—	11	11
Trade and bills receivables	—	718	—	718
Financial assets included in prepayments, deposits and other receivables	—	38	—	38
Financial assets at fair value through profit or loss	398	—	—	398
Pledged time deposits	—	250	—	250
Cash and cash equivalents	—	1,673	—	1,673
	398	2,679	11	3,088

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	—	851	851
Financial liabilities included in other payables and accruals (note 28)	—	175	175
Derivative financial instruments	62	—	62
Interest-bearing bank and other borrowings	—	436	436
	62	1,462	1,524

2006 **Group**

Financial assets

HK$ million	Financial assets at fair value through profit or loss — held for trading	Held-to-maturity financial assets	Loans and receivables	Available-for-sale financial assets	Total
Long term receivable	—	—	312	—	312
Available-for-sale financial assets	—	—	—	11	11
Trade and bills receivables	—	—	837	—	837
Financial assets included in prepayments, deposits and other receivables	—	—	32	—	32
Financial assets at fair value through profit or loss	226	—	—	—	226
Held-to-maturity financial assets	—	2	—	—	2
Pledged time deposits	—	—	88	—	88
Cash and cash equivalents	—	—	865	—	865
	226	2	2,134	11	2,373

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	—	886	886
Financial liabilities included in other payables and accruals (note 28)	—	86	86
Derivative financial instrument	71	—	71
Interest-bearing bank and other borrowings	—	503	503
Long term payable	—	256	256
	71	1,731	1,802

2007

	Company
Financial assets	
HK$ million	**Loans and receivables**
Financial assets included in interests in subsidiaries (note 19)	2,921
Cash and cash equivalents	794
	3,715
Financial liabilities	
	Financial liabilities at amortised cost
Interest-bearing bank and other borrowings	43

2006

	Company			
Financial assets				
HK$ million	**Financial assets at fair value through profit or loss — held for trading**	**Held-to-maturity financial assets**	**Loans and receivables**	**Total**
Financial assets included in interests in subsidiaries (note 19)	—	—	3,131	3,131
Long term receivable	—	—	312	312
Financial assets at fair value through profit or loss	226	—	—	226
Held-to-maturity financial assets	—	2	—	2
Pledged time deposits	—	—	5	5
Cash and cash equivalents	—	—	346	346
	226	2	3,794	4,022

Financial liabilities			
	Financial liabilities at fair value through profit or loss — designated as such upon initial recognition	**Financial liabilities at amortised cost**	**Total**
Financial liabilities included in other payables and accruals (note 28)	—	10	10
Interest-bearing bank and other borrowings	—	49	49
Long term payable	—	256	256
Derivative financial instrument	71	—	71
	71	315	386

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group operates at a low gearing ratio and as the 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 before tax (through the impact on floating rate borrowings).

	Group	
HK$ million	**Increase/ (decrease) in basis points**	**Increase/ (decrease) in profit before tax**
2007		
HK$	100	(2)
United States dollars ("US$")	100	(2)
HK$	(100)	2
US$	(100)	2

	Group	
HK$ million	**Increase/ (decrease) in basis points**	**Increase/ (decrease) in profit before tax**
2006		
HK$	100	(3)
US$	100	(2)
HK$	(100)	3
US$	(100)	2

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 Australian dollars ("AUD"), US$ and Renminbi exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Group	
	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in profit before tax**
	%	*HK$ million*
2007		
If AUD strengthens against HK$	18.568	13
If AUD weakens against HK$	(18.568)	(13)
If US$ strengthens against RMB	6.222	2
If US$ weakens against RMB	(6.222)	(2)
2006		
If AUD strengthens against HK$	—	—
If AUD weakens against HK$	—	—
If US$ strengthens against RMB	3.280	1
If US$ weakens against RMB	(3.280)	(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 23 to the financial statements.

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, convertible bonds, 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 2007

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	851	—	—	—	851
Other payables	175	—	—	—	175
Derivative financial instruments	62	—	—	—	62
Interest-bearing bank and other borrowings	212	83	80	61	436
	1,300	83	80	61	1,524

As at 31 December 2006

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	886	—	—	—	886
Other payables	86	—	—	—	86
Derivative financial instruments	—	71	—	—	71
Interest-bearing bank and other borrowings	207	59	149	88	503
Long term payable	—	256	—	—	256
	1,179	386	149	88	1,802

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 25) as at 31 December 2007. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the balance sheet date.

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

	31 December 2007	High/low 2007	31 December 2006	High/low 2006
Hong Kong — Hang Seng Index	27,813	31,958 / 18,659	19,965	20,049 / 14,844

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 balance sheet date.

	Carrying amounts of equity investments	**Increase/ (decrease) in equity price**	**Increase/ (decrease) in profit before tax**
	HK$ million	*%*	*HK$ million*
2007			
Investments listed in:			
Hong Kong — Held for trading	227	59.54	135
	227	(59.54)	(135)
2006			
Investments listed in:			
Hong Kong — Held for trading	71	26.73	19
	71	(26.73)	(19)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder 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.

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 borrowing in the total borrowings. Capital includes equity attributable to the equity holders of the parent.

	Group	
HK$ million	**2007**	**2006**
Interest-bearing bank and other borrowings	436	503
Total borrowings	436	503
Total capital	3,225	2,752
Total capital and borrowings	3,661	3,255
Gearing ratio	11.9%	15.5%

47. POST BALANCE SHEET EVENTS

(a) In October 2007, Tradeeasy entered into an agreement (as amended subsequently in February and March 2008) for the acquisition of a forestry project in Indonesia (the "Forestry Project"). The total consideration for the acquisition of the Forestry Project amounts to approximately HK$916 million, which will be satisfied by way of cash and by way of an issue of convertible bonds by Tradeeasy. The Forestry Project principally involves the business of harvesting and extraction of timber, land clearing, plantation of oil palm and production of palm oil, operation of sawn mills, and production and export of sawn timber and other timber and wood products in the natural forest concessions of approximately 313,500 hectares in the Papua Province of Indonesia.

Details of the acquisition of the Forestry Project were set out in the joint announcements of the Company and Tradeeasy dated 23 October 2007 and 28 March 2008. The circulars of Tradeeasy and the Company will be dispatched to the respective shareholders of Tradeeasy and the Company on or before 30 May 2008. The acquisition of the Forestry Project, upon the issue of the circulars, is subject to other conditions precedent including approval by the respective shareholders of Tradeeasy and the Company.

(b) On 12 December 2007, Goldbay Investments Limited ("Goldbay", a wholly-owned subsidiary of the Company) entered into a binding preliminary sale and purchase agreement (the "Preliminary S&P Agreement") with an independent third party (the "Purchaser") for the sale of an investment property at a consideration of approximately HK$36 million. A formal sale and purchase agreement (the "Formal S&P Agreement") with similar terms of the Preliminary S&P was entered into between Goldbay and the Purchaser on 10 January 2008 and superseded the Preliminary S&P Agreement. The transaction was completed on 28 February 2008. The disposal of the investment property has no significant impact on the Group's financial results.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 14 April 2008.

III. INDEBTEDNESS

As at the close of business on 31 March 2008, being the latest practicable date for this statement of indebtedness prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$441 million and unsecured convertible notes with a principal sum of approximately HK$48 million. The borrowings comprised secured bank loans of approximately HK$320 million, unsecured bank loans of approximately HK$114 million and obligations under finance lease contracts of approximately HK$7 million. The Group's borrowings and banking facilities were secured by (i) fixed charges over certain leasehold land and buildings and investment properties held by the Group with aggregate net book values of approximately HK$759 million at 31 March 2008; and (ii) certain fixed deposits of the Group of approximately HK$88 million at 31 March 2008.

Save as aforesaid, and apart from intra-group liabilities, the Group did not have any bank loans, bank overdrafts and liabilities under acceptances (other than normal trade bills) or other similar indebtedness, debentures or other loan capital, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities outstanding at the close of business on 31 March 2008.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the rates of the exchange prevailing at the close of business on 31 March 2008.

IV. MATERIAL CHANGE

The Directors are not aware of any material change in the financial or trading position or outlook of the Group since 31 December 2007, the date to which the latest audited consolidated financial statements of the Group were made up.

The following is the text of a letter and valuation certificates received from Grant Sherman, an independent property valuer, in connection with their valuation as at 31 May 2008 of the property interests of the Company for the purpose of inclusion in this document:



Room 1701
17/F Jubilee Centre
18 Fenwick Street
Wanchai
Hong Kong

11 June 2008

The Directors
CCT Telecom Holdings Limited
2208, 22nd Floor,
St. George's Building
2 Ice House Street
Central

Dear Sir,

In accordance with your instructions to value the property interests held by CCT Telecom Holdings Limited ("Company") or its subsidiaries (together referred as "Group") in Hong Kong and the People's Republic of China ("the PRC"), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of such property interests as at 31 May 2008.

Our valuation is our opinion of market value which we would define as intended to mean the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

We have valued the property interests of Properties 1 to 5 and 9 to 12 by comparison approach assuming sale in their existing state with the benefit of vacant possession and by making reference to comparable sales evidences as available in the relevant market.

For Properties 6, 7 and 8, there are no market sales comparables due to the nature of buildings and structures, the properties have been valued on the basis of depreciated replacement cost ("DRC"). DRC is based on an estimate of the market value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (1st Edition 2005) published by The Hong Kong Institute of Surveyors.

We have assumed that the Group has uninterrupted rights to use the properties for the whole of the unexpired term of the leases and is entitled to transfer the property interests with the residual term of the lease without payment of any further premium to the government authorities or any third parties other than those stipulated in the mentioned documents.

We have assumed that all consents, approvals and licenses from relevant government authorities for the properties have been granted without any onerous conditions or undue time delay which might affect their values. Also, we have assumed that the lessee has been permitted to build and to use all buildings and structures erected on the sites, and the construction costs have been fully settled.

We have assumed that all applicable zoning, building and land use regulations and restrictions have been complied with unless non-conformity has been stated, defined, and considered in the appraisal report. Moreover, it is assumed that the utilisation of the land and improvements is within the boundaries of the properties described and that no encroachment or trespass exists, unless noted in the report.

In the course of our valuations, we have relied on a considerable extent on information provided by the Company on such matters as statutory notices, easements, tenure, occupation, floor areas, identification of the properties and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information supplied. All documents have been used as reference only. All dimensions, measurements and areas are approximations.

In the course of our valuations of the property interests, we have neither verified nor taken into account any tax liability in the PRC. As advised by the Company, types of potential tax liability include business tax, stamp duty, income tax and capital gain tax. We have been further advised that the Company does not have the intention to sell any or all properties. Hence, the amount of tax liability would not be quantifiable nor crystallised.

No allowance has been made in our valuations for any charge, mortgage or amount owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have inspected the exterior and, where possible, the interior of the properties in respect of which we have been provided with such information as we have required for the purpose of our valuations. No structural survey has been carried out and it was not possible to inspect the wood work and other parts of the structures which were covered, unexposed or inaccessible.

We have been shown copies of various title documents and official site plans relating to the properties that are held by the Group in the PRC. However, we have not searched the original documents to verify ownership or to verify any lease amendments which may not appear on the copies handed to us. Due to the nature of the land registration system in the PRC, we are unable to search the original documents to verify the existing title of the properties or any material encumbrances that might be attached to the properties. In the preparation of our valuation report regarding the properties in the PRC, we have relied to a considerable extent on the legal opinion provided by the Company's legal adviser, Zhu Ming Lawyer, Office of Guangdong (廣東鑄銘律師事務所) on the PRC laws regarding the titles of the properties in the PRC.

The properties in the PRC have been valued in Hong Kong Dollars at the exchange rate as on 31 May 2008 of RMB1.00 to HK$1.12243.

We enclose herewith the summary of valuations and valuation certificates.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED

Peggy Y.Y. Lai
MRICS MHKIS RPS
Associate Director
Real Estate Group

Note: Ms. Peggy Y.Y. Lai is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors and Registered Professional Surveyors in the General Practice Section, who has over 5 years' experience in the valuation of properties in Hong Kong, the PRC and the Asian Region.

SUMMARY OF VALUATION

Group I — Property interests held by the Group for investment purpose in Hong Kong

	Property		Capital value in existing state as at 31 May 2008
1.	House No. 36 and Car Parking Nos. P3 & P4 in the garage, No. 56 Repulse Bay Road, Hong Kong	HK$	100,400,000
2.	House No. 37 and Car Parking Nos. P50 & P51 in the garage, No. 56 Repulse Bay Road, Hong Kong	HK$	99,000,000
3.	House No. 7 Rosecliff, No. 20 Tai Tam Road, Hong Kong	HK$	91,900,000
4.	Car Park Nos. 26, 27 and 234 at the Basement of Site No. 3, Whampoa Garden, Hunghom, Kowloon, Hong Kong	HK$	1,080,000
	Sub-total	HK$	292,380,000

Group II — Property interests held by the Group for owner-occupation in Hong Kong

5.	17/F & 18/F., CCT Telecom Building, No. 11 Wo Shing Street, Shatin, New Territories, Hong Kong	HK$	59,000,000
	Sub-total	HK$	59,000,000

Group III — Property interests held by the Group for owner-occupation in the PRC

6.	Land, various buildings and structures located at No. 3 Hong Yie Dong San Road, Hongyie Economic Development Zone, Tangxia Town, Dongguan City, Guangdong Province, The People's Republic of China	HK$	23,080,000
7.	Land, various buildings and structures located at ESL Technology Park, Zhukan Industrial District, Gaobu Town, Dongguan City, Guangdong Province, The People's Republic of China		No commercial value

	Property	Capital value in existing state as at 31 May 2008
8.	Land, various buildings and structures located at The Upper Land Lot (Lot No.0302002), Sanhan Development District (also known as Shiwei Administrative District), Danshui Town, Huiyang City, Guangdong Province, The People's Republic of China	HK$ 651,700,000
9.	A piece of industrial land (Lot No. 01-09-3) located at Shang Pai Lot Ban Pai, Shi Wei Ai Ling, Danshui Town, Huiyang City, Guangdong Province, The People's Republic of China	HK$ 231,500,000
	Sub-total	HK$ 906,280,000
Group IV— Property interests held by the Group for future development in the PRC		
10.	Three pieces of land located at the junction of Bin He Dong Road and Huang He Road, Chaoyang City, Liaoning Province, The People's Republic of China	HK$ 107,590,000
11.	A piece of land located at No. 253 Jiu Dao Street, Tiexi District, Anshan City, Liaoning Province, The People's Republic of China	HK$ 93,100,000
12.	A piece of land located at Ping On Street, Tiedong District, Anshan City, Liaoning Province, The People's Republic of China	HK$ 69,400,000
	Sub-total	HK$ 270,090,000
	Grand Total	**HK$1,527,750,000**

VALUATION CERTIFICATE

Group I — Property interests held by the Group for investment purpose in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2008
1.	House No. 36 and Car Parking Nos. P3 & P4 in the garage, No. 56 Repulse Bay Road, Hong Kong 374/16,363th parts or shares of and in the Remaining Portion of Rural Building Lot No. 172 and the extension thereto	The property comprises a 2-storey town house and 2 car park spaces of a residential development completed in about 1994. The property has a total gross floor area of about 384.89 sq.m. The property is held under Government Lease for a term of 75 years and renewable for further 75 years commencing from 30 June 1921. The annual government rent payable for the Remaining Portion of Rural Building Lot No. 172 and the extension thereto is HK$1,742,796.	The property is currently vacant.	HK$100,400,000

Notes:

(i) The registered owner of the property is Canford Holdings Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. UB9456897 dated 31 December 2004.

(ii) The property is subject to a mortgage in favour of Nanyang Commercial Bank Limited vide Memorial No. UB9456898 dated 31 December 2004.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2008
2.	House No. 37 and Car Parking Nos. P50 & P51 in the garage, No. 56 Repulse Bay Road, Hong Kong 359/16,363th parts or shares of and in the Remaining Portion of Rural Building Lot No. 172 and the extension thereto	The property comprises a 2-storey town house and 2 car park spaces of a residential development completed in about 1994. The property has a total gross floor area of about 376.53 sq.m. The property is held under Government Lease for a term of 75 years and renewable for further 75 years commencing from 30 June 1921. The annual government rent payable for the Remaining Portion of Rural Building Lot No. 172 and the extension thereto is HK$1,742,796.	The property is currently vacant.	HK$99,000,000

Notes:

(i) The registered owner of the property is Topcon Investments Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. 06061700880103 dated 20 May 2006.

(ii) The property is subject to a mortgage in favour of Nanyang Commercial Bank Limited vide Memorial No. 06061700880117 dated 20 May 2006.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2008
3.	House No. 7, Rosecliff, No. 20 Tai Tam Road, Hong Kong 2,310/26,070th parts or shares of Rural Building Lot No. 147 and extension thereto	The property comprises a 3-storey semi-detached garden house over a carport of a residential development completed in about 1989. The property has a total gross floor area of about 369.75 sq.m. The property is held under Government Lease for a term of 75 years and renewable for further 75 years commencing from 12 November 1919. The annual government rent payable for Rural Building Lot No. 147 and extension is HK$34,200.	The property is currently vacant.	HK$91,900,000

Notes:

(i) The registered owner of the property is Rich Full International Industries Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. 06063002420013 dated 23 June 2006.

(ii) The property is subject to a legal charge/mortgage in favour of Citic Ka Wah Bank Limited, vide Memorial No. 06063002420024 dated 23 June 2006.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2008
4.	Car Park Nos. 26, 27 and 234 at the Basement of Site No. 3, Whampoa Garden, Hunghom, Kowloon, Hong Kong. 4.5/18,850th parts or shares of and in Section C of Kowloon Inland Lot No. 10750.	The property comprises 3 car park spaces at the basement of Site No. 3 of a residential development completed between 1986 and 1988. The property is held under Conditions of Exchange No. 11766 for a term of 75 years and renewable for further 75 years commencing from 14 December 1984. The annual government rent payable for Kowloon Inland Lot No. 10750 is HK$12,700.	The property is currently vacant.	HK$1,080,000

Note:

(i) The registered owner of the property is CCT Strategies Holdings Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. UB7595312 dated 15 September 1998.

VALUATION CERTIFICATE

Group II — Property interests held by the Group for owner-occupation in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2008
5.	17/F and 18/F., CCT Telecom Building, No. 11 Wo Shing Street, Shatin, New Territories, Hong Kong 28,854/289,200th parts or shares of and in the Remaining Portion of Sha Tin Town Lot No. 17	The property comprises 17th floor and 18th floor of a 23 storeys industrial/office building completed in about 1996. The property has a total gross floor area of about 2,680 sq.m. **Floor** / **Gross Floor Area (sq.m.)** 17 — 1,340 18 — 1,340 Total — 2,680 The property is held under New Grant No. 11163 for a term of 99 years from 1 July 1898 and statutorily extended to 30 June 2047. The annual government rent payable for Sha Tin Town Lot No. 17 is HK$300.	Units 1701, 1702, 1703 and 1705 are leased to CCT R & D Limited, an indirect non wholly-owned subsidiary of the Company for a term expiring on 31 December 2008 at a monthly rental of HK$64,609.50 exclusive of Government rent, rates and management charges. Units 1706, 1707, 1708, 1709 and 1710 are leased to CCT Telecom (HK) Limited, an indirect non wholly-owned subsidiary of the Company for a term expiring on 31 December 2008 at a monthly rental of HK$72,447 exclusive of Government rent, rates and management charges. All units on the 18th floor are leased to CCT Telecom (HK) Limited, an indirect non wholly-owned subsidiary of the Company for a term expiring on 31 December 2008 at a monthly rental of HK$137,056.50 exclusive of Government rent, rates and management charges.	HK$59,000,000

Notes:

(i) The registered owner of the property is Goldbay Investments Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. ST1042935 dated 20 June 1998.

(ii) The property is subject to a mortgage and a second mortgage both in favour of Nanyang Commercial Bank Limited vide Memorial Nos. ST106272 and ST106273 dated 23 November 1998.

VALUATION CERTIFICATE

Group III — Property interests held by CCT Telecom Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2008
6.	Land, various buildings and structures located at No. 3 Hong Yie Dong San Road, Hongyie Economic Development Zone, Tangxia Town, Dongguan City, Guangdong Province, The People's Republic of China	The property comprises a main factory block, four separate dormitory blocks together with ancillary structures and facilities built upon a parcel of land having an area of approximately 21,611 sq.m. The total construction floor area of the erected buildings is about 36,183 sq.m. (see Notes (ii), (iii) and (iv) below).	The property is currently left vacant.	HK$23,080,000 (see Note (iv))

Notes:

(i) According to the information provided by the Company, a State-owned Land Use Rights Certificate No.東府國用(1993)字第特 159 號 (Dong Fu Guo Yong (1993) Zi No. 159) dated April 1993 issued by the People's Government of Dongguan City for the land use rights of a site having an area of approximately 21,611 sq.m. have been granted to 香港泰富投資有限公司 (CCT Investment Limited), an indirect wholly-owned subsidiary of the Company, for industrial uses for a term of 50 years expiring in April 2043.

(ii) According to five Real Property Ownership Certificates issued by the People's Government of Dongguan City dated 12 March 2003, the title to the various buildings in the factory complex having a total construction floor area of approximately 31,755 sq.m. is held by 香港泰富投資有限公司 (CCT Investment Limited). Their details are summarised as below:

Real Property Ownership Certificate No.	*Use Designated by the Company*	*No. of Storeys*	*Construction Floor Area (sq.m.)*
1578126	*Block 2 — Dormitory*	*5*	*1,940*
1578125	*Block 3 — Dormitory*	*5*	*1,940*
1578127	*Block 7 — Dormitory*	*5*	*1,167*
1578128	*Block 6 — Dormitory*	*5*	*1,167*
1578131	*Block 1 — Main factory*	*3*	*25,541*
		Total	*31,755*

(iii) A newly extended portion was erected and adhered to the main factory. The area of this extended portion is approximately 4,428 sq.m. as advised by the Company. The total area of the main factory sums up to 29,969 sq.m.

(iv) In the course of our valuation, we have attributed "no commercial value" for the extended portion with an area of 4,428 sq.m. mentioned in Note (iii) due to the reason that CCT Investment Limited, as of the date of this report, still not possess legal title of the extended portion. For reference purpose, the value of the extended portion is HK$2,820,000.

(v) We have been provided with a PRC legal opinion on the title to the property issued by the Group's legal advisors, which contains, inter alia, the following information :

(a) 香港泰富投資有限公司 *(CCT Investment Limited) has obtained the land use rights and building ownerships under the aforesaid State-owned Land Use Right Certificate and Building Ownerships mentioned in Notes (i) and (ii).*

(b) 香港泰富投資有限公司 *(CCT Investment Limited) is entitled to transfer, let or mortgage the land use rights and building ownership of the property.*

(c) The property is not subject to any charge, legal charge, mortgage or any other similar encumbrances.

VALUATION CERTIFICATE

<table>
<tr><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Capital value in existing state as at 31 May 2008</th></tr>
<tr><td>7. Land, various buildings and structures, ESL Technology Park Zhukan Industrial District, Gaobu Town, Dongguan City, Guangdong Province, The People's Republic of China</td><td>The property consists of Phase I and Phase II.

Phase I

The property comprises a main factory block, four dormitory blocks, a canteen/ recreation building, various plant rooms and storage, together with ancillary buildings and structures built upon a parcel of land having an area of about 60,010 sq.m. The total construction floor area of the erected buildings is about 66,822 sq.m. and are summarised as below:

<table>
<tr><th>Buildings and structures</th><th>No of Blocks</th><th>Construction Floor Area (sq.m.)</th></tr>
<tr><td>Main factories</td><td>1</td><td>30,220</td></tr>
<tr><td>Staff dormitories and quarters</td><td>4</td><td>27,394</td></tr>
<tr><td>Canteen and recreation building</td><td>1</td><td>7,983</td></tr>
<tr><td>Plant/service houses and store rooms</td><td>4</td><td>435</td></tr>
<tr><td>Ancillary rooms</td><td>4</td><td>790</td></tr>
<tr><td>Total</td><td></td><td>66,822</td></tr>
</table>
The ancillary structures include delivery loading bay, fencing wall and landscaping.

The buildings, structures and ancillary facilities were completed in late 2001.

Phase II

The property is located immediately to the west of ESL Technology Park Phase I having a site area of about 33,614.1 sq.m. It comprises a 3-storey factory block having a construction floor area of about 30,750 sq.m. and four 7-storey dormitory blocks having a total construction floor area of about 35,240 sq.m. The total construction floor area of the erected buildings is about 65,990 sq.m.

The buildings were completed between 2003 and 2004.</td><td>The property is currently occupied by the Group as a factory complex for the manufacturing of telecom and electronic products and plastic products.</td><td>No Commercial Value</td></tr>
</table>

Notes:

(i) According to a Land Use Rights Lease Agreement No. 高商合字 *(2001)01 (Gao Shang He Zi (2001)01) dated 1 January 2001 entered into between* 東莞市高埗鎮對外經濟發展公司 *(Dongguan City Gaobu Town Foreign Economic Development Company) ("Party A"), an independent third party of the Company and CCT Properties (Dongguan) Limited (*中建電訊物業(東莞)有限公司*) ("Party B"), an indirect wholly-owned subsidiary of CCT Telecom, Party A agreed to lease the land use rights of the land having an area of approximately 60,000 sq.m. to Party B for its production and business operation uses for a term of 50 years from 1 January 2001 to 31 December 2051 at an initial monthly rental rate of RMB2 per sq.m., to be increased by 5% at every 5-year intervals. There was a rent-free period for the term from 1 January 2001 to 30 June 2003.*

(ii) According to a Land Use Rights Lease Agreement No. 高商合字 *(2002)10 (Gao Shang He Zi (2002)10) dated 1 January 2003 entered into between Party A, and* 東莞中建塑膠產品有限公司 *(Dongguan CCT Plastic Products Co., Ltd.) ("Party C"), an indirect wholly-owned subsidiary of the Company, Party A agreed to lease the land use rights of the land having an area of approximately 33,614.1 sq.m. to Party C for its production and business operation uses for a term of 50 years from 1 January 2003 to 31 December 2052 at an initial monthly rental rate of RMB2 per sq.m., to be increased by 5% at every five-year intervals plus a rate at 0.1% on the export. There was a rent-free period for the term from 1 January 2003 to 30 June 2005.*

(iii) We have been informed by the Company that application on the issuance of the relevant title documents of the buildings and structures is underway. We attribute "no commercial value" for these buildings due to the reason that the Company cannot transfer these properties.

(iv) For reference purpose, the value of the building and structures of Phase I and Phase II with a total area of 132,812 sq.m. is HK$374,000,000 under the assumption that the Group possesses valid legal title to the buildings and structures, the construction costs have been fully settled, and the Group will obtain the relevant certificates without significant legal impediment and onerous fee or payment to the government authorities and any other parties.

(v) The land portion of the property, which is leased by the Group, has been ascribed no commercial value due to the lack of substantial profit rent.

(vi) We have been provided with a PRC legal opinion on the title to the property issued by the Group's legal advisors, which contains, inter alia, the following information :

(a) CCT Properties (Dongguan) Limited and Dongguan CCT Plastic Products Co., Ltd. has no right to transfer, let or mortgage the land use rights and building ownership of the property.

(b) Buildings with a total gross floor area of 132,812 sq.m. are in the process of applying building ownership certificates.

(c) The property is not subject to any charge, legal charge, mortgage or any other similar encumbrances.

VALUATION CERTIFICATE

<table>
<tr><th></th><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Capital value in existing state as at 31 May 2008</th></tr>
<tr><td>8.</td><td>Land, various buildings and structures located at The Upper Land Lot (Lot No.0302002), Sanhan Development District (also known as Shiwei Administrative District), Danshui Town, Huiyang City, Guangdong Province, The People's Republic of China</td><td>The property comprises a main factory block, a plastic factory, nine blocks of staff quarters, a canteen/recreational building, various plant rooms and service rooms, built together with ancillary structures and facilities upon a parcel of land having an area of about 255,629 square metres. The total construction floor area of the erected buildings is about 179,684 sq.m and are summarized as below:

Buildings and structures | No of Blocks | Construction Floor Area (sq.m.)
Main factories | 2 | 87,198
Staff dormitories and quarters | 9 | 80,252
Canteen and recreation building | 1 | 7,289
Plant/service houses and store rooms | 9 | 4,600
Ancillary rooms | 3 | 345
Total | | 179,684

The buildings, structures and ancillary facilities were completed in 1999.

Other than those mentioned above, another 3-storey factory block with an area of approximately 29,652.75 sq.m. and a 6-storey staff dormitory with an area of approximately 5,255.78 sq.m. were completed in 2005.</td><td>The property is currently occupied by the Group as a factory complex for manufacturing telecom and electronic products, components and accessories.</td><td>HK$651,700,000</td></tr>
</table>

Notes:

(i) According to a State-owned Land Use Rights Certificate No. 惠陽府國用*2002*字第*13212200005 (Hui Yang Fu Guo Yong (2002) Zi No. 13212200005) dated 4 February 2002 issued by the Land Bureau of Huiyang City, the land use rights for the land having an area of approximately 255,629 sq.m. have been granted to Huiyang CCT Telecommunications Products Co., Ltd. (*惠陽中建電訊制品有限公司*), an indirect non wholly-owned subsidiary of the Company for industrial uses for a term expiring on 17 February 2050. As informed by the Company, Huiyang CCT Telecommunications Products Co., Ltd. is an indirect wholly-owned subsidiary of CCT Tech International Limited, which in turn is an indirect non wholly-owned subsidiary of the Company.*

(ii) According to 24 Real Property Ownership Certificates issued by the People's Government of Huiyang City dated 6 February 2002 and 2 Real Property Ownership Certificates issued by the People's Government of Huiyang City dated 10 March 2008, the title to the various buildings and structures in the factory complex having a total construction floor area of 214,592.62 sq. m. is held by Huiyang CCT Telecommunications Products Co., Ltd. The details are summarized below:-

Real Property Ownership Certificate No.	***Use Designated by the Group***	***No. of Storeys***	***Construction Floor Area (sq. m.)***
208902	*Air-conditioning Centre*	*1*	*1,461.35*
208903	*Transformer House No.6*	*1*	*339.90*
208904	*Staff Quarter B*	*5*	*2,381.11*
208905	*Transformer Centre*	*1*	*702.52*
208906	*Staff Quarter A*	*5*	*3,211.37*
208907	*Worker Dormitory B*	*6*	*11,927.94*
208908	*Canteen*	*2*	*7,288.90*
208909	*Worker Dormitory A*	*6*	*11,885.89*
208910	*Staff Quarter B1*	*5*	*3,179.72*
208911	*Fuel Station*	*1*	*72.02*
208912	*Worker Dormitory C*	*7*	*13,279.57*
208913	*Transformer House No.2*	*1*	*384.49*
208914	*Transformer House No.7*	*1*	*339.90*
208915	*Transformer House No.4*	*1*	*384.49*
208916	*Compressor House No.5*	*1*	*339.90*
208917	*Garbage Room*	*1*	*63.09*
208918	*Dangerous Good Store*	*1*	*308.04*
208919	*Main Factory*	*3*	*51,869.80*
208920	*Industrial Waste Room*	*1*	*209.67*
208921	*Plastic Factory*	*2*	*35,327.89*
208922	*Transformer House No. 8*	*1*	*339.90*
208923	*Worker Dormitory D*	*7*	*13,279.57*
208924	*Worker Dormitory E*	*8*	*15,431.33*
208925	*Staff Quarter C*	*5*	*5,675.73*
5394219	*Staff Quarter D*	*6*	*5,255.78*
5394218	*Factory*	*3*	*29,652.75*
	Total		*214,592.62*

(iii) We have been provided with a PRC legal opinion on the title to the property issued by the Group's legal advisors, which contains, inter alia, the following information :

(a) Huiyang CCT Telecommunications Products Co., Ltd. has obtained the land use rights and building ownerships under the aforesaid State-Owned Land Use Rights Certificate and Building Ownership Certificates mentioned in Notes (i) and (ii).

(b) Subject to the mortgage mentioned in note iii (c) below, Huiyang CCT Telecommunications Products Co., Ltd. is entitled to transfer, let or mortgage the land use rights and building ownership of the property.

(c) Real Property Ownership Certificate Nos. 208902 to 208925 are subject to a mortgage in favour of Nanyang Commercial Bank Limited commencing from 1 January, 2005 at a consideration of approximately RMB100,000,000.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2008
9.	A piece of industrial land (Lot No. 01-09-3) located at Shang Pai Lot Ban Pai, Shi Wei Ai Ling, Danshui Town, Huiyang City, Guangdong Province, The People's Republic of China	Subject property comprises a parcel of irregularly-shaped industrial land fronting onto Shanhan Road and having a total site area of approximately 450,000 sq.m.	The property is currently left vacant.	HK$231,500,000

Note:

(i) Pursuant to a Land Use Rights Certificate No. 惠陽國用*(2003)*字第 *200313212200017*號 *(Huiyang Guo Yong (2003) Zi No. 200313212200017) dated 14 April 2003 issued by Huiyang City Land Bureau, the property with a site area of approximately 450,000 sq.m. was granted to* 惠陽中建塑膠產品有限公司 *(Huiyang CCT Plastic Products Co., Ltd.), an indirect wholly-owned subsidiary of the Company, for industrial use up to 23 January 2050.*

(ii) We have been provided with a PRC legal opinion on the title to the property issued by the Group's legal advisors, which contains, inter alia, the following information :

(a) Huiyang CCT Plastic Products Co., Ltd. has obtained the land use rights under the aforesaid State-Owned Land Use Rights Certificate mentioned in note (i).

(b) Huiyang CCT Plastic Products Co., Ltd. is entitled to transfer, let or mortgage the land use rights and building ownership of the property.

(c) The property is not subject to any charge, legal charge, mortgage or any other similar encumbrances.

VALUATION CERTIFICATE

Group IV — Property interest held by the Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2008
10.	Three pieces of land located at the junction of Bin He Dong Road and Huang He Road, Chaoyang City, Liaoning Province, The People's Republic of China	Subject property comprises three adjacent parcels of land having a total site area of approximately 255,776.27 sq.m.	The property is currently left vacant.	HK$107,590,000

Note:

(i) Pursuant to a Land Use Right Grant Contract, a Supplemental Agreement and a Letter of Land Use Condition all dated 9 August 2007, the main development criteria of the property is as follows:

Site Area (sq.m.)	***Permitted Floor Area (sq.m.)***
45,862.75	*59,108.4 sq.m.*
40,296.22	*59,085 sq.m.*
169,617.30	*211,880 sq.m.*

(ii) Pursuant to a Land Use Rights Certificate No. 朝陽國用*(2008)*字第 *122008085*號 *(Chaoyang Guo Yong (2008) Zi No. 122008085) dated 25 March 2008 issued by the Land Resources Bureau of Chaoyang City, a site area of approximately 169,617.3 sq.m. was granted to CCT Land Development (Chaoyang) Development Company Limited (*中建置地(朝陽)房地產開發有限公司*), an indirect wholly-owned subsidiary of the Company. The permitted use of the site is commercial and residential for a term up to 8 August 2077.*

(iii) Pursuant to a Land Use Rights Certificate No. 朝陽國用*(2008)*字第 *122008084*號 *(Chaoyang Guo Yong (2008) Zi No. 122008084) dated 25 March 2008 issued by the Land Resources Bureau of Chaoyang City, a site area of approximately 45,862.75 sq.m. was granted to CCT Land Development (Chaoyang) Development Company Limited (*中建置地(朝陽)房地產開發有限公司*). The permitted use of the site is commercial and residential for a term up to 8 August 2077.*

(iv) Pursuant to a Land Use Rights Certificate No. 朝陽國用*(2008)*字第 *122008086*號 *(Chaoyang Guo Yong (2008) Zi No. 122008086) dated 25 March 2008 issued by the Land Resources Bureau of Chaoyang City, a site area of approximately 40,296.22 sq.m. was granted to CCT Land Development (Chaoyang) Development Company Limited (*中建置地(朝陽)房地產開發有限公司*). The permitted use of the site is commercial and residential for a term up to 8 August 2077.*

(v) Pursuant to a Land Use Right Grant Contract dated 9 August 2007, the consideration of the property with a total site area of about 255,776.3 sq.m. is RMB95,850,000.

(vi) As informed by the Company, no concrete development schedule of the property has yet been planned.

(vii) We have been provided with a legal opinion on the property interest prepared by the Group's legal advisors, which contains, inter alia, the following information :

*(a) CCT Land Development (Chaoyang) Development Company Limited (*中建置地(朝陽)房地產開發有限公司*) has obtained the land use right under the aforesaid State-owned Land Use Rights Certificates mentioned in notes (i) (ii) and (iii) above.*

*(b) CCT Land Development (Chaoyang) Development Company Limited (*中建置地(朝陽)房地產開發有限公司*) is entitled to transfer, let or mortgage the land use rights of the property.*

(c) The property is not subject to any charge, legal charge, mortgage or any other similar encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2008
11.	A piece of land located at No. 253 Jiu Dao Street, Tiexi District, Anshan City, Liaoning Province, The People's Republic of China	Subject property comprises a parcel of irregularly-shaped land having a site area of approximately 69,117.36 sq.m.	The property is currently left vacant.	HK$93,100,000

Note:

(i) Pursuant to a Land Use Right Grant Contract dated 18 December 2007, the consideration of the property is RMB95,330,000 and the main development criteria of the property is as follows:

Plot Ratio	*≥2.9*
Green Area Ratio	*>25%*
Density	*<35%*
Building Height Restriction	*<100 metres*
Others	*Have to build some community facilities with a total gross floor area of about 5,750 sq.m..*

(ii) Pursuant to a State-owned Land Use Rights Certificate No. 鞍國用 *(2008)* 第 *200741*號 *(An Guo Yong (2008) No. 200741) dated 3 February 2008 issued by the Land Resources Bureau of Anshan City, a site area of approximately 69,117.36 sq.m. was granted to CCT Land (Anshan) Property Development Company Limited (*中建置地(鞍山)房地產開發有限公司*), an indirect wholly-owned subsidiary of the Company. The permitted use of the site is composite for a term up to 18 December 2077.*

(iii) As informed by the Company, no concrete development schedule of the property has yet been planned.

(iv) We have been provided with a legal opinion on the property interest prepared by the Group's legal advisors, which contains, inter alia, the following information :

*(a) CCT Land (Anshan) Property Development Company Limited (*中建置地(鞍山)房地產開發有限公司*) has obtained the land use right under the aforesaid State-owned Land Use Rights Certificate mentioned in note (ii) above.*

*(b) CCT Land (Anshan) Property Development Company Limited (*中建置地(鞍山)房地產開發有限公司*) is entitled to transfer, let or mortgage the land use rights of the property.*

(c) The property is not subject to any charge, legal charge, mortgage or any other similar encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2008
12.	A piece of land located at Ping On Street, Tiedong District, Anshan City, Liaoning Province, The People's Republic of China	Subject property comprises a parcel of land having a site area of approximately 20,726.03 sq.m.	The property is currently left vacant.	HK$69,400,000

Note:

*(i) Pursuant to a confirmation issued by the Land Resources Bureau of Anshan City dated 19 October 2007, a site area of approximately 20,726.03 sq.m. was granted to CCT Land (Anshan) Property Development Company Limited (*中建置地(鞍山)房地產開發有限公司*), an indirect wholly-owned subsidiary of the Company for consideration of RMB61,850,000. The permitted use of the site is for residential/commercial and finance use. The granted terms are of 70 years and 40 years for residential use and commercial use respectively and the main development criteria are as follow:*

Plot Ratio	*≥2.7*
Green Area Ratio	*>30%*
Density	*<20%*
Building Height Restriction	*<100 metres*
Commercial/Residential ratio	*The gross floor area of commercial portion shall not be less than 9% of the total gross area.*

(ii) As informed by the Company, no concrete development schedule of the property has yet been planned.

(iii) We have been provided with a legal opinion on the property interest prepared by the Group's legal advisors, which contains, inter alia, the following information :

*(a) CCT Land (Anshan) Property Development Company Limited (*中建置地(鞍山)房地產開發有限公司*) is the successful bidder of the property under confirmation issued by the Land Resources Bureau of Anshan City mentioned in note (i).*

*(b) CCT Land (Anshan) Property Development Company Limited (*中建置地(鞍山)房地產開發有限公司*) is in the process of applying the land use rights certificate of the property.*

*(c) There will be no legal impediment for CCT Land (Anshan) Property Development Company Limited (*中建置地(鞍山)房地產開發有限公司*) to obtain the land use rights mentioned in note (iii)(b).*

(d) The property is not subject to any charge, legal charge, mortgage or any other similar encumbrances.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors jointly and severally accept full responsibility for the accuracy of the information relating to the Company in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

Mr. Mak accepts full responsibility for the accuracy of the information in this circular and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL OF THE COMPANY

(a) Authorised and issued share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date and upon completion of the Conversion were and will be as follows:

	Number of Shares	Nominal Value *HK$*
Authorised:		
Ordinary Shares of HK$0.10 each		
– As at the Latest Practicable Date	2,000,000,000	200,000,000.00
Issued and fully paid and to be issued:		
– As at the Latest Practicable Date	797,123,505	79,712,350.50
– New Shares to be issued upon Conversion	56,491,321	5,649,132.10
Upon completion of the Conversion	853,614,826	85,361,482.60

No Shares were issued since 31 December 2007, being the end of the last financial year of the Company, up to and including the Latest Practicable Date.

All of the Shares currently in issue rank pari passu in all respects with each other including, in particular, as to dividends, voting rights and capital. No part of the share capital of the Company is listed or dealt in any other stock exchange other than the Stock Exchange and no application has been made or is currently proposed or sought for the Shares to be listed or dealt in any other stock exchange.

The aggregate of 56,491,321 new Shares to be allotted and issued pursuant to the Conversion (the "Conversion Shares") will rank pari passu in all respects with the existing Shares in issue as at the date of allotment and issue of the Conversion Shares. There are no arrangements under which future dividends are waived or agreed to be waived.

(b) Share options

As at the Latest Practicable Date, there was no outstanding share options under the share option scheme of the Company adopted on 28 February 2002.

(c) Convertible securities

As at the Latest Practicable Date, save for the 2009 Convertible Bonds and the 2010 Convertible Bonds, there was no outstanding options, warrants, derivatives or securities convertible or exchangeable into the Shares.

3. MARKET PRICES

The table below shows the closing prices of the Shares as recorded on the Stock Exchange on (i) the last trading day of each of the six months immediately preceding the date of the Announcement; (ii) 20 May 2008, being the last trading day immediately preceding the date of the Announcement; and (iii) the Latest Practicable Date:

Date	Closing price of Shares *HK$*
2007	
30 November	1.27
31 December	1.34
2008	
31 January	1.13
29 February	1.30
31 March	1.23
30 April	1.15
20 May	1.16
Latest Practicable Date	1.13

The conversion price of the 2009 Convertible Bonds and the 2010 Convertible Bonds are HK$1.13 and HK$0.604 per Share respectively, representing discounts of approximately 2.59% and 47.93% respectively to the closing price of the Shares of HK$1.16 on 20 May 2008 (being the last trading day immediately preceding the date of the Announcement). The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period commencing on 21 November 2007 (being six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date were HK$1.48 on 13 December 2007 and HK$1.00 on 18 March 2008 respectively.

4. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the shares and the underlying shares of the share options and/or the convertible bonds of the Company and its associated corporations

As at the Latest Practicable Date, the Directors and the 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) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or were required, pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, or were required to be disclosed by the Takeovers Code:

(1) Interests and short positions in the Shares and the underlying Shares of the convertible bonds of the Company as at the Latest Practicable Date

(i) Long positions in the Shares:

Name of the Director	**Number of the Shares beneficially held and nature of interest**				**Approximate percentage of the total issued share capital** *(%)*
	Personal	**Family**	**Corporate**	**Total**	
Mr. Mak *(Note 1)*	715,652	—	238,283,758	238,999,410	29.98
Tam Ngai Hung, Terry	500,000	—	—	500,000	0.06
Cheng Yuk Ching, Flora *(Note 2)*	14,076,713	160,000	—	14,236,713	1.79
William Donald Putt	591,500	—	—	591,500	0.07
Samuel Olenick *(resigned on 5 February 2008)*	—	—	545,000	545,000	0.07

Notes:

1. *Mr. Mak is deemed, by virtue of the SFO, to be interested in the 238,283,758 Shares held by Capital Force and New Capital, both of which are corporations wholly-owned by him and his family members, in addition to the 715,652 Shares held by him personally.*
2. *Included in such interest in the Shares are 160,000 Shares held by the spouse of Ms. Cheng Yuk Ching, Flora, who is deemed to be interested in such Shares under the provisions of Part XV of the SFO.*

(ii) Long positions in the underlying Shares of the convertible bonds of the Company:

Name of the Director	Description of equity derivatives	Number of the total underlying Shares	Approximate percentage of the total issued share capital *(%)*
Mr. Mak	2009 Convertible Bonds	26,548,672	3.33
	2010 Convertible Bonds	29,942,649	3.76

(2) Interests and short positions in the shares and the underlying shares of an associated corporation – CCT Tech International Limited ("CCT Tech") as at the Latest Practicable Date

Long positions in the shares of CCT Tech:

Name of the Director	Number of the shares held	Approximate percentage of the total issued share capital *(%)*
Mr. Mak	120,000,000	0.18
Tam Ngai Hung, Terry	20,000,000	0.03
Cheng Yuk Ching, Flora	18,000,000	0.03
Chen Li	10,000,000	0.02

(3) Interests and short positions in the shares and the underlying shares of the share options of an associated corporation – Tradeeasy Holdings Limited ("Tradeeasy") as at the Latest Practicable Date

(i) Long positions in the shares of Tradeeasy:

Name of the Director	Number of the shares held	Approximate percentage of the total issued share capital *(%)*
Mr. Mak	19,344,000	1.59
Tam Ngai Hung, Terry	7,500,000	0.62

(ii) Long positions in the underlying shares of the share options of Tradeeasy:

Name of the Director	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 *(%)*
Mr. Mak	14/8/2006	14/8/2006 - 13/8/2011	0.038	22,500,000	22,500,000	1.85
Tam Ngai Hung, Terry	14/8/2006	14/8/2006 - 13/8/2011	0.038	18,000,000	18,000,000	1.48
Cheng Yuk Ching, Flora	14/8/2006	14/8/2006 - 13/8/2011	0.038	5,000,000	5,000,000	0.41
William Donald Putt	14/8/2006	14/8/2006 - 13/8/2011	0.038	5,000,000	5,000,000	0.41

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the 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) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or were required, pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, or were required to be disclosed by the Takeovers Code.

(b) Substantial Shareholders' interests

As at the Latest Practicable Date, so far as was known to, or could be ascertained after reasonable enquiries by, the Directors, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares or the underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

(i) Long positions in the Shares as at the Latest Practicable Date:

Name of the Shareholder	Number of the Shares held	Approximate percentage of the total issued share capital *(%)*
New Capital *(Note)*	141,414,966	17.74
Capital Force *(Note)*	96,868,792	12.15
	238,283,758	29.89

Note: Capital Force and New Capital are corporations wholly-owned by Mr. Mak and his family members, whose interest in such Shares has also been disclosed under the paragraph headed "Directors' interests and short positions in the shares and the underlying shares of the share options and/or the convertible bonds of the Company and its associated corporations" in this section.

(ii) Long positions in the underlying Shares of the 2010 Convertible Bonds as at the Latest Practicable Date:

Name of the holder of the 2010 Convertible Bonds	Amount of the 2010 Convertible Bonds *HK$*	Number of the total underlying Shares	Approximate percentage of the total issued share capital *(%)*
New Capital *(Note)*	18,085,360	29,942,649	3.76

Note: The details of the interest of Mr. Mak in these underlying Shares have also been disclosed under the paragraph headed "Directors' interests and short positions in the shares and the underlying shares of the share options and/or the convertible bonds of the Company and its associated corporations" in this section.

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, there was no other person (other than the Directors or the chief executive of the Company) who had any interests or short positions in the Shares and the underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

5. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES

(a) As at 21 May 2008 (being the date of the Announcement) and the Latest Practicable Date, Mr. Mak and parties acting in concert with him held 238,999,410 Shares, representing approximately 29.98% of the existing total issued share capital of the Company, and the 2010 Convertible Bonds and the 2009 Convertible Bonds which are convertible into 29,942,649 new Shares and 26,548,672 new Shares respectively. None of Mr. Mak and parties acting in concert with him had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the period six months immediately prior to 21 May 2008 (being the date of the Announcement) and ending on the Latest Practicable Date.

(b) Save as disclosed in the section headed "Disclosure of interests" in this appendix, none of the Directors was interested in any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date. None of the Directors had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the period six months immediately prior to 21 May 2008 (being the date of the Announcement) and ending on the Latest Practicable Date.

(c) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code exists between Mr. Mak, or any persons acting in concert with Mr. Mak, and any other persons.

(d) There is no intention for any of the Shares allotted and issued to Mr. Mak and parties acting in concert with him in pursuance of the Conversion to be transferred, charged or pledged to any other persons.

(e) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between (i) Mr. Mak, Capital Force, Capital Winner, New Capital or any persons acting in concert with any one of them; and (ii) any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Conversion and/or the Whitewash Waiver.

(f) Each of the Directors who has interest in the Shares (save for Mr. Mak who is involved in the Conversion and the Whitewash Waiver and hence will abstain from voting on the relevant resolution in respect of the Whitewash Waiver at the SGM) has indicated that he/she intends, in respect of his/her beneficial shareholdings, to vote in favour of the relevant resolution in connection with the Whitewash Waiver to be proposed at the SGM.

(g) As at the Latest Practicable Date, none of (i) the subsidiaries of the Company, (ii) the pension fund of the Company or of any of its subsidiaries, nor (iii) any adviser to the Company (as specified in class (2) of the definition of "associate" under the Takeovers Code), had any interest in the Shares, options, warrants, derivatives or securities convertible into Shares.

(h) No Shares, options, warrants, derivatives or securities convertible into Shares in the Company were managed on a discretionary basis by fund manager connected with the Company as at the Latest Practicable Date, nor did any such fund manager deal in any Shares, options, warrants, derivatives or securities convertible into Shares during the period six months immediately prior to 21 May 2008, being the date of the Announcement and ending on and including the Latest Practicable Date.

(i) There is no benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Conversion and/or the Whitewash Waiver.

(j) As at the Latest Practicable Date, there was no agreement, arrangement or understanding between any of the Directors and any other persons which is conditional or dependent on the Conversion and/or the Whitewash Waiver or otherwise connected with the Conversion and/or the Whitewash Waiver.

(k) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code.

(l) As at the Latest Practicable Date, none of the Directors (other than Mr. Mak) had any material personal interest in any material contract entered into by Mr. Mak or by parties acting in concert with him.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors had any existing or proposed service agreement with any member of the Group which will not expire or is not determinable within one year without payment of compensation (other than statutory compensation). There are no service contracts with the Group or its associated companies in force for the Directors which have more than 12 months to run from the Latest Practicable Date. None of the service contracts of the Directors has been entered into or amended within the six months immediately prior to the date of the Announcement.

7. INTERESTS IN ASSETS

The Directors confirm that none of the Directors have any interest, direct or indirect, in any assets which had been, since 31 December 2007, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by the Group within the two years immediately preceding the date of the Announcement and up to and including the Latest Practicable Date which are, or may be, material:

(i) the placing and subscription agreement dated 13 November 2007 entered into between the vendors including Manistar Enterprises Limited ("Manistar", a wholly-owned subsidiary of the Company) and three employees of a subsidiary of Tradeeasy (an indirect non wholly-owned subsidiary of the Company), the Company, Tradeeasy and the placing agent (OSK Asia Securities Limited) for placing of an aggregate of 150,000,000 existing ordinary shares of Tradeeasy and the top-up subscription of 150,000,000 new ordinary shares of Tradeeasy under the general mandate of Tradeeasy;

(ii) the agreement dated 24 October 2007 entered into between Huge Partner Limited ("Huge Partner", an indirect wholly-owned subsidiary of the Company) and an independent third party in relation to the disposal of a property by Huge Partner;

(iii) the sale and purchase agreement dated 4 October 2007 entered into amongst Tradeeasy, Merdeka Commodities Limited ("MCL") and Merdeka Timber Group Ltd. ("MTG") (both MCL and MTG being independent third parties), as amended and revised by the supplemental agreement dated 17 October 2007, the second supplemental agreement dated 28 February 2008 and the third supplemental agreement dated 20 March 2008, in relation to the acquisition by Tradeeasy of a forestry project in Papua, Indonesia; and

(iv) the subscription agreement dated 4 October 2007 entered into between Tradeeasy and Manistar, as amended and revised by the supplemental subscription agreement dated 17 October 2007, the second supplemental subscription agreement dated 28 February 2008 and the third supplemental subscription agreement dated 20 March 2008, in relation to the subscription of convertible bonds in the principal amount of HK$138,840,000 by Manistar and the issue of the convertible bonds by Tradeeasy to Manistar.

9. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement was subsisting and which was significant in relation to the business of the Group taken as a whole.

10. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates have any competing interests in a business, which competes or may compete, either directly or indirectly with the business of the Company pursuant to the Listing Rules.

11. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Group.

12. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualifications
First Shanghai	A licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Grant Sherman Appraisal Limited ("Grant Sherman")	Professional surveyors and valuers

As at the Latest Practicable Date, neither First Shanghai nor Grant Sherman had any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, neither First Shanghai nor Grant Sherman had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or which was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2007, being the date to which the latest published audited financial statements of the Group were made up.

Each of First Shanghai and Grant Sherman has given and has not withdrawn its written consent to the issue of this circular, with the inclusion herein of its letter and reference to its name, in the form and context in which it appears.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office and principal place of business of the Company in Hong Kong at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong, during normal business hours on any weekday other than public holiday from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association of the Company and the Bye-laws;

(b) the annual reports of the Company for the three financial years ended 31 December 2007;

(c) the material contracts as stated under paragraph 8 of this appendix;

(d) the conditional conversion letter received on 20 May 2008 from Capital Winner;

(e) the conditional conversion letter received on 20 May 2008 from New Capital;

(f) the letter from the Independent Board Committee which is set out on page 9 of this circular;

(g) the letter from First Shanghai to the Independent Board Committee and the Independent Shareholders, which is set out on pages 10 to 15 of this circular;

(h) the property valuation report from Grant Sherman, the text of which is set out in Appendix II to this circular; and

(i) the written consents given by First Shanghai and Grant Sherman, as referred to under paragraph 12 of this appendix.

The above documents will be available for viewing at the website of the Securities and Futures Commission at www.sfc.hk and the Company's website at www.cct.com.hk from the date of this circular up to and including the date of the SGM in accordance with Note 1 to Rule 8 of the Takeovers Code.

14. MISCELLANEOUS

(a) As at the Latest Practicable Date, the Board consisted of Mr. Mak, Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt as executive Directors and Mr. Tam King Ching, Kenny, Mr. Lau Ho Man, Edward and Mr. Chen Li as independent non-executive Directors.

(b) The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and the head office and the principal place of business of the Company in Hong Kong is located at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong.

(c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The address of Mr. Mak is at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong.

(e) The principal members of Mr. Mak's concert group comprise Mr. Mak, Capital Force, Capital Winner and New Capital. The registered office and correspondence address of Capital Force are P.O. Box 957, Road Town, Tortola, British Virgin Islands and 20/F., Golden Centre, 188 Des Voeux Road

Central, Hong Kong respectively. The registered office and correspondence address of Capital Winner are P.O. Box 957, Road Town, Tortola, British Virgin Islands and 20/F., Golden Centre, 188 Des Voeux Road Central, Hong Kong respectively. The registered office and correspondence address of New Capital are P.O. Box 957, Road Town, Tortola, British Virgin Islands and 20/F., Golden Centre, 188 Des Voeux Road Central, Hong Kong respectively. Each of Capital Force, Capital Winner and New Capital is wholly-owned by Mr. Mak and his family members. Each of the directors of Capital Force, Capital Winner and New Capital are Ms. Yiu Yu Ying and Mr. Mak Chun Kiu, the spouse and son of Mr. Mak respectively.

(f) The financial adviser to Mr. Mak is VC Capital at 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong.

(g) The qualified accountant of the Company is Mr. Cheung Chi Wah, Patrick, who is an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

(h) The company secretary of the Company is Mr. Lam Che Wah, Danny, who is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(i) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

CCT TELECOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 00138)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of CCT Telecom Holdings Limited (the "**Company**") will be held at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong on Monday, 30 June 2008 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT** the whitewash waiver (the "**Whitewash Waiver**") for waiving the obligation of Mr. Mak Shiu Tong, Clement and parties acting in concert with him to make a mandatory general offer for all the shares of the Company not already owned by them pursuant to Rule 26 of the Hong Kong Code on Takeovers and Mergers, subject to adjustment, be and is hereby approved and that the directors of the Company be and are hereby authorised to execute all such documents and do all such acts and things as they consider desirable, necessary or expedient in connection with and to give effect to any matters relating to or in connection with the Whitewash Waiver."

By Order of the Board of
CCT TELECOM HOLDINGS LIMITED
Tam Ngai Hung, Terry
Director

Hong Kong, 11 June 2008

Head office and principal place of business in Hong Kong:
2208, 22/F., St. George's Building
2 Ice House Street
Central
Hong Kong

Notes:

1. *A form of proxy for use at the SGM is enclosed herewith.*

2. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either executed under its common seal or under the hand of any officer, attorney or other person duly authorised to sign the same.*

3. *Any shareholder entitled to attend and vote at the SGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more shares may appoint not more than two proxies (who must be an individual or individuals) to attend and vote instead of him/her on the same occasion. A proxy need not be a shareholder of the Company but must attend the SGM in person to represent him/her.*

4. *In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, 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, not later than 48 hours before the time appointed for holding the SGM or any adjourned meeting thereof (as the case may be). Such prescribed form of proxy for use at the SGM is also published on the HKExnews website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.cct.com.hk.

5. *Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the SGM or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.*

6. *Where there are joint registered holders of any share(s), any one of such joint holders may attend and vote at the SGM or at any adjourned meeting thereof (as the case may be), either in person or by proxy, in respect of such share(s) as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the SGM or at any adjourned meeting thereof (as the case may be), the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.*