THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **CCT Telecom Holdings Limited** (the "**Company**"), you should at once hand this document, together with the accompanying form of proxy and Form of Acceptance (as defined herein) to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser(s) or transferee(s).

This document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer (as defined herein).

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CCT TELECOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 00138)

CONDITIONAL CASH OFFER BY VC BROKERAGE LIMITED ON BEHALF OF THE COMPANY TO REPURCHASE UP TO 280,000,000 SHARES AT HK$0.50 PER SHARE AND APPLICATION FOR WHITEWASH WAIVER

Financial adviser to the Company

VC CAPITAL LIMITED
滙盈融資有限公司

Independent financial adviser to the independent board committee and the independent shareholders of the Company

第一上海
FIRST SHANGHAI GROUP

First Shanghai Capital Limited

A letter from the board of directors of the Company is set out on pages 5 to 15 of this document. A letter from VC Brokerage Limited containing, among other things, the details of the terms of the Offer is set out on pages 16 to 23 of this document. A letter from the Independent Board Committee (as defined herein) to the Independent Shareholders (as defined herein) containing its recommendations in respect of the Offer and the Whitewash Waiver (as defined herein) is set out on pages 24 to 25 of this document. A letter from First Shanghai Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Offer and the Whitewash Waiver is set out on pages 26 to 46 of this document.

Custodians, nominees and trustees who would, or otherwise intend to, forward this document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read carefully the paragraphs headed "Overseas Shareholders" in the letter from VC Brokerage Limited and in Appendix I to this document.

A notice convening the SGM (as defined herein) to be held at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong at 10:00 a.m. on Monday, 16 February 2009 is set out on pages 179 to 180 of this document. 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 less 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.

23 January 2009

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Accompanying documents

- **Form of Acceptance**
- **Form of proxy for the SGM**

The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be announced by the Company.

Offer Period begins	Tuesday, 6 January 2009
Despatch of the Offer Document and notice of the SGM	on or before Friday, 23 January 2009
Latest time to lodge form of proxy for the SGM	10:00 a.m. on Saturday, 14 February 2009
SGM	10:00 a.m. on Monday, 16 February 2009
Announcement of the results of the SGM and whether the Offer has become unconditional	Monday, 16 February 2009
Latest Acceptance Time* and latest time for determining Shareholders' entitlement to participate in the Offer based on the records of the Register	4:00 p.m. on Monday, 2 March 2009
Closing date of the Offer	Monday, 2 March 2009
Announcement of the results of the Offer to be posted on the Stock Exchange's website	not later than 7:00 p.m. on Monday, 2 March 2009
Despatch of cheques to the Accepting Shareholders and return of share certificates for partly unsuccessful Excess Tenders to be made on or before	Wednesday, 11 March 2009

* *Assuming that the Offer and the Whitewash Waiver will be approved by the Independent Shareholders and become unconditional on the date of the SGM.*

All references to times and dates in this Offer Document refer to Hong Kong times and dates.

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

"Accepting Shareholder(s)"	Qualifying Shareholder(s) accepting the Offer
"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Announcement"	the announcement of the Company dated 6 January 2009 in relation to the Offer and the application for the Whitewash Waiver
"Assured Entitlement"	the minimum number of Shares which will be repurchased pursuant to the Offer from each Qualifying Shareholder, taking into account the number of Shares held by Mr. Mak (for himself and parties acting in concert with him) and the Shareholding Directors who have undertaken not to accept the Offer
"Board"	the board of Directors
"Business Day"	a day (other than Saturdays, Sundays and public holidays) on which licensed banks are open for business in Hong Kong
"CCASS"	Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"CCT Resources"	CCT Resources Holdings Limited (formerly known as Tradeeasy Holdings Limited), a company listed on the Growth Enterprise Market of the Stock Exchange and a non wholly-owned subsidiary of the Company
"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
"Conditions"	the conditions as set out under the section headed "Conditions of the Offer" in the letter from VC Brokerage to which the Offer is subject
"Director(s)"	the director(s) of the Company
"Excess Tenders"	Shares tendered for acceptance of the Offer by the relevant Qualifying Shareholder in excess of his/her Assured Entitlement

"Excluded Shareholder(s)"	any overseas Shareholders whose address, as shown on the Register as at the Latest Practicable Date, is outside Hong Kong and located in a jurisdiction the laws of which prohibit the making of the Offer to such Shareholders or otherwise require the Company to comply with additional requirements which are (in the opinion of the Directors, but subject to the prior consent of the Executive) unduly onerous or burdensome, having regard to the number of Shareholders involved in that jurisdiction and their shareholdings in the Company
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
"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 respect of the Offer and the Whitewash Waiver
"Form of Acceptance"	the form of acceptance to be issued with the Offer Document to the Qualifying Shareholders for use by such persons in connection with the Offer
"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 PRC
"Independent Board Committee"	an independent committee of the Board, comprising all the independent non-executive Directors who have no interest in the Offer and the Whitewash Waiver, namely Mr. Tam King Ching, Kenny, Mr. Lau Ho Man, Edward and Mr. Chen Li, which has been formed to advise the Independent Shareholders in respect of the Offer and the Whitewash Waiver
"Independent Shareholders"	Shareholders who are not involved or interested in the Whitewash Waiver, being Shareholders other than Mr. Mak and parties acting in concert with him and the Shareholding Directors
"Last Trading Day"	2 January 2009, being the last trading day prior to the suspension of trading in the Shares on 5 January 2009, pending the issue of the Announcement

"Latest Acceptance Time"	the latest time for receipt by the Registrar of the Form of Acceptance submitted by the Qualifying Shareholders, being 4:00 p.m. on Monday, 2 March 2009, or such later date as the Company may announce in accordance with the requirements of the Takeovers Code
"Latest Practicable Date"	21 January 2009, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Maximum Number"	the maximum number of Shares to be repurchased pursuant to the Offer, being an aggregate of 280,000,000 Shares, representing approximately 32.80% of the issued share capital of the Company of 853,614,826 Shares as at the Latest Practicable Date
"Mr. Mak"	Mr. Mak Shiu Tong, Clement, the Chairman and Chief Executive Officer of the Company and a substantial Shareholder
"Offer"	a conditional offer by VC Brokerage on behalf of the Company to repurchase Shares at the Offer Price from all Qualifying Shareholders, subject to the Maximum Number
"Offer Document"	this document
"Offer Period"	has the meaning ascribed to it under the Takeovers Code and commencing from the date of the Announcement, being 6 January 2009
"Offer Price"	HK$0.50 per Share
"PRC"	the People's Republic of China
"Qualifying Shareholder(s)"	Shareholders, other than the Excluded Shareholders, Mr. Mak and parties acting in concert with him and the Shareholding Directors, whose names appear on the Register at the close of the Offer
"Register"	the register of members of the Company
"Registrar"	Tricor Tengis Limited, being the Hong Kong branch share registrar and transfer office of the Company, whose address is situated at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
"Repurchase Code"	the Code on Share Repurchases

"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 at 10:00 a.m. on Monday, 16 February 2009 to consider and, if thought fit, approve the Offer and the Whitewash Waiver
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	registered holder(s) of the Share(s)
"Shareholding Directors"	Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt, being Directors who held Shares as at the Latest Practicable Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Surplus Shares"	being 280,000,000 Shares less the aggregate of the Shares in respect of which the Offer is accepted by the Accepting Shareholders which are within their respective Assured Entitlements
"Takeovers Code"	the Code on Takeovers and Mergers
"US"	the United States of America
"VC Brokerage"	VC Brokerage Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, which is making the Offer on behalf of the Company
"VC Capital"	VC Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Company in respect of the Offer
"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 him/them under Rule 26.1 of the Takeovers Code, which may otherwise arise as a result of the completion of the Offer
"%"	per cent.

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

23 January 2009

To the Shareholders

Dear Sir or Madam,

CONDITIONAL CASH OFFER BY VC BROKERAGE LIMITED ON BEHALF OF THE COMPANY TO REPURCHASE UP TO 280,000,000 SHARES AT HK$0.50 PER SHARE AND APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

On 6 January 2009, the Board announced that an offer would be made by VC Brokerage on behalf of the Company to repurchase, subject to the Conditions, up to the Maximum Number, being 280,000,000 Shares, representing approximately 32.80% of the existing issued share capital of the Company as at the Latest Practicable Date, at the price of HK$0.50 per Share.

The purpose of this Offer Document is to provide you with, among other things, (i) information relating to the Offer and the Whitewash Waiver; (ii) the letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders as to whether the Offer and the Whitewash Waiver are fair and reasonable and as to acceptance and voting; (iii) the letter from First Shanghai containing its advice to the Independent Board Committee and the Independent Shareholders as to whether the Offer and the Whitewash Waiver are fair and reasonable and as to acceptance and voting; and (iv) a notice of the SGM to approve the Offer and the Whitewash Waiver.

THE OFFER

The Offer will be made in full compliance with the Repurchase Code. The Offer will be conditional upon approval by the Independent Shareholders voting by way of poll at the SGM and the Whitewash Waiver being granted by the Executive, which would be subject to the approval by the Independent Shareholders taken by way of poll at the SGM. **If the Offer or the Whitewash Waiver is not approved by the Independent Shareholders, or if the latter is not granted by the Executive, the Offer will not proceed.**

The Offer is also subject to the Conditions referred to under the section headed "Conditions of the Offer" in the letter from VC Brokerage, as set out on pages 16 to 23 of this Offer Document.

THE OFFER PRICE

The Offer Price of HK$0.50 per Share values the entire existing issued share capital of the Company as at the Latest Practicable Date at approximately HK$426.8 million.

The Offer Price represents:

— a premium of approximately 44.93% to the closing price of the Shares of HK$0.345 as quoted on the Stock Exchange on the Last Trading Day;

— a premium of approximately 46.63% to the average closing price of the Shares of approximately HK$0.341 as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

— a premium of approximately 56.25% to the average closing price of the Shares of approximately HK$0.320 as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day;

— a premium of approximately 14.94% to the closing price of the Shares of HK$0.435 as quoted on the Stock Exchange on the Latest Practicable Date; and

— a discount of approximately 85.24% to the Group's net asset value per Share of approximately HK$3.388 (being the Shareholders' funds of approximately HK$2,892 million as at 30 June 2008 divided by 853,614,826 Shares as at the Latest Practicable Date) pursuant to the latest unaudited consolidated accounts of the Company as at 30 June 2008.

At the Offer Price, the Offer, if accepted in full, will result in the Company paying approximately HK$140 million to the Accepting Shareholders. The consideration for the Offer will be in cash and will be financed by the internal resources of the Group. VC Capital is satisfied that the Company has sufficient financial resources to enable it to satisfy acceptances of the Offer in full.

Under the Bermuda Companies Act, on the date on which the purchase of Shares by the Company pursuant to the Offer is to be effected, there should be no reasonable grounds for believing that the Company is, or after the purchase would be, unable to pay its liabilities as they become due. The Directors are of the opinion that, in the event that the maximum amount of consideration is payable under full acceptance of the Offer, the Company will still maintain sufficient working capital upon completion of the Offer to pay its liabilities as they become due and to meet the normal operating requirements of the Group.

WHITEWASH WAIVER

As at the Latest Practicable Date, Mr. Mak and parties acting in concert with him were interested in 295,490,731 Shares, representing approximately 34.62% of the existing issued share capital of the Company. Pursuant to Rule 6 of the Repurchase Code, if as a result of a share repurchase, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

Depending on the level of acceptance received from the Accepting Shareholders pursuant to the Offer, the interest of Mr. Mak and parties acting in concert with him may increase from its current level of 34.62% to a maximum level of approximately 51.51% upon completion of the Offer, thereby triggering an obligation under Rule 26 of the Takeovers Code for Mr. Mak and parties acting in concert with him to make a mandatory general offer for all the Shares not already owned by Mr. Mak and parties acting in concert with him. 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 approval by the Independent Shareholders taken by way of poll at the SGM. If the Whitewash Waiver is granted and if, upon completion of the Offer, the interests of Mr. Mak and parties acting in concert with him exceed 50% of the voting rights of the Company, Mr. Mak and parties acting in concert with him may, in the future, increase their holding in the Shares without incurring any further obligation under Rule 26 to make a general offer.

Pursuant to Rule 5 of the Takeovers Code, the Offer may not be withdrawn except with the consent of the Executive or the Conditions have not been fulfilled. The Offer will be conditional upon approval by the Independent Shareholders voting by way of poll at the SGM and the Whitewash Waiver being granted by the Executive, which would be subject to the approval by the Independent Shareholders taken by way of poll at the SGM. **If the Offer or the Whitewash Waiver is not approved by the Independent Shareholders, or if the latter is not granted by the Executive, the Offer will not proceed.** In such an event, the Company will make an announcement in accordance with Note 3 to Rule 5 of the Takeovers Code and send a notice of withdrawal or lapse of Offer to the Shareholders. The Company has no intention to withdraw the Offer and in compliance with certain overseas regulations for extending the Offer to certain Shareholders located overseas, the Company will not seek to withdraw the Offer within one month from the beginning of the Offer Period.

CHANGES IN SHAREHOLDING STRUCTURE

The table below shows the Company's shareholding structure as at the Latest Practicable Date and the shareholding structure in the event that the Offer has been accepted in full (taking into account the fact that Mr. Mak (for himself and parties acting in concert with him) and the Shareholding Directors have irrevocably undertaken to the Company not to participate in the Offer), and assuming that no additional Shares will be issued from the Latest Practicable Date up to and including completion of the Offer:

Name of the Shareholders	**As at the Latest Practicable Date**		**Immediately after completion of the Offer**	
	Number of Shares	*Approx. %*	*Number of Shares*	*Approx. %*
Mr. Mak and parties acting in concert with him				
Mr. Mak *(Note 1)*	715,652	0.08	715,652	0.12
Capital Force International Limited *(Note 2)*	96,868,792	11.35	96,868,792	16.89
New Capital Industrial Limited *(Note 2)*	171,357,615	20.08	171,357,615	29.87
Capital Winner Investments Limited *(Note 2)*	26,548,672	3.11	26,548,672	4.63
Sub-total	**295,490,731**	**34.62**	**295,490,731**	**51.51**
Tam Ngai Hung, Terry *(Note 1)*	500,000	0.06	500,000	0.09
Cheng Yuk Ching, Flora *(Notes 1 and 3)*	14,236,713	1.67	14,236,713	2.48
William Donald Putt *(Note 1)*	591,500	0.07	591,500	0.10
Sub-total	**15,328,213**	**1.80**	**15,328,213**	**2.67**
Public Shareholders	542,795,882	63.58	262,795,882	45.82
Total	**853,614,826**	**100.00**	**573,614,826**	**100.00**

Notes:

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

2. *Each of Capital Force International Limited, New Capital Industrial Limited and Capital Winner Investments Limited is wholly-owned by Mr. Mak, his spouse and his two sons.*

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.*

DEALINGS IN THE SHARES

The Company has not repurchased any Shares in the 12-month period immediately preceding the Latest Practicable Date, and will not conduct any on-market share repurchase from the Latest Practicable Date up to and including the date the Offer closes, lapses or is withdrawn, as the case may be.

Mr. Mak has confirmed (for himself and on behalf of parties acting in concert with him) that there has been no dealings in the securities in the Company by Mr. Mak and parties acting in concert with him in the six months immediately prior to the date of the Announcement and from the date of the Announcement up to and including the Latest Practicable Date.

Each of Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt has confirmed (for himself/herself and on behalf of parties acting in concert with him/her) that there has been no dealings in the securities in the Company by them and parties acting in concert with any of them in the six months immediately prior to the date of the Announcement and from the date of the Announcement up to and including the Latest Practicable Date.

OTHER ARRANGEMENTS

As at the Latest Practicable Date, Mr. Mak and parties acting in concert with him were interested in 295,490,731 Shares, representing approximately 34.62% of the existing issued share capital of the Company. The Shareholding Directors, namely Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt, were interested in 500,000 Shares, 14,236,713 Shares and 591,500 Shares respectively, representing approximately 0.06%, 1.67% and 0.07% respectively of the existing issued share capital of the Company. The aggregate number of Shares held by these Shareholding Directors were 15,328,213 Shares, representing approximately 1.80% of the existing issued share capital of the Company. Each of Mr. Mak (for himself and parties acting in concert with him) and the Shareholding Directors has irrevocably undertaken to the Company that he/she will not accept the Offer.

Save for the irrevocable undertaking given by Mr. Mak (for himself and parties acting in concert with him) that he will not accept the Offer, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares between Mr. Mak or parties acting in concert with him and the Company which might be material to the Offer.

There is no agreement or arrangement to which the Company or Mr. Mak and parties acting in concert with him is a party which relates to circumstances in which it/he may or may not invoke or seek to invoke a pre-condition or a condition to the Offer.

None of the Company, the Directors, Mr. Mak or parties acting in concert with any of them has borrowed or lent any Shares.

As at the Latest Practicable Date, save for the irrevocable undertaking given by each of Mr. Mak (for himself and parties acting in concert with him) and the Shareholding Directors as mentioned above that he/she will not accept the Offer, neither the Company nor parties acting in concert with it has received any irrevocable commitment from any persons to irrevocably accept or reject the Offer. Mr. Mak (for himself and parties acting in concert with him) and the Shareholding Directors, who has

irrevocably committed himself or herself to reject the Offer, were interested in 295,490,731 Shares and 15,328,213 Shares respectively, representing approximately 34.62% and 1.80% of the existing issued share capital of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, no persons have irrevocably committed to accept the Offer. As such, no Shares were held by any person who has irrevocably committed to accept the Offer.

As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Company, Mr. Mak or any person acting in concert with any of them Mr. Mak, and any other persons. As such, no Shares were held by any person with whom the Company, Mr. Mak or any person acting in concert with any of them has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code.

REASONS FOR THE OFFER

The Directors believe that the Offer is in the best interests of the Company in reorganising the capital structure of the Company whilst maintaining a strong balance sheet and, at the same time, provide an opportunity for the Shareholders to realise at least part of their investment in the Company at a premium to the recent market price, or to increase their proportionate interest in the Company by retaining their shareholdings and participating in the future prospects of the Group.

FINANCIAL EFFECTS OF THE OFFER

The following information was extracted from the unaudited pro forma financial information of the Group as set out in Appendix II(F) in this Offer Document.

(a) Net asset value

Based on the unaudited consolidated net assets of the Group as at 30 June 2008, upon the completion of the Offer (assuming full acceptance thereof up to the Maximum Number), the financial impact to the Group's net asset value is expected to be as follows:

	Prior to the Offer *HK$ million*	**Upon completion of the Offer** *HK$ million*
Net asset value		
Unaudited net asset value of the Group as at 30 June 2008 *(Note)*	2,892	2,892
Cost of the Offer	—	(140)
Estimated expenses of the Offer	—	(2)
Unaudited adjusted net asset value of the Group	2,892	2,750
Number of Shares in issue	853,614,826	573,614,826
Unaudited adjusted net asset value per Share *(HK$)*	3.388	4.794

Note: being the Shareholders' funds of the Group as at 30 June 2008 as extracted from the Company's 2008 interim report.

Assuming that the Offer were completed on 30 June 2008, the net asset value per Share would have increased from HK$3.388 to HK$4.794.

(b) Basic earnings per Share

Based on the Group's audited net profit attributable to the Shareholders for the year ended 31 December 2007, upon completion of the Offer (assuming full acceptance thereof up to the Maximum Number), the financial impact on the Group's basic earnings per Share is expected to be as follows:

Basic earnings per Share

	Prior to the Offer *HK$ million*	**Upon completion of the Offer** *HK$ million*
For the year ended 31 December 2007:		
Audited net profit attributable to the Shareholders for the year ended 31 December 2007	484	484
Weighted average number of Shares in issue	796,359,311	516,359,311
Adjusted basic earnings per Share *(HK$)*	0.608	0.937

(c) Liabilities

The Offer will be financed by internal resources of the Group and would have no effect on the Group's total liabilities. As at 30 June 2008, the Group's unaudited total liabilities were approximately HK$1,651 million (comprising unaudited current liabilities of approximately HK$1,391 million and unaudited non-current liabilities of approximately HK$260 million).

(d) Working capital

Assuming full acceptance of the Offer up to the Maximum Number, the total estimated cost of the Offer and the total estimated expenses in relation to the Offer will be approximately HK$140 million and HK$2 million respectively.

Accordingly, the Offer (assuming full acceptance thereof up to the Maximum Number) will decrease the working capital available to the Group by up to approximately HK$142 million.

As at 30 June 2008, the Group's unaudited working capital (being current assets less current liabilities) was approximately HK$1,803 million and the Group had unaudited cash and bank balances of approximately HK$994 million. The Offer (assuming full acceptance thereof up to the Maximum Number) would have decreased the working capital of the Group from approximately HK$1,803 million to HK$1,661 million.

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 and sale of plastic and electronic components; (iii) the manufacture and sale of infant and child products; (iv) securities investment business; (v) property development and holding; and (vi) forestry resources business.

For the year ended 31 December 2007, profit attributable to the Shareholders, including gains from investments, rose to approximately HK$484 million, representing an increase of approximately 35.2%. The basic earnings per Share attributable to equity holders of the parent for the year ended 31 December 2007 rose to HK$0.61 as compared with HK$0.49 in the previous financial year. The satisfactory performance was attributable mainly to investment gains. Nevertheless, faced with a fiercely competitive and difficult business environment, the Group's core manufacturing business reported a substantial loss in 2007. During the year under review, turnover from our telecom and electronic products business group fell by 13.1% to HK$3,374 million. As at 31 December 2007, the Group's net asset value per Share amounted to approximately HK$4.046 (being the Shareholders' funds of approximately HK$3,225 million as at 31 December 2007 divided by 797,123,505 Shares as at 31 December 2007).

The Group reported a turnover of HK$1,483 million for the six months ended 30 June 2008, which represents a decrease of approximately 13.4% over the restated turnover of the Group for the six months ended 30 June 2007. The decrease in turnover is attributable to decrease in turnover from our telecom and electronic products business, which mainly arose from the keen market competition and weakening customers' demand in the US. Loss attributable to equity holders of the Company amounted to approximately HK$337 million, as compared to a profit of approximately HK$498 million in the corresponding previous period. The loss of the Group for the period under review arose mainly from the substantial unrealised fair value loss from our investment in financial instruments and the listed equity securities and the increased loss of our manufacturing business. As at 30 June 2008, the Group's net asset value per share amounted to approximately HK$3.628 (being the Shareholders' funds of approximately HK$2,892 million as at 30 June 2008 divided by 797,123,505 Shares as at 30 June 2008).

PROSPECTS OF THE GROUP

The performance of the Group's manufacturing business in the year of 2008 has been disappointing due to the global financial crisis and various production issues. The outlook of global economy is still uncertain and remains difficult and full of challenges. The bankruptcy of the US investment bank, Lehman Brothers, has widened and deepened the financial turmoil in the US. It is uncertain as to when the credit crunch and the woes of the US economy will be resolved. The weak global demand of our telecom products, the production issues and the high production costs will remain key challenges to the Group's manufacturing business in the near future. However, the Board is still cautiously optimistic in the long-term future of our core manufacturing business. The Board believes that the strong and resilient management team of the Group will enable the Group to weather out the storm and regain a strong financial foothold. The measures and initiatives taken by the Group to improve its competitiveness as

outlined in the Company's interim report for 2008 have shown effect. The Board believes that as the financial crisis settles down and the global economy recovers in the future, with the Group's strength and competitiveness, the Group will be well placed to revive its manufacturing business.

The stock market in Hong Kong experienced a deep downturn in the year of 2008 due to the global financial turmoil. The outlook of the investment market in Hong Kong in the current year is volatile and uncertain and will be affected by external factors and performance of the overseas and PRC markets. However, the Board believes in the long-term economic growth in Hong Kong and the PRC. It is hoped that the stock market may recover in the future and that part or all of the unrealised fair value loss of the Group's share investments may be written back in the future as and when share prices of our investments increase.

The Board is optimistic in the new property development business and the forestry natural resources business. The Board believes these new businesses have good potential to grow and can become the major growth driver for revenue and profitability of the Group.

FUTURE INTENTIONS ON THE GROUP

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. Completion of the Offer will not result in a change of Mr. Mak and parties acting in concert with him as the single largest Shareholder and the composition of the Board.

The Company has been informed by Mr. Mak that he 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 Offer. 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 Offer.

Mr. Mak (for himself and on behalf of parties acting in concert with him) has informed the Company that his undertaking not to accept the Offer is consistent with his belief in, and commitment to, the Company and its businesses. Mr. Mak has informed the Company that it is his intention and the intention of parties acting in concert with him that, following completion of the Offer, the businesses, management and the board of directors of the Company will remain unchanged. It is also their intention to maintain the Company's listing on the Stock Exchange.

The Companies Act of Bermuda does not contain any provisions to enable a repurchasing company to acquire compulsorily any Shares not repurchased under the Offer after the close of the Offer and the Company has no intention to rely upon Section 168B of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) or any comparable provision of applicable company law to buy out minority Shareholders.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Board intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. The Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that sufficient public float exists for the Shares.

The Stock Exchange has stated that if, upon the closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares.

SPECIAL GENERAL MEETING

The Offer will be conditional upon, among other things, the passing of an ordinary resolution by way of poll to approve the Offer and the Whitewash Waiver by the Independent Shareholders, either voting in person or by proxy, at the SGM.

The SGM will be convened at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong at 10:00 a.m. on Monday, 16 February 2009 to consider and, if thought fit, approve the resolution in connection with the Offer and the Whitewash Waiver.

A notice convening the SGM is set out on pages 179 to 180 of this Offer Document and a form of proxy for use at the SGM is also enclosed. 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 it 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.

In accordance with the requirements of Rule 2.9 of the Takeovers Code and Rule 13.39(4) of the Listing Rules, the votes for all resolution by the Shareholders at the SGM must be taken by poll.

The Independent Board Committee, comprising all the independent non-executive Directors who have no interest in the Offer and the Whitewash Waiver, has been formed to advise the Independent Shareholders in respect of the Offer and the Whitewash Waiver. First Shanghai has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the Offer and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, whether they are in the interests of the Company and the Shareholders as a whole, and as to acceptance and voting.

Independent Shareholders should note that even if he or she votes in favour of the resolution to be proposed at the SGM, he or she is free nonetheless to accept or not to accept the Offer.

GENERAL

Your attention is drawn to the letter from the Independent Board Committee set out on pages 24 to 25 of this Offer Document. Your attention is also drawn to the letter of advice from First Shanghai which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders as to whether the Offer and the Whitewash Waiver are fair and reasonable and as to acceptance and voting, and the principal factors and reasons considered by it in arriving at such advice. The text of the letter from First Shanghai is set out from pages 26 to 46 of this Offer Document.

Your attention is also drawn to the principal terms of the Offer as set out in Appendix I to this Offer Document, and the statutory and general information as set out in Appendix V to this Offer Document.

Shareholders and potential investors should note that the Offer is subject to all of the Conditions being fulfilled in full and, therefore, may or may not become unconditional. Shareholders and potential investors are advised to exercise caution when dealing in the Shares. The Company will publish an announcement on or about 16 February 2009 to inform the Shareholders as to whether or not the Offer has become unconditional.

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



28/F The Centrium
60 Wyndham Street
Central, Hong Kong

23 January 2009

To the Qualifying Shareholders

Dear Sir or Madam,

**CONDITIONAL CASH OFFER BY
VC BROKERAGE LIMITED
ON BEHALF OF THE COMPANY
TO REPURCHASE UP TO 280,000,000 SHARES
AT HK$0.50 PER SHARE AND
APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

On 6 January 2009, the Board announced that an offer would be made by VC Brokerage on behalf of the Company to repurchase, subject to the Conditions, up to the Maximum Number, being 280,000,000 Shares, representing approximately 32.80% of the existing issued share capital of the Company as at the Latest Practicable Date, at the price of HK$0.50 per Share.

This letter sets out details of the terms of the Offer. Further details of the terms and conditions of the Offer are set out in Appendix I to this Offer Document and the accompanying Form of Acceptance.

Your attention is drawn to the letter from the Board as set out on pages 5 to 15 of this Offer Document. You are also strongly advised to read the letter from the Independent Board Committee as set out on pages 24 to 25 of this Offer Document which contains its recommendation to the Independent Shareholders in respect of the Offer and the Whitewash Waiver, and the letter from First Shanghai as set out on pages 26 to 46 of this Offer Document containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Offer and the Whitewash Waiver.

TERMS OF THE OFFER

The Offer will be made by VC Brokerage on behalf of the Company to repurchase the Shares up to the Maximum Number on the following basis:

For every Share . . . . . HK$0.50 in cash

Qualifying Shareholders will be assured of being able to sell to the Company at least 1,031 Shares for every board lot of 2,000 Shares he or she owns, the basis of which is set out under the section headed "Assured Entitlement and Excess Tenders" below.

The salient terms of the Offer are as follows:

(a) VC Brokerage will make the Offer to the Shareholders on behalf of the Company to repurchase the Shares, depending on the number of Shares relating to acceptances by the Qualifying Shareholders, up to the Maximum Number at the Offer Price;

(b) Qualifying Shareholders may accept the Offer in respect of their holdings in Shares at the Offer Price up to their entire holdings (subject to the procedures for scale down of Excess Tenders described under the section headed "Assured Entitlement and Excess Tenders" as set out below);

(c) Shares stated in acceptances of the Offer will be repurchased to the fullest extent of the Accepting Shareholders' Assured Entitlement. No minimum number will be set for individual acceptance or the number of Shares to be repurchased under the Offer;

(d) Excess Tenders will be repurchased on a pro rata basis to the extent that the aggregate number of Shares repurchased pursuant to the Offer will not thereby exceed the Maximum Number;

(e) Acceptances duly received will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional;

(f) Shares will be repurchased in cash, free of commission, levies and dealing charges, save that the amount of stamp duty due on Shares repurchased attributable to the seller will be deducted from the amount payable to the Accepting Shareholders and will be paid by the Company on behalf of the Accepting Shareholders; and

(g) Shares repurchased will be treated as cancelled and will not be entitled to any dividend declared for any record date set subsequent to the date of their cancellation. The issued share capital of the Company shall be diminished by the nominal value of the Shares repurchased accordingly.

Under the Repurchase Code, the Offer will need to be approved by the Independent Shareholders at general meeting by a majority of votes by way of poll and will also be subject to other terms and conditions as referred to in the section headed "Conditions of the Offer" below.

THE OFFER PRICE

As at the Latest Practicable Date, save for the 853,614,826 Shares in issue, the Company did not have any other Shares, outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares. The Offer Price of HK$0.50 per Share values the entire existing issued share capital of the Company as at the Latest Practicable Date at approximately HK$426.8 million.

The Offer Price represents:

— a premium of approximately 44.93% to the closing price of the Shares of HK$0.345 as quoted on the Stock Exchange on the Last Trading Day;

— a premium of approximately 46.63% to the average closing price of the Shares of approximately HK$0.341 as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

— a premium of approximately 56.25% to the average closing price of the Shares of approximately HK$0.320 as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day;

— a premium of approximately 14.94% to the closing price of the Shares of HK$0.435 as quoted on the Stock Exchange on the Latest Practicable Date; and

— a discount of approximately 85.24% to the Group's net asset value per Share of approximately HK$3.388 (being Shareholders' funds of approximately HK$2,892 million as at 30 June 2008 divided by 853,614,826 Shares as at the Latest Practicable Date) pursuant to the latest unaudited consolidated accounts of the Company as at 30 June 2008.

At the Offer Price, the Offer, if accepted in full, will result in the Company paying approximately HK$140 million to the Accepting Shareholders. The consideration for the Offer will be in cash and will be financed by internal resources of the Group. VC Capital is satisfied that the Company has sufficient financial resources to enable it to satisfy acceptances of the Offer in full.

ASSURED ENTITLEMENT AND EXCESS TENDERS

The Maximum Number to be repurchased pursuant to the Offer is approximately 280,000,000 Shares, representing approximately 32.80% of the existing issued share capital of the Company of 853,614,826 Shares as at the Latest Practicable Date.

As at the Latest Practicable Date, Mr. Mak and parties acting in concert with him were interested in 295,490,731 Shares, representing approximately 34.62% of the existing issued share capital of the Company. Certain other Directors, namely Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt, were interested in 500,000 Shares, 14,236,713 Shares and 591,500 Shares respectively, representing approximately 0.06%, 1.67% and 0.07% respectively of the existing issued share capital of the Company. The aggregate number of Shares held by these Shareholding Directors as at the Latest Practicable Date were 15,328,213 Shares, representing approximately 1.80% of the existing issued share capital of the Company. Each of Mr. Mak (for himself and parties acting in concert with him) and the Shareholding Directors has irrevocably undertaken to the Company that he/she will not accept the Offer. As such, the Maximum Number represents approximately 51.58% of the 542,795,882 Shares, being the total existing issued share capital of the Company less the Shares held by (i) Mr. Mak and parties acting in concert with him; and (ii) the Shareholding Directors as at the date hereof. The Assured Entitlement of the Qualifying Shareholders will therefore be enhanced on a pro-rata basis by the number of Shares in respect of which Mr. Mak (for himself and parties acting in concert with him) and the Shareholding Directors have undertaken not to accept under the Offer. Accordingly, Qualifying Shareholders will be assured of being able to sell to the Company at least 1,031 Shares for every board lot of 2,000 Shares he or she owns, being the Maximum Number divided by 542,795,882 Shares times 2,000 Shares for every board lot.

Accepting Shareholders may accept the Offer in excess of their Assured Entitlement and the Company may repurchase Shares under the Excess Tenders if certain Qualifying Shareholders do not accept the Offer or accept the Offer in respect of Shares fewer than their Assured Entitlement. If the aggregate Excess Tenders fall below the total number of Surplus Shares, all of the Excess Tenders will be repurchased by the Company. If the total number of Shares tendered for acceptance of the Offer exceeds the Maximum Number, acceptances of the Excess Tenders will be scaled down on a pro rata basis, based on the total number of Excess Tenders and calculated in accordance with the following formula (save that the Company may in its absolute discretion round such figure up or down with the intention of avoiding (as far as practicable) Shares being held by Shareholders in odd lots or fractional entitlements):

$$\frac{(280{,}000{,}000 - A) \times C}{B}$$

A = Total number of Shares in respect of which the Offer is validly accepted by all Accepting Shareholders and which form either all or part of their respective Assured Entitlements (as the case may be)

B = Total number of Shares in respect of which the Offer is validly accepted by the Accepting Shareholders in excess of their respective Assured Entitlements

C = Total number of Shares in respect of which the Offer is validly accepted by the relevant Qualifying Shareholder in excess of his/her Assured Entitlement

The total number of Shares which will be repurchased by the Company will not exceed the Maximum Number. The decision of the Company as to any scaling down of acceptances of the Offer in excess of Assured Entitlements and as to the treatment of fractions will be conclusive and binding on all Shareholders.

Acceptance of the Offer by any Shareholder will, subject to the Offers becoming unconditional, be deemed to constitute a warranty by such Shareholder that all Shares sold by such Shareholder under the Offer are free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date when the Offer Period begins.

CONDITIONS OF THE OFFER

The Offer will be conditional upon fulfillment of all of the following conditions:

(a) the passing of (an) ordinary resolution(s) by way of poll to approve the Offer and the Whitewash Waiver by the Independent Shareholders, either voting in person or by proxy, at the SGM; and

(b) the granting of the Whitewash Waiver by the Executive.

Mr. Mak and parties acting in concert with him and the Shareholding Directors will abstain from voting at the SGM on the resolution(s) to approve the Offer and the Whitewash Waiver.

The Offer is subject to all of the Conditions being fulfilled in full. If the Whitewash Waiver is not granted by the Executive, or if the resolution(s) to approve the Offer and the Whitewash Waiver is not approved by the Independent Shareholders, the Offer will not proceed.

The Offer will not be conditional as to any minimum number of acceptances.

PROCEDURE FOR ACCEPTANCE

If the Offer is declared unconditional, Qualifying Shareholders will be able to tender their Shares for acceptance under the Offer for a period of at least 14 days thereafter. The Company reserves the right to extend the time for acceptance of tenders under the Offer to the maximum period allowed under the Takeovers Code and the Repurchase Code.

In order to accept the Offer, Qualifying Shareholders should complete and return the accompanying Form of Acceptance in accordance with the instructions printed in this Offer Document and the instructions printed on the Form of Acceptance. The instructions in this Offer Document should be read together with the instructions on the Form of Acceptance (which instructions form part of the terms of the Offer).

The duly completed Form of Acceptance should be forwarded, together with the share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which the relevant Qualifying Shareholder wishes to accept the Offer, by post or by hand to the Registrar, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, in an envelope marked "**CCT Telecom — Repurchase Offer**" as soon as possible after receipt of the Form of Acceptance but in any event so as to reach the Registrar by no later than 4:00 p.m. (Hong Kong time) on Monday, 2 March 2009, or such later time and/or date as the Company may, subject to the Takeovers Code, decide and announce.

No acknowledgement of receipt of any Form of Acceptance, share certificate(s), transfer receipt(s) or other document(s) of title (and/or any indemnity or indemnities in respect thereof) will be given.

Only one Form of Acceptance may be submitted by each Qualifying Shareholder to the Registrar. Tenders duly received will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional.

ODD LOT ARRANGEMENTS

The Shares are currently traded in board lots of 2,000 Shares each. Such board lot size will not be changed as a result of the implementation of the Offer.

In view of the number of Shares in an Assured Entitlement and the manner of calculation in respect of the Excess Tenders as described above, an Accepting Shareholder may, as a result of the Offer, hold odd lots of the Shares.

For this purpose, VC Brokerage, whose address is at 28/F The Centrium, 60 Wyndham Street, Central, Hong Kong (contact person: Ms. Karen Yau; telephone number: (852) 2913 6239) has been appointed by the Company as the designated broker to match sales and purchases of odd lot holdings of Shares in the market for a period of six weeks from the completion of the Offer to enable odd lot

Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots of 2,000 Shares. Odd lot Shareholders should note that the matching of odd lots is not guaranteed. Further details of the related arrangements will be announced after the Offer has become unconditional.

OVERSEAS SHAREHOLDERS

The Offer Document will not be filed under the applicable securities or equivalent legislation or rules of any jurisdictions other than Hong Kong.

Based on the Register, there were Shareholders with registered addresses in six jurisdictions outside Hong Kong as at the Latest Practicable Date. The Board has made enquiries regarding the legal restrictions under the applicable securities legislation of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to the Offer in relation to such overseas Shareholders.

The Company has obtained advice from legal advisers in Australia, Macau, the PRC, Spain and the United Kingdom that no local regulatory compliance is required to be made in these jurisdictions for the Company in respect of the Offer to the Shareholders who resided in these jurisdictions. Accordingly, the Offer will be extended to such overseas Shareholders with addresses in these jurisdictions.

The Company has also obtained legal advice from legal adviser in France that local regulations prohibit the extension of the Offer, which constitutes solicitation on banking or financial transactions under French law, to the overseas Shareholders in this jurisdiction. As advised by the French legal adviser, solicitation is prohibited under French law for financial instruments which are not admitted to trading on a "regulated market" in the European Economic Area Member State or a "recognized foreign market". The list of "recognized foreign markets" does not include the Main Board of the Stock Exchange. The Company considers that as the extension of the Offer to Shareholders in France is prohibited by local regulations, it would be necessary to exclude the Shareholders in this jurisdiction from the Offer. As at the Latest Practicable Date, there was one corporate Shareholder which was interested in 50 Shares, representing approximately 0.0000059% of the existing issued share capital of the Company, located in France. To comply with the local regulations in France, the Company will only send to this shareholder a notice about the existence of the Offer and a notice of the SGM with contact details of the Company for the relevant shareholder to contact for a copy of the Offer Document.

An application has been made to the Executive under Rule 8 of the Repurchase Code for consent to exclude the Shareholder in France from the Offer.

It is the responsibility of each overseas Shareholder who wishes to accept the Offer to satisfy himself or herself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consents which may be required or compliance with other necessary formalities or legal requirements. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Company that the local laws and requirements have been complied with. Shareholders should consult their professional advisers if in doubt.

The Company shall give notice of any matter in relation to the Offer to the Shareholders by issuing announcements or advertisements in accordance with its bye-laws and the Listing Rules and, if so given, shall be deemed to have been sufficient for all effective purposes, despite any failure by any overseas Shareholder to receive the same.

NOMINEE REGISTRATION OF SHARES

To ensure equality of treatment of all Qualifying Shareholders, those registered holders of Shares who hold Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of the Shares, whose investments are registered in nominee names (including those whose interests in the Shares are held through CCASS), to accept the Offer, it is essential that they provide instructions to their nominee agents of their intentions with regard to the Offer.

RESPONSIBILITY FOR DOCUMENTS

All communications, notices, Form(s) of Acceptance, share certificate(s), transfer receipt(s), other document(s) of title (and/or any indemnity or indemnities in respect thereof) and remittances to be delivered or sent by, to or from any Shareholder will be delivered or sent by, to and from them, or their designated agents, at their risk and none of the Company, VC Brokerage, the Registrar or any of their respective directors or any other person involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may rise as a result.

SETTLEMENT

Subject to the Offer becoming unconditional and provided that a duly completed Form of Acceptance, accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title or satisfactory indemnities required in respect thereof are received by the Registrar by not later than the Latest Acceptance Time and are or are deemed to be in order, the Registrar will inform the relevant Accepting Shareholder by post of the repurchase of his Shares, including the number of Shares to be purchased from his Excess Tenders, if any. At the same time, the Registrar will send, by ordinary post at that Accepting Shareholder's risk, a remittance for such total amount as is due to that Accepting Shareholder under the Offer (subject to deduction of seller's ad valorem stamp duty due on the repurchase of the Shares from the amount payable in cash) within 10 days after the close of the Offer.

In the case of any Accepting Shareholder where the number of Shares represented by the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title sent in connection with his Form of Acceptance to the Registrar in acceptance of the Offer exceeds 50,000 Shares, such Shareholder may contact the Registrar directly to arrange for collection in person at the Registrar's office of the remittance due to him in respect of the Shares accepted under the Offer (after deducting seller's ad valorem stamp duty due on the repurchase of the Shares from the amount payable in cash) and/or any share certificate(s) representing Shares which are not successfully tendered and/or accepted under the Offer. However, if no such prior arrangement is made with the Registrar, the Registrar will send the remittance and/or any share certificate(s) to such Shareholder at his own risk as mentioned in the paragraph above.

If the Offer does not become unconditional, the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title will be returned and/or sent to each Accepting Shareholder (by ordinary post, at that Accepting Shareholder's own risk) within 10 days of the lapse of the Offer. Where such Shareholder has sent one or more transfer receipt(s) and in the meantime one or more share certificate(s) has/have been collected on that Shareholder's behalf in respect thereof, that Shareholder will be sent (by ordinary post, at that Shareholder's own risk) such share certificate(s) in lieu of the transfer receipt(s).

If the Excess Tenders of an Accepting Shareholder has not been purchased by the Company in full, the share certificate(s) or transfer receipt(s) or other document(s) of title in respect of the balance of such Shares or a replaced certificate therefor will be returned or sent to him by ordinary post at his risk within 10 days after the close of the Offer.

TAX IMPLICATIONS

Qualifying Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Company, its ultimate beneficial owners and parties acting in concert with any of them, VC Brokerage, VC Capital, First Shanghai, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

SGM

A notice convening the SGM to be held at 10:00 a.m. on Monday, 16 February 2009 at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong, at which ordinary resolution(s) will be proposed for the purposes of considering and, if thought fit, approving the Offer and the Whitewash Waiver, is set out on pages 179 to 180 of this Offer Document.

GENERAL

Further details on the terms and conditions of the Offer including, amongst other things, procedures for acceptance and settlement, acceptance period and taxation matters, are set out in Appendix I to this Offer Document and in the Form of Acceptance.

Independent Shareholders are strongly advised to consider carefully the information as contained in the "Letter from the Board", the recommendation as contained in the "Letter from the Independent Board Committee" and the advice of First Shanghai as contained in the "Letter from First Shanghai" in this Offer Document, and to consult their professional advisers as they see fit.

Your attention is also drawn to the information as set out in the appendices to this document which form part of the Offer Document.

Yours faithfully,
For and on behalf of
VC Brokerage Limited
NG Man Hoi, Paul
Chief Operating Officer

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

23 January 2009

To the Independent Shareholders

Dear Sir or Madam,

**CONDITIONAL CASH OFFER BY
VC BROKERAGE LIMITED
ON BEHALF OF THE COMPANY
TO REPURCHASE UP TO 280,000,000 SHARES
AT HK$0.50 PER SHARE AND
APPLICATION FOR WHITEWASH WAIVER**

We have been appointed as members of the Independent Board Committee to advise you in respect of the Offer and the Whitewash Waiver, details of which are set out in the letter from the Board in the document of the Company dated 23 January 2009 (the "**Offer Document**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Offer Document unless the context requires otherwise.

Your attention is drawn to the letter from VC Brokerage as set out on pages 16 to 23 of the Offer Document and Appendix I to the Offer Document containing the terms of the Offer, and the letter of advice from First Shanghai as set out on pages 26 to 46 of the Offer Document, which contains its advice and recommendation to us in respect of the Offer and the Whitewash Waiver, as well as the principal factors and reasons for its advice and recommendation.

Having considered the factors and reasons considered by, and the opinion of, First Shanghai as stated in the aforementioned letter of advice, we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and that the Offer and the granting of the Whitewash Waiver, which is one of the Conditions of the Offer, are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolution(s) relating to the Offer and the Whitewash Waiver at the SGM.

We also concur with the advice of First Shanghai and recommend the Qualifying Shareholders to accept the Offer. Notwithstanding our recommendations, Independent Shareholders are advised to monitor the market price of the Shares carefully during the Offer Period. If any Independent Shareholder is able to identify any opportunity to sell his/her Shares in the open market where the net proceeds from such sale will exceed the net proceeds by accepting the Offer, such Independent Shareholder shall consider not to accept the Offer and should seek to sell his/her Shares if he/she wishes to and is able to do so.

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 Offer and the Whitewash Waiver for inclusion in this document.



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

23 January 2009

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

**CONDITIONAL CASH OFFER BY
VC BROKERAGE LIMITED
ON BEHALF OF THE COMPANY
TO REPURCHASE UP TO 280,000,000 SHARES
AT HK$0.50 PER SHARE AND
APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer and the Whitewash Waiver, details of which are set out in the document of the Company dated 23 January 2009 (the "Offer Document") 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 Offer Document.

The Independent Board Committee, comprising all the independent non-executive Directors who have no interest in the Offer and the Whitewash Waiver, namely Mr. Tam King Ching, Kenny, Mr. Lau Ho Man, Edward and Mr. Chen Li, has been formed to advise the Independent Shareholders as to whether the Offer and the Whitewash Waiver are fair and reasonable and as to acceptance and voting. We, First Shanghai Capital Limited, have been approved by the Independent Board Committee 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 Offer Document and provided to us by the Directors and the management of the Group, and have assumed that all such information and representations made or referred to in the Offer Document and provided to us by the Directors and the 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 Offer Document 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 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 Offer Document. 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 Offer Document and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Offer Document and provided to us by the Directors and the management of the Group nor have we conducted any form of investigation into the business, affairs or future prospects of the Group. We have not considered the tax implications on the Independent Shareholders of acceptance of the Offer since these depend on their individual circumstances. In particular, the Independent Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Terms of the Offer

Detailed terms of the Offer are set out in Appendix I to the Offer Document. Subject to approval of the Offer and the Whitewash Waiver by the Independent Shareholders and the granting of the Whitewash Waiver by the Executive, VC Brokerage will make an offer on behalf of the Company to repurchase up to 280,000,000 Shares held by the Qualifying Shareholders on the following basis:

For every Share to be repurchased under the Offer	HK$0.50 in cash
Assured Entitlement for every 2,000 Shares held	1,031 Shares

As at the Latest Practicable Date, the Company had 853,614,826 Shares in issue. The Maximum Number of 280,000,000 Shares to be repurchased under the Offer represents approximately 32.8% of the issued share capital of the Company as at the Latest Practicable Date. Mr. Mak together with parties acting in concert with him who were interested in 295,490,731 Shares and the Shareholding Directors who were together interested in 15,328,213 Shares as at the Latest Practicable Date had irrevocably undertaken to the Company not to accept the Offer. Accordingly, the Company will make an offer to repurchase from the Qualifying Shareholders up to a maximum of 280,000,000 Shares, representing approximately 51.6% of the Shares held by them or approximately 1,031 Shares for every 2,000 Shares held by them. In the event that there are Qualifying Shareholders tendering no Share or tendering fewer Shares than what they would be entitled to under the Assured Entitlement, the Company will accept Excess Tenders from the Accepting Shareholders.

Details of the acceptance mechanism are set out in Appendix I to the Offer Document. Qualifying Shareholders may submit acceptance in respect of some or all of their Shares. They may also submit acceptances in excess of the Assured Entitlement which, subject to availability of any Shares not being accepted in full under the Offer by other Qualifying Shareholders, will be accepted on a pro-rata basis and scaled down in the manner as described under the paragraph headed "Assured Entitlement and Excess Tenders" contained in the Letter from VC Brokerage to the Offer Document. No minimum

number will be set for individual acceptance or the number of Shares to be repurchased under the entire Offer. The Shares repurchased under the Offer will be treated as cancelled and will not be entitled to any dividend declared for any record date set subsequent to the date of their cancellation.

Based on 280,000,000 Shares to be repurchased under the Offer and the Offer Price of HK$0.50 per Share, the amount to be paid by the Company under the Offer, if tendered and accepted in full, will be HK$140 million.

Under the Offer, the Company will make offer to all Qualifying Shareholders equal opportunity to sell to the Company their Shares on the same basis by reference to the Assured Entitlement, which we consider to be a fair and reasonable mechanism to all Qualifying Shareholders. However, the percentage of the Assured Entitlement has been geared up from about 656 Shares for every board lot of 2,000 Shares to about 1,031 Shares for every board lot of 2,000 Shares as a result of the undertakings from Mr. Mak together with parties acting in concert with him and the Shareholding Directors of not participating in the Offer.

2. Operating performance of the Group

(a) *Financial performance of the Group*

The Group is principally engaged in (i) the manufacture, sale, design and development of telecom and electronic products and the manufacture and sale of plastic and electronic components; (ii) the manufacture and sale of infant and child products; (iii) the securities investment business; (iv) property holding and development; and (v) the forestry resources business.

The following table summarizes the consolidated results of the Group for each of the three years ended 31 December 2007 and the six months ended 30 June 2008, as extracted from the respective annual reports and interim report of the Company:

	For the six months end 30 June		**For the year ended 31 December**					
	2008		**2007**		**2006**		**2005**	
	HK$ million (unaudited)	*%*	*HK$ million (audited)*	*%*	*HK$ million (audited)*	*%*	*HK$ million (audited)*	*%*
Turnover by segment								
— Telecom and electronic products	1,364	92.0	3,374	83.0	3,882	92.5	3,846	96.6
— Infant and child products	77	5.2	115	2.8	112	2.7	124	3.1
— Securities investment	10	0.7	486	12.0	149	3.5	—	—
— Property holding and development	1	—	4	0.1	3	—	2	—
— Corporate and others	31	2.1	87	2.1	53	1.3	8	0.3
Total turnover	**1,483**	**100.0**	**4,066**	**100.0**	**4,199**	**100.0**	**3,980**	**100.0**
Segment (loss)/profit								
— Telecom and electronic products	(145)		(201)		109		189	
— Infant and child products	7		9		8		6	
— Securities investment	(212)		130		48		— *(note 2)*	
— Property holding and development	(3)		52		39		67	

	For the six months end 30 June		For the year ended 31 December					
	2008		**2007**		**2006**		**2005**	
	HK$ million (unaudited)	*%*	*HK$ million (audited)*	*%*	*HK$ million (audited)*	*%*	*HK$ million (audited)*	*%*
— Corporate and others	(49)		423		204		24 *(note 2)*	
Total segment (loss)/profit	**(402)**		**413**		**408**		**286**	
(Loss)/earnings attributable to the equity Shareholders	**(337)**		**484**		**358**		**25**	
(Loss)/earnings per Share (basic) (HK$) *(note 1)*	**(0.423)**		**0.61**		**0.49**		**0.44**	
Proposed interim/final dividend per Share (HK$)	**0.025**		**0.030**		**0.025**		**0.020**	

Source: Annual reports and interim report of the Company

Notes:

1. *Calculated based on the weighted average number of Shares in issue during the period, which are 797,123,505, 512,524,188, 732,918,201 and 796,359,311 for the six months ended 30 June 2008 and the three years ended 31 December 2007 respectively.*

2. *The disposal and deemed disposal gain of the shares in Haier Electronics Group Co., Ltd then recorded under the investment segment in the annual report of the Company for the year ended 31 December 2005 had been reclassified to corporate and others segment pursuant to the prevailing accounting policies of the Group.*

Telecom and electronic products segment

The Group's telecom and electronic products segment includes the manufacture, sale, design and development of telecom and electronic products, and the manufacture and sale of plastic and electronic components. The Group's telecom and electronic products segment recorded revenue of approximately HK$3,846 million and operating profit of approximately HK$189 million for the year ended 31 December 2005.

For the year ended 31 December 2006, revenue of the Group's telecom and electronic products segment increased by approximately 0.9% to approximately HK$3,882 million; while the operating profit decreased by approximately 42.3% to approximately HK$109 million. The increase in revenue was mainly due to the growth of sales to markets outside the US, including Europe and the Asia Pacific region, which compensated the loss of sales in the US market. The decrease in operating profit was mainly attributable to reduction in selling prices of certain product models due to price competition and substantial increase in operating costs.

For the year ended 31 December 2007, revenue of the Group's telecom and electronic products segment decreased by approximately 13.1% to approximately HK$3,374 million; while this segment recorded operating loss of approximately HK$201 million. The decrease

in revenue was mainly due to the sub-prime mortgage financial crisis, slow down of the US economy and excess inventory of some of the Group's European customers. The turnaround from operating profit to operating loss of this segment was mainly due to the fall in average selling prices of consumer telecom products and the increase in operating costs as a result of increased wage level, increased material costs and appreciation of Renminbi ("RMB").

For the six months ended 30 June 2008, revenue of the Group's telecom and electronic products segment decreased by approximately 13.9% to approximately HK$1,364 million when compared with the same period in the previous year; while the operating loss of this segment increased from approximately HK$48 million during the same period in the previous year to approximately HK$145 million. The decrease in revenue was mainly due to the falling US domestic demand and the weakening of the global economy and the sub-prime mortgage financial crisis in the US which resulted in decrease in the average selling prices of consumer telecom products. The increase in operating loss was mainly due to the combined effect of the decrease in revenue and the increase in operating costs arising from high material prices, increase in labour costs and appreciation of RMB.

Infant and child products segment

The Group's infant and child products segment includes the manufacture and sale of infant and child products. The Group's infant and child products segment recorded revenue of approximately HK$124 million and operating profit of approximately HK$6 million for the year ended 31 December 2005.

For the year ended 31 December 2006, revenue of the Group's infant and child products segment decreased by approximately 9.7% to approximately HK$112 million, while the operating profit increased by approximately 33.3% to approximately HK$8 million. The decrease in revenue was mainly due to the keen market competition; while the increase in operating profit was mainly due to improved efficiency and cost control of this segment.

For the year ended 31 December 2007, revenue of the Group's infant and child products segment increased by approximately 2.7% to approximately HK$115 million; while the operating profit increased by approximately 12.5% to approximately HK$9 million. The increase in revenue was mainly due to the expansion of its product range; while the increase in operating profit was mainly due to the continuous improved efficiency and cost control.

For the six months ended 30 June 2008, revenue of the Group's infant and child products segment increased by approximately 35.1% to approximately HK$77 million when compared with the same period in the previous year; while this segment's operating profit increased from approximately HK$6 million to approximately HK$7 million. The increase in revenue was mainly due to stable demand for quality infant and child products even in a weakening economy as well as expansion of the product range. The smaller operating profit growth than revenue growth was mainly attributable to price competition and high production costs.

Securities investment segment

The Group has engaged in the securities investment business and most of the investments of the Group's securities business are in H-shares and Hang Seng Index constituent stocks.

For the year ended 31 December 2006, revenue of the Group's securities investment segment was approximately HK$149 million, while the operating profit amounted to approximately HK$48 million. The revenue was mainly attributable to the trading of listed securities and interest from equity-linked notes during the year. The operating profit was mainly derived from realised and unrealised gains on investments in listed shares.

For the year ended 31 December 2007, revenue of the Group's securities investment segment increased by approximately 226.2% to approximately HK$486 million; while the operating profit increased by approximately 170.8% to approximately HK$130 million. The increase in revenue was mainly due to the increase in trading of listed securities and interest from equity-linked notes; and the increase in the operating profit was mainly due to the buoyant stock market in Hong Kong which resulted in increase in gains and dividend income from listed shares and interest from equity-linked notes.

For the six months ended 30 June 2008, revenue of the Group's securities investment segment decreased by approximately 73.0% to approximately HK$10 million when compared with the same period in the previous year; and recorded operating loss of approximately HK$212 million as compared with operating profit of approximately HK$56 million during the same period in the previous year. The decrease in revenue was mainly due to the decrease in trading volume of listed securities and interest from equity-linked deposits. The operating loss was mainly due to the unrealised fair value loss on investment in financial instruments and listed equity securities amounted to approximately HK$226 million.

Property holding and development segment

The Group's property holding and development segment recorded revenue of approximately HK$2 million, HK$3 million and HK$4 million for each of the three years ended 31 December 2007 respectively; and recorded operating profit of approximately HK$67 million, HK$39 million and HK$52 million for each of the three years ended 31 December 2007 respectively. The revenue was mainly attributable to the rental income generated from the investment properties of the Group; while the operating profit was mainly attributable to the revaluation of the investment properties and the realised gains from disposal of properties during the year under review.

For the six months ended 30 June 2008, revenue of the Group's property holding and development segment decreased by approximately 50.0% to approximately HK$1 million when compared with the same period in the previous year; and recorded operating loss of approximately HK$3 million as compared with nil operating profit during the same period in the previous year. The decrease in revenue was mainly due to decrease in rental income. In the absence of revaluation gain and disposal gain of property during the period, the operating loss was attributable to operating expenses of the property holding and development segment.

Corporate and others segment

The Group's corporate and others segment principally includes the provision of e-commerce services and corporate income and expenses items which cannot be allocated to other business segments. The Group's corporate and others segment recorded revenue of approximately HK$8 million, representing mainly interest income, and operating profit of approximately HK$24 million for the year ended 31 December 2005. The net segment profit represented mainly gain derived from the disposal and deemed disposal of shares in Haier Electronics Group Co., Ltd. ("Haier Electronics") during the year less corporate expenses.

For the year ended 31 December 2006, revenue of the Group's corporate and others segment increased by approximately 562.5% to approximately HK$53 million; and recorded net operating profit of approximately HK$204 million. The increase in revenue was mainly attributable to increase in interest income and the revenue from the provision of e-commerce services. The net segment profit represented mainly gain derived from the disposal of the shares in Haier Electronics during the year less corporate expenses and loss of the e-commerce business.

For the year ended 31 December 2007, revenue of the Group's corporate and others segment further increased by approximately 64.2% to approximately HK$87 million; while the segment profit increased by approximately 107.4% to approximately HK$423 million. The net segment profit represented mainly gain derived from the disposal of the Group's partial interests in a listed subsidiary during the year less corporate expenses and loss of the e-commerce business.

For the six months ended 30 June 2008, revenue of the Group's corporate and others segment decreased by approximately 6.1% to approximately HK$31 million when compared with the same period in the previous year; and recorded segment loss of approximately HK$49 million. In the absence of investment gains, the net segment loss represented corporate expenses and loss of the e-commerce services business.

Loss/(earnings) per Share

For the three years ended 31 December 2007, the financial performance of the Group's telecom and electronic products segment had deteriorated from operating profit of approximately HK$189 million for the year ended 31 December 2005 to operating loss of approximately HK$201 million for the year ended 31 December 2007. However, the deteriorating financial performance of the Group's telecom and electronic products segment was compensated by the increasing contribution from the Group's securities investment segment and the gain on disposal of the Group's other investments as mentioned above. As a result, the earnings per Share had increased from approximately HK$0.44 for the year ended 31 December 2005 to approximately HK$0.49 for the year ended 31 December 2006, and further increased to approximately HK$0.61 for the year ended 31 December 2007. For the six months ended 30 June 2008, the Company recorded loss per Share of approximately HK$0.423, which is mainly attributable to the operating losses recorded from the Group's telecom and electronic products segment and securities investment segment.

Dividend

The Company had declared dividend for each of the three years ended 31 December 2007 and the six months ended 30 June 2008. It appears that the Company does not have a defined dividend payout ratio as it declared dividend for the six months ended 30 June 2008 despite recording loss for the period. As stated in the section headed "Share Capital" in Appendix V to the Offer Document, depending on the future results and financial position of the Group, the Company may, on the recommendation of the Board, declare dividends as and when they consider appropriate taking into account the then financial performance of the Company as well as the amount of profits and/or reserves legally available for distribution, and the Directors do not have any intention to declare any additional dividend or to alter the dividend policy of the Company. Based on the above, it is uncertain whether the Company will continue to declare dividend in the near future.

(b) ***Future prospect of the Group***

As set out in the price sensitive and results warning announcement of the Company dated 6 November 2008 (the "November Announcement") and the price sensitive announcement of the Company dated 15 January 2009 (the "January Announcement") in relation to the discontinuation of the retail telephony business by a major US customer of the Group and the resulting potential impairment in value of the under-utilised production facilities and the performance of the Group's securities business, the financial performance of the Group since 31 December 2007 has been affected as follows:

(i) the decision by a US distribution company (the "US Customer"), which is the Group's largest single customer of its telecom product business, to exit with immediate effect its retail telephony activities in North America in early November 2008 (the "Discontinuation"). As the Group's current business with the US Customer is loss-making, the Discontinuation would allow the Group to further streamline and restructure its operations and to consolidate its resources to cater for other more profitable markets. The Discontinuation is expected to reduce the loss of the Group and is not expected to have a direct negative impact on the Group's results for the future financial years commencing 1 January 2009;

(ii) unaudited impairment loss on the under-utilised fixed assets and intangible assets related to the business of the US Customer (which is only one of the customers in the Group's telecom and electronics business) as a result of the Discontinuation in the estimated amount of approximately HK$334 million which will be charged to the Group's consolidated income statement for the year ended 31 December 2008;

(iii) the weakening demand of the Group's telecom products from the US due to the financial turmoil, price competition, high material and labour costs, and the continuing appreciation of the Renminbi against the US dollar. As a result of the difficult business environment, the Group's telecom product business is expected to continue to post a loss for the year ended 31 December 2008;

(iv) the streamlining and restructuring of the Group's operations as a result of the Discontinuation, which is expected to incur certain one-off non-recurrent costs which will be charged to the consolidated income statement of the Group for the year ended 31 December 2008. The exact amount to be charged will be ascertained when the financial information of the Group is finalised; and

(v) deep downturn of the stock market in Hong Kong in the year 2008 due to the global financial crisis, which is expected to adversely affect the Group's securities business (which only accounted for approximately 31.5% and 52.7% of the Group in terms of operating results for the year ended 31 December 2007 and for the six months ended 30 June 2008) and resulting in the Group's securities business incurring significant net realised loss and unrealised mark-to-market losses in the value of the listed shares and financial instruments for the year ended 31 December 2008 estimated to be approximately HK$546 million, comprising unaudited total net realised losses of approximately HK$151 million and unaudited losses of approximately HK$395 million.

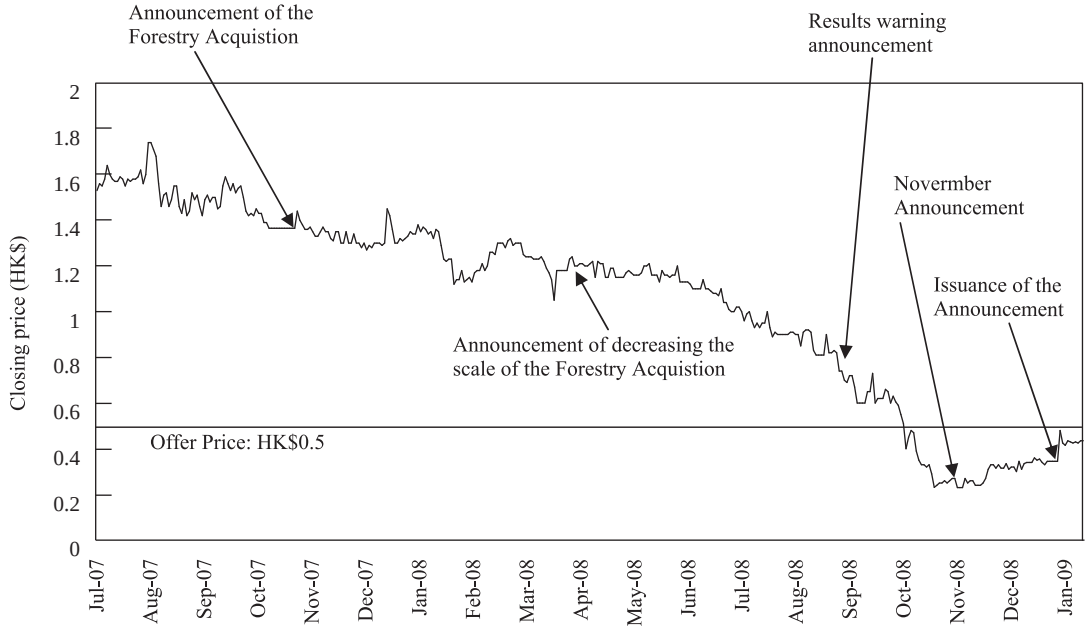
Looking forward, the Directors believe that the outlook of global economy will still be uncertain and remain difficult and full of challenges and these challenges will affect the performance of the Group's manufacturing business in the near future. The Directors advised us that with the measures implemented to streamline and restructure its telecom products business in order to improve its competitiveness, the Board is still optimistic in the long-term future of the core manufacturing business of the Group and the long-term economic growth in Hong Kong and the PRC; and with the Group's strength and competitiveness, the Group will be well placed to revive its manufacturing business and securities investment business when the financial crisis settles down and the global economy recovers in the future.

In view of the current global financial crisis and the worries over the global economy, we do not expect that there would be a speedy recovery of the Group's manufacturing and securities investment businesses. The bankruptcy of the US investment bank, Lehman Brothers, has brought great uncertainty to the global economic outlook. Under the current difficult business environment, we consider that the Group's principal business activities comprising the manufacturing and securities investment businesses are susceptible to outside economic and market conditions, most of which are beyond the control of the Group. As such, we consider that it would be full of challenges to the Group to sustain the historical profitable financial performance in the near future.

3. Share price performance and liquidity

(a) ***Historical market price of the Shares***

In view of the fluctuation of the stock market in recent years, we have compared the Offer Price to historical market prices of the Shares over the 18-month period prior to the date of the Announcement up to the Latest Practicable Date. The following chart depicts the daily closing prices of the Shares from 1 July 2007 (approximately 18 months prior to the date of the Announcement) up to the Latest Practicable Date (the "Review Period"):



Source: Bloomberg

During the Review Period, the Shares traded at a downward trend within the range of HK$0.23 to HK$1.74. The Share price decreased from HK$1.53 on 3 July 2007 to HK$0.82 on 29 August 2008. During the period, the Company announced that (i) on 23 October 2007, its GEM listed subsidiary CCT Resources, among others, entered into an agreement regarding the acquisition of the forestry projects (the "Forestry Acquisition"), and the Share price increased from HK$1.365 to HK$1.44 on the next trading day; and (ii) on 28 March 2008, supplemental agreements were entered into to decrease the scale and revise the terms of the Forestry Acquisition, and the Share price increased from HK$1.18 to HK$1.23 on the next trading day. The Share price then decreased from HK0.82 to HK$0.74 on 1 September 2008, when the Company issued a results warning announcement for the six months ended 30 June 2008. The Share price further decreased to HK$0.23 on 7 November 2008, the trading day immediately after the Company issued the November Announcement and reached the lowest during the Review Period. The Share price then increased to HK$0.345 on 31 December 2008 and remained at the same level until the issuance of the Announcement.

During the period from 7 January 2009 (being the first trading day immediately following the issuance of the Announcement) to the Latest Practicable Date, the highest and the lowest closing price of the Shares were HK$0.48 (recorded on 7 January 2009) and HK$0.415 (recorded on 9 January 2009) respectively. The average of the closing prices of the Shares during the period was approximately HK$0.434. The Offer Price represents a premium of approximately 15.2% over such average. We consider that the rise in the Share price after the issuance of the Announcement would have probably been prompted by the higher Offer Price relative to the Share price before the issuance of the Announcement.

(b) ***Liquidity of the Shares***

The following table sets out the total trading volume and the average daily trading volume per month and the respective percentages of the average daily trading volume compared with the average total issued Shares and the average number of Shares held by the public during the Review Period:

	Total monthly trading volume *(million Shares)*	**Average daily trading volume** *(million Shares)*	**% of average daily trading volume to the average total issued Shares** *(note 1)*	**% of average daily trading volume to average public float** *(note 2)*
2007				
July	44.923	2.139	0.268	0.394
August	47.567	2.068	0.259	0.381
September	23.173	1.220	0.153	0.225
October	15.834	1.759	0.221	0.324
November	17.427	0.792	0.099	0.146
December	11.872	0.625	0.078	0.115
2008				
January	7.697	0.350	0.044	0.065
February	6.936	0.365	0.046	0.067
March	1.358	0.104	0.013	0.019
April	3.383	0.161	0.020	0.030
May	1.856	0.098	0.012	0.018
June	2.881	0.160	0.020	0.029
July	3.105	0.141	0.017	0.028
August	2.021	0.112	0.013	0.021
September	3.713	0.186	0.022	0.034
October	6.262	0.330	0.039	0.061
November	10.534	0.620	0.073	0.114
December	4.645	0.244	0.029	0.045

	Total monthly trading volume *(million Shares)*	**Average daily trading volume** *(million Shares)*	**% of average daily trading volume to the average total issued Shares** *(note 1)*	**% of average daily trading volume to average public float** *(note 2)*
2009				
January (up to the Last Trading Day)	0	0	0	0
January (from 7 January) to the Latest Practicable Date	39.781	3.616	0.424	0.666

Source: Bloomberg

Notes:

1. *Calculated based on the average of the number of issued Shares in each month during the Review Period obtained from Bloomberg.*

2. *Calculated based on the average of the number of Shares held by the public in each month during the Review Period obtained from Bloomberg.*

As illustrated above, for the period from July 2007 to December 2007, the average daily trading volume of the Shares as a percentage of the average total issued Shares ranged from 0.078% to 0.268%; while the average daily trading volume of the Shares as a percentage of the average total number of Shares held by the public ranged from 0.115% to 0.394%. However, for the period from January 2008 to December 2008, the average daily trading volume of the Shares as a percentage of the average total issued Shares decreased substantially and ranged from 0.012% to 0.073%; while the average daily trading volume of the Shares as a percentage of the average total number of Shares held by the public ranged from 0.018% to 0.114%.

In January 2009 after the issuance of the Announcement, the trading volume of the Shares increased substantially due to the stimulation of the proposed Offer, with the average daily trading volume of the Shares as a percentage of the average total issued Shares and as a percentage of the average total number of Shares held by the public reaching 0.424% and 0.666% respectively.

In our view, in general, the liquidity of the Shares was extremely low and there may not be sufficient liquidity in the Shares for the Shareholders to dispose of their Shares in the open market without having an adverse impact on the price level of the Shares.

(c) ***Comparison of the Offer Price with the market price and NAV per Share***

The Offer Price of HK$0.50 per Share represents:

(i) a premium of approximately 44.9% over the closing price of HK$0.345 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 44.9% over the average of the closing prices for the ten trading days up to and including the Last Trading Day of approximately HK$0.345 per Share;

(iii) a premium of approximately 50.2% over the average of the closing prices for the one-month period up to and including the Last Trading Day of approximately HK$0.333 per Share;

(iv) a premium of approximately 50.6% over the average of the closing prices for the three-month period up to and including the Last Trading Day of approximately HK$0.332 per Share;

(v) a discount of approximately 14.1% to the average of the closing prices for the six-month period up to and including the Last Trading Day of approximately HK$0.582 per Share;

(vi) a premium of approximately 14.9% over the closing price of HK$0.435 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(vii) a discount of approximately 85.2% to the net asset value (excluding minority interests) per Share ("NAV per Share") of approximately HK$3.388 based on the unaudited net asset value (excluding minority interests) of approximately HK$2,892 million as at 30 June 2008 and the 853,614,826 issued Shares as at the Latest Practicable Date.

4. Valuation of the Offer Price

Having considered that the Group had recorded loss for the six months ended 30 June 2008 and as discussed under the paragraphs headed "Future prospect of the Group" above where we consider that it would be full of challenges to the Group to sustain the historical profitable financial performance in the near future, in assessing the fairness and reasonableness of the Offer Price, we consider that using price-to-earnings ratio for valuation of the Offer Price may not be appropriate in the present case.

(a) ***Net asset value***

The Offer Price represents a discount of approximately 85.2% to the NAV per Share of approximately HK$3.388 based on the unaudited net asset value (excluding minority interests) of approximately HK$2,892 million as at 30 June 2008 and the 853,614,826 issued Shares as at the Latest Practicable Date.

As stated in the interim report of the Company for the six months ended 30 June 2008 (the "Interim Report"), the unaudited consolidated net assets of the Group amounted to approximately HK$3,378 million as at 30 June 2008, of which investment in securities accounted for

approximately 16.3% and amounted to approximately HK$552 million. For the six months ended 30 June 2008, the securities investment business of the Group had recorded a loss of approximately HK$212 million. As set out in the January Announcement, it is estimated that the Group's securities investment business would record loss for the year ended 31 December 2008. In addition, as a result of the Discontinuation, an impairment loss on certain under-utilised fixed assets and intangible assets would be charged to the Group's consolidated income statement for the year ended 31 December 2008, therefore, the net asset position of the Group as at 31 December 2008 would have been affected.

To assess the fairness of the Offer Price in terms of the implied price-to-book ratio, we have identified all (a total of two) companies listed on the main board of the Stock Exchange which, according to their latest published annual and interim reports, are currently principally engaged in manufacturing and sales of telecommunication products (other than mobile phone), namely Suncorp Technologies Limited ("Suncorp") and Vtech Holdings Limited ("Vtech"). However, we noted that Suncorp had a net liabilities position as at 31 December 2006, 31 December 2007 and 30 June 2008. Despite the net assets position of Vtech is positive, given the market capitalisation of Vtech as at the Last Trading Day and the average market capitalisation of Vtech for the six-month period up to the Last Trading Day amounted to approximately HK$8,224 million and HK$9,044 million respectively, which are substantially higher than the corresponding market capitalisations of the Company of approximately HK$294 million and HK$497 million respectively, we consider that comparison of the price-to-book ratio of the Company to Vtech may not be appropriate.

Nevertheless, we have compared the Offer Price to conditional voluntary cash offers for share repurchase made by other companies listed on the main board of the Stock Exchange.

As further discussed under the section headed "Comparison with other offers for share repurchase" below, most of the listed companies made offer for share repurchase at prices substantially below their net asset values. Offer for share repurchase at a price below the net asset value would enhance the net asset value on a per share basis after completion and is therefore in the interests of the shareholders.

(b) ***Comparison with other offers for share repurchase***

In analyzing the fairness and reasonableness of the Offer Price, we have also compared all conditional voluntary cash offers for share repurchase made by companies listed on the main board of the Stock Exchange since 2002 up to the date of the Announcement (the "Comparable Offers") and compare the premium/(discount) as represented by the respective offer prices over/to the averages of the closing prices during the six-month period immediately before the date of the respective announcements and the NAVs per share as extracted from the relevant offer documents of the Comparable Offers:

		Premium/(discount) of the offer price over/to the				
Company (stock code)	**Date of announcement of the Comparable Offer**	**Closing price as at the last trading day before the date of the announcement of the offer ("Last Price")** *(%)*	**One-month average closing price ("One-month Average Price")** *(%)*	**Three-month average closing price ("Three-month Average Price")** *(%)*	**Six-month average closing price ("Six-month Average Price")** *(%)*	**NAV per share** *(%) (note 1)*
SCMP Group Limited (583)	3 September 2002	5.1	4.6	(11.7)	(18.2)	196.3
Chinese Estates Holdings Limited (127)	9 September 2002	9.8	30.4	37.2	33.5	(86.3)
Shell Electric Mfg. (Holdings) Company Limited (81)	1 October 2002	46.2	45.7	35.5	24.2	(76.4)
Van Shung Chong Holdings Limited (1001)	5 November 2002	58.1	108.5	157.9	56.7	(33.5)
Deson Development International Holdings Limited (262)	10 September 2003	37.9	66.7	73.9	90.5	(27.3)
Man Yue International Holdings Limited (894)	26 April 2004	26.7	26.7	26.7	26.7	(45.3)
COL Capital Limited (383)	4 June 2004	20.0	17.7	7.1	6.2	(59.6)
Quality Healthcare Asia Limited (593)	24 January 2005	15.6	17.6	15.6	14.3	301.6
Average		**27.4**	**39.7**	**42.8**	**29.2**	**(54.7)** *(note 2)*
The Company	**6 January 2009**	**44.9**	**50.2**	**50.6**	**(14.1)**	**(85.2)**

Source: website of the Stock Exchange

Notes:

1. *Based on the latest financial information available up to the publication of the respective offer documents.*

2. *Excluding SCMP Group Limited and Quality Healthcare Asia Limited.*

As shown in the above table, the Offer Price of HK$0.50 per Share represents premiums of approximately 44.9%, 50.2% and 50.6% over the Last Price, the One-month Average Price and the Three-month Average Price respectively; and a discount of approximately 14.1% to the Six-month Average Price. Although the Offer Price represents a discount of approximately 14.1% to the Six-month Average Price, the premiums represented by the Offer Price over the Last Price, the One-month Average Price and the Three-month Average Price are higher than the corresponding average prices of the Comparable Offers.

As shown in the above table, the Comparable Offers have their respective offer prices to the respective latest published consolidated NAVs per share prior to the publication of the respective offer documents ranging from premium of approximately 301.6% to discount of 86.3%, having an average of a premium of approximately 21.2% and a median of a discount of approximately 39.4%. Despite the average of the respective offer prices to the respective latest published consolidated NAVs per share under the Comparable Offers represented a premium of approximately 21.2%, given such a widen range, we consider it is more appropriate to analyze on the median of the same under the Comparable Offers. The discount to NAV per Share represented by the Offer Price of approximately 85.2% falls within the range of the Comparable Offers, however, it falls towards the upper end and above the median of the Comparable Offers.

From the observation of the historical share price performance of the Comparable Offers during the one-year period before the announcement of the respective offers (the "One-year Period"), we noted that the market values of SCMP Group Limited and Quality Healthcare Asia Limited during the One-year Period were traded at premium over their respective latest published net asset values, whereas the market values of the other six Comparable Offers and the Company during the One-year Period were traded at discount to their respective latest published net asset values. Having taken into account the average of the daily closing prices of the Shares for the three years ended 31 December 2008 were traded at discount to the respective NAVs per Share of the Group for the two years ended 31 December 2007 and the six months ended 30 June 2008 respectively, we consider it appropriate to compare the Offer Price with those Comparable Offers with historical market prices before the announcement of the respective offers at discount to the respective NAVs per share ("Discount Comparable Offers") and excluding SCMP Group Limited and Quality Healthcare Asia Limited in our analysis. The respective offer prices of the Discount Comparable Offers represented a discount to the respective latest published consolidated NAVs per share prior to the publication of the respective offer documents ranging from approximately 27.3% to 86.3%, having a median of approximately 52.5% and an average of approximately 54.7%. The discount of approximately 85.2% as represented by the Offer Price to the latest published consolidated NAV per Share falls within the range, but towards the upper end and above the median and the average of the discounts to NAV per share under the Discount Comparable Offers.

Despite the discount represented by the Offer Price to the latest published consolidated NAV per Share as at 30 June 2008, which falls within the range of the same of the Discount Comparable Offers, is towards the upper end and above the median and average of the discounts to NAV per share under the Discount Comparable Offers, given (i) the Offer will be made to all Qualifying Shareholders on a fair and equitable basis; (ii) the Company had reported loss for the six months ended 30 June 2008; (iii) the challenges of the Group's core manufacturing business and the securities investment business, which we consider, are susceptible to the uncertain economic and market conditions, most of which are beyond the control of the Group, and it would be full of challenges to the Group to sustain the historical profitable financial performance in the near future; (iv) the Offer Price represents substantial premium over the One-month Average Price and the Three-month Average Price; and (v) the extremely low liquidity of the Shares, on balance, we consider the discount to NAV per Share represented by the Offer Price will not prejudice the interest of the Independent Shareholders.

5. Financial effects of the Offer

According to the unaudited pro forma financial information of the Group contained in Appendix II to the Offer Document, the financial effects of the Offer to the Group upon the completion of the Offer are shown as follows:

	Before the Offer *(note 1)*	**Upon completion of the Offer** *(note 2)*	**Increase/ (decrease)** *%*
Number of Shares in issue	853,614,826	573,614,826	(32.8)
Basic earnings per Share (HK$)	0.608 *(note 3)*	0.937 *(note 4)*	54.1
Current ratio	2.30	2.19	(4.8)
Gearing ratio *(note 5)*	14.5%	15.2%	0.7
Net cash balance per Share (HK$) *(note 6)*	0.59	0.63	6.8
NAV per Share (HK$)	3.388	4.794	41.5

Notes:

1. *Based on 853,614,826 Shares in issue as at the Latest Practicable Date.*

2. *Assuming full acceptance of the Offer up to the Maximum Number.*

3. *Based on the audited net profit attributable to Shareholders of the Group for the year ended 31 December 2007 of approximately HK$484 million and the weighted average of 796,359,311 Shares in issue during the year ended 31 December 2007.*

4. *Based on the audited net profit attributable to Shareholders of the Group for the year ended 31 December 2007 of approximately HK$484 million and the weighted average of 516,359,311 Shares in issue, which is the weighted average of 796,359,311 Shares in issue during the year ended 31 December 2007, reduced by 280,000,000 Shares repurchased assuming full acceptance of the Offer up to the Maximum Number and the Offer had completed on 1 January 2007.*

5. *Total borrowings (representing bank and other borrowings, convertible bonds and finance lease payable) divided by total capital employed (representing total Shareholders' funds plus total borrowings).*

6. *Net cash equals to cash and cash balance of approximately HK$994 million less total borrowings of approximately HK$491 million as at 30 June 2008.*

(a) *Basic earnings per Share*

Assuming that the Offer had taken place on 1 January 2007 and the total maximum number of 280,000,000 Shares subject to the Offer had been repurchased and cancelled in full by the Company, the weighted average number of Shares in issue would have decreased from 796,359,311 to 516,359,311 and the basic earnings per Share would increase by approximately 54.1% to HK$0.937 for the year ended 31 December 2007 based on the audited net profit attributable to Shareholders of the Group for the year ended 31 December 2007 of approximately HK$484 million, which is in the interests of the Company and the Shareholders as a whole.

(b) ***Current ratio and gearing ratio***

As shown in the above table, the current ratio of the Group would decrease from approximately 2.30 times to 2.19 times. Such decrease in the current ratio is based on the assumption that (i) the total estimated cost of the Offer and the total estimated expenses in relation to the Offer of approximately HK$142 million would be financed by internal resources of the Group; and (ii) the Offer would have no effect on the Group's total liabilities.

As set out in the Interim Report, the Group had total borrowings of approximately HK$491 million as at 30 June 2008, representing a gearing ratio of approximately 14.5%. According to the unaudited pro forma financial information of the Group contained in Appendix II to the Offer Document, Shareholders' funds of the Group would decrease to approximately HK$2,750 million upon completion of the Offer. Accordingly, the gearing ratio would increase slightly to approximately 15.2% upon completion of the Offer. Since the Offer is expected to be satisfied by the internal resources of the Group, the increase in gearing ratio of the Group is mainly due to the Shareholders' funds being reduced by the total consideration for the acceptance of the Offer and related expenses in aggregate of approximately HK$142 million.

The slight decrease in current ratio and slight increase in gearing ratio would not, in our view, have any significant impact on the financial position of the Group as the Company will continue to maintain a net cash position after completion of the Offer and the Directors have confirmed that the Group will have sufficient working capital to meet the normal operating requirements after completion of the Offer.

(c) ***NAV per Share***

As shown in the above table, the NAV per Share would increase by approximately 41.5% to approximately HK$4.794 by the implementation of the Offer. Such enhancement of NAV per Share is mainly due to the fact that the Offer Price represents a discount to the NAV per Share. As such discount is offered to all Qualifying Shareholders on a fair and equitable basis, we do not consider such Offer Price will prejudice the interest of the Independent Shareholders. Taken into account the Company has sufficient resources to fund the Offer and the overall financial effects of the Offer on the Company are positive, save for the slight effect on current ratio and gearing ratio, we consider that the Offer is in the interests of the Company and the Shareholders as a whole despite the fact that the Offer is made at a substantial discount to the NAV per Share.

6. Reasons for the Offer

As set out in the Letter from the Board to the Offer Document, the Directors believe that the Offer is in the best interests of the Company in reorganising the capital structure of the Company whilst maintaining a strong balance sheet and, at the same time, provide an opportunity for the Shareholders to realise at least part of their investment in the Company at a premium to the recent market price, or to increase their proportionate interest in the Company by retaining their shareholdings and participating in the future prospects of the Group.

In view of the recent market prices of the Share and its extremely low liquidity over the 12-month period before the issuance of the Announcement, we concur with the Directors' view that the Offer would provide an opportunity for the Shareholders to realise part of their investment in the Company at

a premium over the market prices over the last few months. Furthermore, as discussed in the section headed "Financial effects of the Offer" above, the financial effects of the Offer would be expected to be positive, save for the slight effect on current ratio and gearing ratio, and would be in the interests of the Shareholders as a whole. Given the fact that the Offer will not prejudice the shareholding interests of the Qualifying Shareholders who intend not to tender their Shares for acceptance under the Offer, we are of the view that the making of the Offer, which will provide an opportunity to those Qualifying Shareholders who wish to realise part of their investment through the Assured Entitlement, is in the interests of the Independent Shareholders.

7. Whitewash Waiver

The shareholding structure of the Company prior to and immediately following completion of the Offer (assuming full acceptance) has been set out in the section headed "Changes in Shareholding Structure" in the Letter from the Board to the Offer Document.

As at the Latest Practicable Date, Mr. Mak and parties acting in concert with him were interested in 295,490,731 Shares, representing approximately 34.6% of the issued share capital of the Company. The increase of the interest of Mr. Mak and parties acting in concert with him to a maximum of approximately 51.5% upon completion of the Offer will give rise to an obligation under Rule 26 of the Takeovers Code for Mr. Mak and parties acting in concert with him to make a mandatory general offer for all the Shares not already owned by Mr. Mak and parties acting in concert with him.

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 approval by the Independent Shareholders taken by way of poll at the SGM.

Given the Offer will provide an opportunity to those Qualifying Shareholders who wish to realise part of their investment through the Assured Entitlement, and those Shareholders who do not accept the Offer will enjoy an increase in their shareholdings in the Company by the same magnitude as that of Mr. Mak together with parties acting in concert with him and the Shareholding Directors, we consider that the Offer will not prejudice the interest of the Independent Shareholders. In addition, the Whitewash Waiver is a condition precedent to the Offer which will not proceed if the Whitewash Waiver is not granted, we consider the grant of the Whitewash Waiver to be in the interests of the Company and the Independent Shareholders and is fair and reasonable.

DISCUSSION AND RECOMMENDATION

In assessing the Offer, we noted that (i) the Group had only recorded loss for the six months ended 30 June 2008 and was profit making for the three years ended 31 December 2007; and (ii) the Offer Price represents a discount of approximately 13.8% to the Six-month Average Price and a discount of approximately 85.2% to the NAV per Share which falls within the range of the discounts to NAV per share under the Discount Comparable Offers, however, it falls towards the upper end of the range and above the median and average of the discounts to NAV per share under the Discount Comparable Offers.

However, having considered the principal factors discussed above and, in particular, the following:

(i) the Group was in loss making position for the six months ended 30 June 2008. The future outlooks of the Group's core telecom and electronic manufacturing business and securities investment business remain full of challenges where, in light of the uncertainty in the global economy and the financial market, the Group's principal business activities are susceptible to economic and market conditions, most of which are beyond the control of the Group, and it would be full of challenges to the Group to sustain the historical profitable financial performance in the near future;

(ii) the discount represented by the Offer Price to NAV per Share is offered to all Qualifying Shareholders on a fair and equitable basis which, in our review, will not prejudice the interest of the Independent Shareholders. In addition, the Company has sufficient resources to fund the Offer and the overall financial effects of the Offer on the Company are positive, save for the slight effect on current ratio and gearing ratio;

(iii) the slight increase in the gearing ratio of the Group as a result of the reduction in Shareholders' funds upon completion of the Offer would not have any material adverse effect to the financial position of the Group. The Group will still maintain a net cash position upon completion of the Offer and the Directors have confirmed that the Group will have sufficient working capital to meet the normal operating requirements after completion of the Offer;

(iv) the Offer Price represents substantial premiums over the One-month Average Price and the Three-month Average Price which are higher than the corresponding premium of the average offer prices of the Comparable Offers given the extremely low liquidity of the Shares and the current uncertain financial market;

(v) the Offer provides an opportunity for Shareholders to realise part of their investment in the Company at a premium over the recent market price given the low liquidity;

(vi) although the shareholding of the Independent Shareholders would, in aggregate, decrease from approximately 63.6% to 45.8% if the maximum of 280,000,000 Shares subject to the Offer are fully repurchased and cancelled, the Offer would not dilute the shareholding interests of those Qualifying Shareholders who do not tender any of their Shares for acceptance under the Offer. In fact, if the Assured Entitlement is fully taken up, their shareholdings in the Company will increase by the same magnitude as that of Mr. Mak together with parties acting in concert with him and the Shareholding Directors after completion of the Offer; and

(vii) the Whitewash Waiver is a condition precedent to the Offer and if it is not approved by the Independent Shareholders, the Offer will lapse and those Qualifying Shareholders who wish to accept the Offer will not have the opportunity to realize part of their Shares through the Assured Entitlement or, alternatively, for those Qualifying Shareholders who intend not to accept the Offer will not benefit from an increase in their shareholding interests in the Company as a result of the reduced issued share capital of the Company following completion of the Offer,

on balance, we consider the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and that the Offer and the granting of the Whitewash Waiver, which is one of the Conditions of the Offer, are in the interests of the Company and the Shareholders as a whole. Having considered that those Qualifying Shareholders who intend not to tender their Shares for acceptance under the Offer would also benefit from an increase in their proportionate shareholding interests and the NAV per Share in the Company if the Offer become unconditional as a result of acceptance of the Offer by other Qualifying Shareholders, we therefore recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to approve the Offer and the Whitewash Waiver at the SGM. We also recommend the Independent Board Committee to advise the Independent Shareholders who are Qualifying Shareholders to accept the Offer.

Having considered the premium represented by the Offer Price over the recent market price, Qualifying Shareholders who wish to realise part of their investment in the Company shall consider to accept the Offer and shall be aware that their remaining shareholding interest in the Company would increase proportionately as a result of the reduced issued share capital of the Company that may result from the acceptances of the Offer by other Qualifying Shareholders. However, Qualifying Shareholders who wish to accept the Offer are advised to monitor the market price of the Shares carefully during the Offer Period. If any Qualifying Shareholders are able to identify any opportunity to sell their Shares in the open market where the net proceeds from such sale will exceed the net proceeds by accepting the Offer, such Qualifying Shareholders shall consider not to accept the Offer and should seek to sell their Shares if they are able to do so. Qualifying Shareholders tendering acceptance in excess of their Assured Entitlement are advised to be aware that their Excess Tenders may or may not be accepted depending on the acceptance level under the Offer and acceptance thereof cannot be guaranteed.

Qualifying Shareholders who are confident of the future prospects of the Group and expect the Share price would return to the level above the Offer Price should consider not to accept the Offer. Such Qualifying Shareholders would enjoy an increase in their proportionate shareholding interests in the reduced issued share capital of the Company and an increase on the NAV per Share that may result from the acceptances of the Offer by other Qualifying Shareholders.

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

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

VC Brokerage will make the Offer to the Qualifying Shareholders on behalf of the Company to repurchase Shares, on the terms and subject to the conditions set out in this Offer Document. The principal terms and conditions of the Offer are set out below.

TERMS AND CONDITIONS OF THE OFFER

1. The Offer

The Company will repurchase Shares up to the Maximum Number at the Offer Price.

2. Conditions

The Offer will be conditional upon fulfillment of all of the following conditions:

(a) the passing of (an) ordinary resolution(s) by way of poll to approve the Offer and the Whitewash Waiver by the Independent Shareholders, either voting in person or by proxy, at the SGM; and

(b) the granting of the Whitewash Waiver by the Executive.

If the Whitewash Waiver is not granted by the Executive, or if the resolution(s) to approve the Offer and the Whitewash Waiver is/are not passed by the Independent Shareholders at the SGM, the Offer will not proceed.

The Offer is not conditional as to any minimum number of acceptances.

3. Maximum Number

The Maximum Number which will be repurchased by the Company pursuant to the Offer is 280,000,000 Shares, representing approximately 32.80% of the issued share capital of the Company of 853,614,826 as at the Latest Practicable Date.

4. Qualifying Shareholders

The Offer is available to all the Qualifying Shareholders whose names appear on the Register as at the Latest Acceptance Time.

5. Acceptance

5.1 Every Qualifying Shareholder may accept the Offer for the repurchase by the Company of any number of his/her Shares at the Offer Price up to his/her entire holding as at the Latest Acceptance Time by submitting to the Registrar a duly completed Form of Acceptance, accompanied by the relevant share certificates or other documents of title satisfactory to the Company. Each Share may only be accepted for repurchase by the Company once.

5.2 The Shares specified in a Form of Acceptance will be repurchased in the following order:

(i) firstly, all the Shares up to the Assured Entitlement of an Accepting Shareholder; and

(ii) secondly, Excess Tenders will be accepted on a pro rata basis to the extent that the aggregate number of Shares repurchased by the Company pursuant to the Offer will not thereby exceed the Maximum Number.

5.3 The Offer Price will be paid in cash.

5.4 Forms of Acceptance which have been duly completed and received by or on behalf of the Company will be irrevocable.

5.5 All of the Shares repurchased by the Company will be free of commissions and dealing charges, but seller's ad valorem stamp duty payable by the Accepting Shareholders and calculated at a rate of HK$1.00 for every HK$1,000 or part thereof of the market value of the Shares to be repurchased under the Offer or the consideration payable by the Company in respect of relevant acceptances of the Offer, whichever is the higher, will be deducted by the Company from the amount payable to the Accepting Shareholders. The Company will arrange for payment of the seller's ad valorem stamp duty on behalf of the Accepting Shareholders to the Stamp Duty Office in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

5.6 All repurchased Shares will be treated as cancelled in accordance with the bye-laws of the Company and the Companies Act 1981 of Bermuda (as amended) and will not rank for any dividends after the cancellation.

5.7 Subject to the Offer becoming unconditional, the submission of a Form of Acceptance by an Accepting Shareholder in the manner described in 5.1 above will be deemed to constitute a warranty from such Accepting Shareholder to VC Brokerage and the Company that all Shares sold by such Shareholder under the Offer are free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date of their cancellation.

6. Assured Entitlements and Excess Tenders

6.1 Assuming that all of the Qualifying Shareholders (other than the Excluded Shareholders, if any, Mr. Mak and parties acting in concert with him and the Shareholding Directors) become Accepting Shareholders, Qualifying Shareholders are assured of being able, if they so wish, to sell to the Company approximately 51.58% of the Shares they hold as at the Latest Acceptance Time. By way of example, a Qualifying Shareholder holding 2,000 Shares as at the Latest Acceptance Time will be assured of being able to accept the Offer in respect of 1,031 Shares.

6.2 Accepting Shareholders may accept the Offer in excess of their Assured Entitlement and the Company may repurchase Shares under the Excess Tenders if certain Qualifying Shareholders do not accept the Offer or accept the Offer in respect of Shares fewer than their Assured Entitlement.

6.3 If the aggregate Excess Tenders fall below the total number of Surplus Shares, all of the Excess Tenders will be repurchased by the Company.

6.4 If the total number of Shares tendered for acceptance of the Offer exceeds the Maximum Number, acceptances of the Excess Tenders will be scaled down on a pro rata basis, based on the total number of Excess Tenders and calculated in accordance with the following formula (save that the Company may in its absolute discretion round such figure up or down with the intention of avoiding (as far as practicable) Shares being held by Shareholders in odd lots or fractional entitlements):

$$\frac{(280{,}000{,}000 - A) \times C}{B}$$

A = Total number of Shares in respect of which the Offer is validly accepted by all Accepting Shareholders and which form either all or part of their respective Assured Entitlements (as the case may be)

B = Total number of Shares in respect of which the Offer is validly accepted by the Accepting Shareholders in excess of their respective Assured Entitlements

C = Total number of Shares in respect of which the Offer is validly accepted by the relevant Qualifying Shareholder in excess of his/her Assured Entitlement

6.5 The total number of the Shares which will be repurchased by the Company will not exceed the Maximum Number.

7. Odd Lots

7.1 In view of the number of Shares in an Assured Entitlement and the manner of calculation in respect of the Excess Tenders as described above, an Accepting Shareholder may, as a result of the Offer, hold odd lots of the Shares.

7.2 For this purpose, VC Brokerage, whose address is at 28/F The Centrium, 60 Wyndham Street, Central, Hong Kong (contact person: Ms. Karen Yau; telephone number: (852) 2913 6239) has been appointed by the Company as the designated broker to match sales and purchases of odd lot holdings of Shares in the market for a period of six weeks from the completion of the Offer to enable odd lot Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots of 2,000 Shares. Odd lot Shareholders should note that the matching of odd lots is not guaranteed. Further details of the related arrangements will be announced after the Offer has become unconditional.

8. Acceptance Period

8.1 If the Conditions are satisfied, the Offer will be open for acceptance at least for 14 days after the Offer has become unconditional. In order to be valid, a Form of Acceptance must be duly completed, together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of such number of Shares which represent not less than the number of Shares in respect of which the relevant Qualifying Shareholders intends to accept under the Offer, delivered to and received by the Registrar at or before the Latest Acceptance Time, which is currently expected to be 4:00 p.m. on Monday, 2 March 2009, or such later date as the Company may, with the prior consent of the Executive, decide and announce. The Company reserves the right to extend the time for acceptance of the Offer, subject to receiving the prior consent of the Executive. The Executive's consent in respect of extension would only be granted in exceptional circumstances.

8.2 The date when the last one of the Conditions is expected to be satisfied is Monday, 16 February 2009. Such date may be postponed by the Company, subject to receiving the prior consent of the Executive.

9. Irrevocable Acceptances

Forms of Acceptance which have been duly completed and received by the Registrar will constitute irrevocable acceptance of the Offer.

10. General

10.1 Shares will be repurchased by the Company on the basis that they are fully paid, their legal and beneficial ownerships will be transferred to the Company for subsequent cancellation on the Register and the Shares are free from liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date of their cancellation.

10.2 The Qualifying Shareholders may accept the Offer by completing the Form of Acceptance in accordance with the instructions set out in the Form of Acceptance (which constitute part of the terms of the Offer). A Form of Acceptance may be rejected as invalid if the procedures contained in this Offer Document and in the Form of Acceptance are not complied with.

10.3 The Offer and all acceptances of it, the Forms of Acceptance and all contracts made pursuant to the Offer, and all action taken or made or deemed to be taken or made pursuant to these terms will be governed by and construed in accordance with Hong Kong laws. Delivery of a Form of Acceptance will constitute submission to the non-exclusive jurisdiction of the Hong Kong courts.

10.4 The failure of any person to receive an Offer Document or a Form of Acceptance will not invalidate any aspect of the Offer. Extra prints of these documents will be available to any Qualifying Shareholders at the office of the Registrar and the principal place of business of the Company during office hours between the date of despatch of the Offer Document and

the Latest Acceptance Time, and on the Stock Exchange's website at www.hkexnews.hk for at least seven days from the day of its publication, together with the Company's website at www.cct.com.hk.

10.5 The Company reserves the right, subject to any applicable law or regulatory requirements, to amend the Offer Price. In the event of such amendment (which will not, for the avoidance of doubt, include an alteration of the Maximum Number), a supplemental document and new Forms of Acceptance will be despatched to the Qualifying Shareholders. Any revised offer will be kept open for at least 14 days following the date on which the revised offer document is posted. If in the course of the Offer, the Company revises the terms of the Offer, all Qualifying Shareholders, whether they have accepted the Offer or not, will be entitled to the revised terms.

10.6 The right of acceptance of the Offer is personal to the Qualifying Shareholder and is not capable of being assigned or renounced in favour of others or otherwise transferred by the Qualifying Shareholders.

10.7 All questions as to the number of Shares repurchased, the price to be paid therefor, or any alteration of such price in accordance with the terms contained herein, and the validity, form, eligibility (including the time of receipt) and acceptance for payment of any acceptance will be determined by the Company in its sole discretion, which determination will be final and binding on all of the parties (except as otherwise required under the applicable law or by the Executive). The Company reserves the absolute right to reject any or all acceptances it determines not to be in proper form or the acceptance or payment for which may, in the opinion of the Company, be unlawful. The Company also reserves the absolute right (provided that this is exercised consistently with the requirements of the Repurchase Code or otherwise with the Executive's consent) to waive any of the terms or conditions of the Offer, except the Conditions, either generally or in a particular case and any defect or irregularity in the acceptance of any particular Share or any particular holder thereof. An acceptance may be rejected as invalid unless all defects or irregularities have been cured or waived. In the event of a waiver, the consideration under the Offer will not be despatched until after the Form of Acceptance is completed in all respects and the share certificate(s), and/or transfer receipt(s) and/or other documents of title satisfactory to the Company have been received. None of the Company or the Registrar or any other person is or will be obliged to give notice of any defects or irregularities in acceptances, and none of them will incur any liability for failure to give any such notice.

10.8 All communications, notices, Form(s) of Acceptance, share certificate(s), transfer receipt(s), other document(s) of title (and/or any indemnity or indemnities in respect thereof) and remittances to be delivered or sent by, to or from any Shareholder will be delivered or sent by, to and from them, or their designated agents, at their risk and none of the Company, VC Brokerage, the Registrar or any of their respective directors or any other person involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may rise as a result.

10.9 Should any Qualifying Shareholder require any assistance in completing the Form of Acceptance or have any enquiries regarding the procedures for tendering and settlement or any other similar aspect of the Offer, the Qualifying Shareholder may contact the Registrar at its hotline at (852) 2980 1333 during the period from Friday, 23 January 2009 to Monday, 2 March 2009 (both days inclusive) between 9:00 a.m. and 4:00 p.m. (Hong Kong time) from Mondays to Fridays (other than public holidays).

OVERSEAS SHAREHOLDERS

The Offer Document will not be filed under the applicable securities or equivalent legislation or rules of any jurisdictions other than Hong Kong.

Based on the Register, there were Shareholders with registered addresses in six jurisdictions outside Hong Kong as at the Latest Practicable Date. The Board has made enquiries regarding the legal restrictions under the applicable securities legislation of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to the Offer in relation to such overseas Shareholders.

The Company has obtained advice from legal advisers in Australia, Macau, the PRC, Spain and the United Kingdom that no local regulatory compliance is required to be made in these jurisdictions for the Company in respect of the Offer to the Shareholders who resided in these jurisdictions. Accordingly, the Offer will be extended to such overseas Shareholders with addresses in these jurisdictions.

The Company has also obtained legal advice from legal adviser in France that local regulations prohibit the extension of the Offer, which constitutes solicitation on banking or financial transactions under French law, to the overseas Shareholders in this jurisdiction. As advised by the French legal adviser, solicitation is prohibited under French law for financial instruments which are not admitted to trading on a "regulated market" in the European Economic Area Member State or a "recognized foreign market". The list of "recognized foreign markets" does not include the Main Board of the Stock Exchange. The Company considers that as the extension of the Offer to Shareholders in France is prohibited by local regulations, it would be necessary to exclude the Shareholders in this jurisdiction from the Offer. As at the Latest Practicable Date, there was one corporate Shareholder which was interested in 50 Shares, representing approximately 0.0000059% of the existing issued share capital of the Company, located in France. To comply with the local regulations in France, the Company will only send to this shareholder a notice about the existence of the Offer and a notice of the SGM with contact details of the Company for the relevant shareholder to contact for a copy of the Offer Document.

An application has been made to the Executive under Rule 8 of the Repurchase Code for consent to exclude the Shareholder in France from the Offer.

It is the responsibility of each overseas Shareholder who wishes to accept the Offer to satisfy himself or herself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consents which may be required or compliance with other necessary formalities or legal requirements. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Company that the local laws and requirements have been complied with. Shareholders should consult their professional advisers if in doubt.

The Company shall give notice of any matter in relation to the Offer to the Shareholders by issuing announcements or advertisements in accordance with its bye-laws and, if so given, shall be deemed to have been sufficient for all effective purposes, despite any failure by any overseas Shareholder to receive the same.

PROCEDURES FOR ACCEPTANCE AND SETTLEMENT

1. General Procedures for Acceptance

1.1 In order to accept the Offer, Qualifying Shareholders should complete and return the accompanying Form of Acceptance in accordance with the instructions printed in this Offer Document and the instructions printed on the Form of Acceptance. The instructions in this Offer Document should be read together with the instructions on the Form of Acceptance (which instructions form part of the terms of the Offer).

1.2 In order to be valid, the completed Form of Acceptance should be forwarded, together with the share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which the relevant Qualifying Shareholder wishes to accept the Offer, by post or by hand to the Registrar, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, in an envelope marked "**CCT Telecom — Repurchase Offer**" as soon as possible after receipt of the Form of Acceptance but in any event so as to reach the Registrar by no later than 4:00 p.m. (Hong Kong time) on Monday, 2 March 2009, or such later time and/or date as the Company may, subject to the Takeovers Code, decide and announce.

1.3 No Form of Acceptance received after the Latest Acceptance Time will be accepted.

1.4 If the Form of Acceptance is executed by a person other than the registered holder, appropriate evidence of authority (e.g. a grant of probate or certified copy of a power of attorney) must be delivered to the Registrar with the completed Form of Acceptance.

1.5 No acknowledgement of receipt of any Form of Acceptance, share certificate(s), transfer receipt(s) or other document(s) of title (and/or any indemnity or indemnities in respect thereof) will be given.

1.6 The Company reserves the right, at its sole discretion, to investigate, in relation to any acceptance, whether the representations and warranties set out in this Appendix I could have been properly given by the relevant Qualifying Shareholder and, if such investigation is made and as a result the Company determines (for any reason) that any such representation and/or warranty could not have been properly given, such acceptance may be rejected as invalid.

1.7 In relation to any acceptance of the Offer in respect of the Shares held in CCASS, the Company reserves the right to make such alterations, additions or modifications to the terms of the Offer as may be necessary or desirable to give effect to any purported acceptance of the Offer, whether in order to comply with the facilities or requirements of CCASS or otherwise, provided such alterations, additions or modifications are consistent with the requirements of the Repurchase Code or are otherwise made with the Executive's consent.

1.8 Only one Form of Acceptance may be submitted by each Qualifying Shareholder to the Registrar.

2. Nominee Holdings

2.1 If the share certificate(s), transfer receipt(s) and/or any other document(s) of title in respect of a Qualifying Shareholder's Shares is/are in the name of a nominee company or some name other than his/her own, and such Qualifying Shareholder wishes to accept the Offer (either in full or in respect of part of his holding(s) of Shares), he/she must either:

(i) lodge the share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on his/her behalf and requesting it to deliver the Form of Acceptance duly completed together with the relevant share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, within such deadline (which may be earlier than the deadline specified under the Offer) as may be stipulated by the nominee; or

(ii) arrange for the Shares to be registered in his/her name by the Company through the Registrar, and send the Form of Acceptance duly completed together with the relevant share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(iii) where his/her Shares are deposited in CCASS, instruct his/her broker/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on his/her behalf on or before the deadline set by HKSCC Nominees Limited, in this case, Friday, 27 February 2009, which is one Business Day before the Latest Acceptance Time. In order to meet the deadline set by HKSCC Nominees Limited, that Shareholder should check with his/her broker/custodian bank for the timing on processing of his instruction, and submit such instruction to his broker/custodian bank as required by them; or

(iv) if that Shareholder's Shares have been lodged with his/her Investor Participant Account with CCASS, authorise his instruction via the CCASS Phone System or CCASS Internet System not later than one Business Day before the Latest Acceptance Time, which is Friday, 27 February 2009.

2.2 Qualifying Shareholders with such a nominee holding of Shares should ensure that they undertake the above applicable course of action promptly so as to allow their nominee(s) sufficient time to complete the acceptance procedure on their behalf by the Latest Acceptance Time.

3. Recent Transfers

If a Qualifying Shareholder has lodged transfer(s) of Shares for registration in his/her name and has not yet received the share certificate(s) and wishes to accept the Offer, he/she should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by him/her. Such action will be deemed to be an authority to the Company or its agent(s) to collect from the Company or the Registrar on his/her behalf the relevant share certificate(s) when issued and to deliver such share certificate(s), subject to the terms of the Offer, as if it/they was/were delivered to the Registrar with the Form of Acceptance.

4. Lost or Unavailable Share Certificates

4.1 If the share certificate(s), transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost and a Qualifying Shareholder wishes to accept the Offer, the Form of Acceptance should nevertheless be completed and delivered to the Registrar so as to reach the Registrar not later than the Latest Acceptance Time and the relevant share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter and in any event before the Latest Acceptance Time.

4.2 Acceptances of the Offer may, at the discretion of the Company, be treated as valid even if not accompanied by the relevant share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) but, in such cases, the cash consideration due will not be despatched until the relevant share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or a satisfactory indemnity or indemnities in respect thereof) has/have been received by the Registrar.

4.3 If a Qualifying Shareholder has lost his/her share certificate(s), transfer receipt(s) and/or any other document(s) of title, he/she should write to the Registrar and request a letter of indemnity in respect of the lost share certificate(s), transfer receipt(s) and/or any other document(s) of title (as the case may be) which, when completed in accordance with the instructions given, should be returned, together with the Form of Acceptance and any share certificate(s), transfer receipt(s) and/or any other document(s) of title which are available, to the Registrar either by post or by hand, so to arrive not later than the Latest Acceptance Time. In such cases, the Qualifying Shareholder will be informed of the fees payable to the Registrar for which he/she will be responsible.

5. Additional Forms of Acceptance

If a Qualifying Shareholder has lost the accompanying Form of Acceptance or such original has become unusable, and requires a replacement of such form, he/she should write to the Registrar or visit the Registrar at its office and request an additional Form of Acceptance for completion by such Qualifying Shareholder. Alternatively, he/she could download it from the website of the Stock Exchange at www.hkexnews.hk or the Company's website at www.cct.com.hk.

6. Settlement

6.1 Subject to the Offer becoming unconditional and provided that a duly completed Form of Acceptance, accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title or satisfactory indemnities required in respect thereof are received by the Registrar by not later than the Latest Acceptance Time and are or are deemed to be in order, the Registrar will inform the relevant Accepting Shareholder by post of the repurchase of his/her Shares, including the number of Shares to be purchased from his/her Excess Tenders, if any. At the same time, the Registrar will send, by ordinary post at that Accepting Shareholder's risk, a remittance for such total amount as is due to that Accepting Shareholder under the Offer, subject to deduction pursuant to paragraph 5.5 in the section headed "Conditions of the Offer" above, within 10 days after the close of the Offer.

6.2 In the case of any Accepting Shareholder where the number of Shares represented by the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title sent in connection with his/her Form of Acceptance to the Registrar in acceptance of the Offer exceeds 50,000 Shares, such Shareholder may contact the Registrar directly to arrange for collection in person at the Registrar's office of the remittance due to him/her in respect of the Shares accepted under the Offer (after deducting seller's ad valorem stamp duty due on the repurchase of the Shares from the amount payable in cash) and/or any share certificate(s) representing the Shares which are not successfully tendered and/or accepted under the Offer. However, if no such prior arrangement is made with the Registrar, the Registrar will send the remittance and/or any share certificate(s) to such Shareholder at his/her own risk as mentioned in the paragraph above.

6.3 If the Offer does not become unconditional, the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title will be returned and/or sent to each Accepting Shareholder (by ordinary post, at that Accepting Shareholder's own risk) within 10 days of the lapse of the Offer. Where such Shareholder has sent one or more transfer receipt(s) and in the meantime one or more share certificate(s) has/have been collected on that Shareholder's behalf in respect thereof, that Shareholder will be sent (by ordinary post, at that Shareholder's own risk) such share certificate(s) in lieu of the transfer receipt(s).

6.4 If the Excess Tenders of an Accepting Shareholder has not been purchased by the Company in full, the share certificate(s) or transfer receipt(s) or other document(s) of title in respect of the balance of such Shares or a replaced certificate therefor will be returned or sent to him/her by ordinary post at his/her risk within 10 days after the close of the Offer.

7. New Shareholders

Any new Shareholder may collect a copy of this Offer Document, together with the form of proxy and a blank Form of Acceptance from the Registrar at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong during business hours between 23 January 2009 to 2 March 2009, both days inclusive. Such Shareholder may also contact the Registrar (through the enquiry general telephone line referred to in paragraph 10.11 under the section headed "Terms and Conditions of the Offer" above) and request a copy of this document, the accompanying form of proxy and a blank Form of Acceptance (as appropriate) to be sent to his/her registered address as recorded in the Register.

EFFECT OF ACCEPTANCE OF THE OFFER BY QUALIFYING SHAREHOLDERS

Each Qualifying Shareholder by whom, or on whose behalf, a Form of Acceptance is executed irrevocably undertakes, represents, warrants and agrees to and with the Company and VC Brokerage (so as to bind him/her, his/her personal representatives, heirs, successors and assigns) to the effect:

1. Execution

That the execution of the Form of Acceptance, whether or not any boxes are completed, shall constitute an acceptance by the relevant Qualifying Shareholder of the Offer in respect of the number of the Shares inserted or deemed to be inserted in Box 1 of the Form of Acceptance on and subject to the terms and conditions set out or referred to in this Offer Document and the Form of Acceptance and that, once lodged, such acceptance will be irrevocable.

2. Deeming Provisions

That the following provisions apply in the case of incorrectly completed, incomplete or illegible Forms of Acceptance:

(a) if Box 1 of the Form of Acceptance is not completed at all, the Qualifying Shareholder is deemed to have accepted the Offer in respect of all the Shares of which he/she is registered as the holder (the "Tendered Shares", subject to scaling down);

(b) if the total number of Shares inserted in Box 1 of the Form of Acceptance is greater than the Shares tendered by the relevant Qualifying Shareholder, such Qualifying Shareholder will be deemed to have accepted the Offer in regard to such number of Shares as shall be equal to the number of the Shares tendered by him/her, subject to scaling down;

(c) if any mark other than a legible number (including a tick, a cross, a circle, a word and an illegible number) is entered in Box 1 of the Form of Acceptance, such Qualifying Shareholder will be deemed to have accepted the Offer at the Offer Price in regard to such number of Shares as shall be equal to the number of the Shares tendered by him/her, subject to scaling down, provided that:

  (i) if any legible number(s) is/are entered in Box 1, such Qualifying Shareholder will be deemed to have first accepted the Offer at the Offer Price in regard to such number of Shares as shall be equal to the number of Shares tendered by him/her, subject to scaling down; and

  (ii) any residual of a mark which clearly indicates an intention to erase or alter the relevant selection will be disregarded for the purpose of this paragraph.

(d) the above deeming provisions as set out under (b) above will be applied by the Company or its agent(s) in such manner as they see fit so as to give effect to the Form of Acceptance in accordance with such instructions as may appear to the Company or its agent(s) to be the relevant Qualifying Shareholder's intention; and

(e) if the Form of Acceptance is not completed strictly in accordance with the instructions set out in the Form of Acceptance, the Company reserves the right to treat the Form of Acceptance as valid to the extent that it may deem the Form of Acceptance to have been completed in accordance with such instructions as may appear to the Company or its agent(s) to be the relevant Qualifying Shareholder's intention.

3. Representations and Warranties

(a) That he/she has full power and authority to tender, sell, assign and transfer all the Shares (together with all rights attaching thereto) specified in such Form of Acceptance for repurchase and that the Shares are fully paid, free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the date when the Offer period begins (including the right to any dividends paid on or after the date when the Offer Period begins); and

(b) that if he/she is a resident in or a citizen of a jurisdiction outside Hong Kong, he/she has fully observed any applicable legal or other requirements and that the Offer may be accepted by him/her lawfully under the laws of the relevant jurisdiction.

4 Appointment and Authority

That the execution of the Form of Acceptance constitutes:

(a) the irrevocable appointment of any director or officer of the Company or VC Brokerage, or such other person as any of them may direct, as such Qualifying Shareholder's agent ("Agent"); and

(b) an irrevocable instruction to the Agent to complete and execute the Form of Acceptance and/or any other document at the Agent's discretion on behalf of the person accepting the Offer and to do any other acts or things as may in the opinion of the Agent be necessary, expedient or desirable for the purpose of the Company repurchasing some or all of the Shares (as the Company may in its absolute discretion determine) in respect of which such person has accepted (or is deemed to have accepted) the Offer.

5. Undertakings

That by executing the Form of Acceptance, he/she:

(a) agrees to ratify and confirm each and every act or thing which may be done or effected by the Company or any Agent in the proper exercise of its or his/her powers and/or authorities under the terms of the Offer;

(b) undertakes to deliver to the Registrar the share certificate(s), transfer receipt(s) and/or any other document(s) of title in respect of the Shares for which the Offer is (or is deemed to be) accepted, or an indemnity or indemnities acceptable to the Company in lieu thereof, or to procure the delivery of such document(s) to such person as soon as possible thereafter and, in any event, no later than the Latest Acceptance Time;

(c) accepts that the provisions of the Form of Acceptance and the other terms and conditions in this document are deemed to be incorporated into the terms and conditions of the Offer;

(d) undertakes to execute any further documents, take any further action and give any further assurances which may be required in connection with his acceptance of the Offer as the Company may consider to be necessary, expedient or desirable, including without limitation, to complete the repurchase of any Shares in respect of which he/she has accepted or is deemed to have accepted the Offer free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the date when the Offer Period begins and/or to perfect any of the authorities expressed to be given hereunder;

(e) authorises the Company or the Agent to procure the despatch by post of the consideration to which he/she is entitled at his/her risk to the first-named holder at his/her registered address in Box 4 of the Form of Acceptance; and

(f) submits to the jurisdiction of the courts of Hong Kong in relation to all matters arising out of or in connection with the Offer or the Form of Acceptance.

TAXATION

Qualifying Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Company, its ultimate beneficial owners and parties acting in concert with any of them, VC Brokerage, VC Capital, First Shanghai, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

ANNOUNCEMENTS

1. Following the SGM at which the Offer and the Whitewash Waiver are to be approved by the Independent Shareholders, the Company will announce through the Stock Exchange's website the result of the meeting and whether or not the Offer has become unconditional.

2. By 6:00 p.m. (or such later time as the Executive may permit) on the close of the Offer, the Company shall inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer (if any) and shall publish an announcement through the Stock Exchange by 7:00 p.m. on such date stating whether the Offer has been revised, extended or expired. A draft of such announcement must be submitted to the Executive and the Stock Exchange by 6:00 p.m. for clearance and publication through the website of the Stock Exchange by 7:00 p.m. on the same day. The announcement shall (except in the case of lapse of the Offer) specify the total number of Shares (and rights over Shares) that have been accepted for repurchase pursuant to the Offer, the total number of Shares (and rights over Shares) held, controlled or directed by Mr. Mak or persons acting in concert with him (if any) before 6 January 2009, and the total number of Shares (and rights over Shares) deemed to be acquired under the Takeovers Code during the Offer Period (being the period between 6 January 2009 and the closing date of the Offer) by Mr. Mak or any person acting in concert with him.

3. In calculating the number of the Shares represented by a Form of Acceptance, acceptances which are not in all respects in order or are subject to verification will be stated separately.

INTERPRETATION

1. A reference in this Offer Document to a Qualifying Shareholder includes a reference a person(s) who, by reason of an acquisition or transfer of Shares, is entitled to execute a Form of Acceptance and in the event of more than one person executing a Form of Acceptance, the provisions of this document apply to them jointly and severally.

2. A reference in this Offer Document and the Form of Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.

(A) SUMMARY FINANCIAL INFORMATION

The following is a summary of the financial results of the Group for each of three years ended 31 December 2007 as extracted from the respective annual reports of the Company.

	For the year ended 31 December		
	2007	**2006**	**2005**
	HK$ million	*HK$ million*	*HK$ million*
Revenue	4,066	4,199	3,980
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
Proposed final dividend	24	20	13
Proposed final dividend per Share *(HK$)*	0.030	0.025	0.02
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 reports of the auditors of the Company, Ernst & Young, for the three years ended 31 December 2007 do not contain any qualifications.

Set out below is a summary of the unaudited condensed consolidated results of the Group for each of the six-month periods ended 30 June 2006, 2007 and 2008 respectively extracted from the Company's relevant interim reports and restated as appropriate.

	Six months ended 30 June		
	2008	**2007**	**2006**
	HK$ million	*HK$ million*	*HK$ million*
Revenue	1,483	1,713	1,982
Profit/(loss) before tax	(397)	498	350
Tax	(5)	(14)	(12)
Profit/(loss) for the period	(402)	484	338
Profit/(loss) attributable to:			
Equity holders of the parent	(337)	498	332
Minority interests	(65)	(14)	6
	(402)	484	338
Proposed interim dividends	21	20	16
Interim dividend per Share *(HK$)*	0.025	0.025	0.020
Earnings/(loss) per share attributable to ordinary equity holders of the parent			
Basic	(HK$0.423)	HK$0.626	HK$0.484
Diluted	N/A	HK$0.585	HK$0.403

There were neither extraordinary nor exceptional items during each of the six-month periods ended 30 June 2006, 2007 and 2008.

(B) FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2007

Set out below is extracted from the audited financial statements of the Group as contained in the annual report of the Company for the year ended 31 December 2007.

Consolidated Income Statement
Year ended 31 December 2007

	Notes	2007 HK$ million	2006 HK$ million
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

	Notes	2007 HK$ million	2006 HK$ million
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

	Notes	2007 HK$ million	2006 HK$ million
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

Consolidated Statement of Changes In Equity

Year ended 31 December 2007

		Attributable to equity holders of the parent												
	Notes	Issued capital HK$ million	Share premium account HK$ million	Capital reserve HK$ million (Note 37(a))	Distributable reserve HK$ million	Investment revaluation reserve HK$ million	Equity component of convertible bonds HK$ million	Share option reserve HK$ million	Exchange fluctuation reserve HK$ million	Retained Profits HK$ million	Proposed final dividend HK$ million	Total HK$ million	Minority interests HK$ million	Total equity HK$ million
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

* 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

	Notes	2007 HK$ million	2006 HK$ million
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

	Notes	2007 HK$ million	2006 HK$ million
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

	Notes	2007 HK$ million	2006 HK$ million
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

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]

[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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
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
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	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
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:

	2007	**2006**
	HK$ million	*HK$ million*
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:

	Notes	Group 2007 HK$ million	2006 HK$ million
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

* 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	
	2007	**2006**
	HK$ million	*HK$ million*
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	
	2007	**2006**
	HK$ million	*HK$ million*
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

* 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

	Salaries, allowances and benefits in kind *HK$ million*	**Performance related bonuses** *HK$ million*	**Employee share option benefits** *HK$ million*	**Pension scheme contributions** *HK$ million*	**Total remuneration** *HK$ million*
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	
	2007	2006
	HK$ million	*HK$ million*
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.

	Group	
	2007	2006
	HK$ million	*HK$ million*
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

	Hong Kong		The PRC, excluding Hong Kong		Total	
	HK$ million	*%*	*HK$ million*	*%*	*HK$ million*	*%*
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

	Hong Kong		The PRC, excluding Hong Kong		Total	
	HK$ million	*%*	*HK$ million*	*%*	*HK$ million*	*%*
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

	2007 *HK$ million*	2006 *HK$ million*
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:

	2007 *HK$ million*	2006 *HK$ million*
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

	Leasehold land and buildings *HK$ million*	Plant and machinery *HK$ million*	Tools, moulds and equipment *HK$ million*	Furniture and office equipment *HK$ million*	Motor vehicles *HK$ million*	Construction in progress *HK$ million*	Total *HK$ million*
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

	Leasehold land and buildings *HK$ million*	Plant and machinery *HK$ million*	Tools, moulds and equipment *HK$ million*	Furniture and office equipment *HK$ million*	Motor vehicles *HK$ million*	Construction in progress *HK$ million*	Total *HK$ million*
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

	Furniture and office equipment *HK$ million*
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:

	Hong Kong *HK$ million*	Elsewhere *HK$ million*	Total *HK$ million*
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

	Group	
	2007	**2006**
	HK$ million	*HK$ million*
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

	Group	
	2007	**2006**
	HK$ million	*HK$ million*
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

	Deferred development costs
	HK$ million
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:

	2007	**2006**
	HK$ million	*HK$ million*
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

	Company	
	2007	**2006**
	HK$ million	*HK$ million*
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**		**Principal activities**
			Direct	**Indirect**	
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 Direct	Indirect	Principal activities
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

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

23. TRADE AND BILLS RECEIVABLES

	Group	
	2007	2006
	HK$ million	*HK$ million*
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	
	Balance	Percentage	Balance	Percentage
	HK$ million		*HK$ million*	
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	
	2007	2006
	HK$ million	*HK$ million*
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	
	2007	2006
	HK$ million	*HK$ million*
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	
	2007	2006	2007	2006
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
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	
	2007	2006	2007	2006
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
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	
	2007	2006	2007	2006
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
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	
	Balance	Percentage	Balance	Percentage
	HK$ million		*HK$ million*	
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	
	2007	2006	2007	2006
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
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	
	2007	2006
	HK$ million	*HK$ million*
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	
	2007	**2006**	**2007**	**2006**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
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

	Minimum lease payments 2007 *HK$ million*	Minimum lease payments 2006 *HK$ million*	Present value of minimum lease payments 2007 *HK$ million*	Present value of minimum lease payments 2006 *HK$ million*
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:

	Group and Company 2006 *HK$ million*
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

	Notes	**Group and Company 2007** *HK$ million*	**2006** *HK$ million*
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

	2007 Depreciation allowance in excess of related depreciation *HK$ million*
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

	2007 Losses available for offsetting against future taxable profits *HK$ million*
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

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

Deferred Tax Assets

Group

	2006 Losses available for offsetting against future taxable profits *HK$ million*
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 subsidiaries 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	
	2007	**2006**
	HK$ million	*HK$ million*
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 executive 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

	Notes	**Share premium account** *HK$ million*	**Capital reserve** *HK$ million*	**Distributable reserve** *HK$ million*	**Equity component of convertible bonds** *HK$ million*	**Retained profits** *HK$ million*	**Total** *HK$ million*
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:

	Fair value recognised on acquisition *HK$ million*	**Previous carrying amount** *HK$ million*
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:

	2006 *HK$ million*
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	
	2007	**2006**
	HK$ million	*HK$ million*
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	
	2007	**2006**
	HK$ million	*HK$ million*
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	
	2007	**2006**
	HK$ million	*HK$ million*
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	
	2007	**2006**
	HK$ million	*HK$ million*
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	
	2007	**2006**
	HK$ million	*HK$ million*
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

	2007 *HK$ million*	2006 *HK$ million*
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			
	Financial assets at fair value through profit or loss — held for trading *HK$ million*	**Loans and receivables** *HK$ million*	**Available-for-sale financial assets** *HK$ million*	**Total** *HK$ million*
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 *HK$ million*	**Financial liabilities at amortised cost** *HK$ million*	**Total** *HK$ million*
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

Financial assets

	Group				
	Financial assets at fair value through profit or loss — held for trading *HK$ million*	**Held-to-maturity financial assets** *HK$ million*	**Loans and receivables** *HK$ million*	**Available-for-sale financial assets** *HK$ million*	**Total** *HK$ million*
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 *HK$ million*	**Financial liabilities at amortised cost** *HK$ million*	**Total** *HK$ million*
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

Financial assets

	Company Loans and receivables *HK$ million*
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 *HK$ million*
Interest-bearing bank and other borrowings	43

2006

Financial assets

	Company			
	Financial assets at fair value through profit or loss — held for trading *HK$ million*	**Held-to-maturity financial assets** *HK$ million*	**Loans and receivables** *HK$ million*	**Total** *HK$ million*
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 *HK$ million*	**Financial liabilities at amortised cost** *HK$ million*	**Total** *HK$ million*
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	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** *HK$ million*
2007		
HK$	100	(2)
United States dollars ("US$")	100	(2)
HK$	(100)	2
US$	(100)	2
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

	Group				
	Within one year or on demand	**In the second year**	**In the third to fifth years, inclusive**	**Beyond five years**	**Total**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
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

	Group				
	Within one year or on demand	**In the second year**	**In the third to fifth years, inclusive**	**Beyond five years**	**Total**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
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 *HK$ million*	Increase/ (decrease) in equity price *%*	Increase/ (decrease) in profit before tax *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	
	2007	**2006**
	HK$ million	*HK$ million*
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.

(C) FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2008

Set out below is extracted from the unaudited condensed consolidated financial statements of the Group as contained in the interim report of the Company for the six months ended 30 June 2008.

Condensed Consolidated Income Statement
For the six months ended 30 June 2008

		Six months ended 30 June	
		2008	**2007**
	Notes	*HK$ million*	*HK$ million*
		(Unaudited)	*(Unaudited)*
REVENUE	*3*	1,483	1,713*
Cost of sales		(1,501)	(1,577)*
Gross profit/(loss)		(18)	136
Other income and gains	*4*	33	573
Selling and distribution costs		(22)	(26)
Administrative expenses		(138)	(148)
Other expenses	*5*	(244)	(22)
Finance costs		(8)	(15)
PROFIT/(LOSS) BEFORE TAX	*6*	(397)	498
Tax	*7*	(5)	(14)
PROFIT/(LOSS) FOR THE PERIOD		(402)	484
Profit/(loss) attributable to:			
Equity holders of the parent		(337)	498
Minority interests		(65)	(14)
		(402)	484
PROPOSED INTERIM DIVIDENDS	*8*	21	20
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		(HK$0.423)	HK$0.626
Diluted		N/A	HK$0.585

* As restated in accordance with the guidance from the HKICPA.

Condensed Consolidated Balance Sheet
30 June 2008

	Notes	30 June 2008 HK$ million (Unaudited)	31 December 2007 HK$ million (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,252	1,287
Investment properties		279	315
Prepaid land lease payments		216	219
Other intangible assets		27	32
Goodwill		55	55
Available-for-sale financial assets		4	11
Deferred tax assets		2	2
Total non-current assets		1,835	1,921
CURRENT ASSETS			
Inventories		237	223
Properties for development		234	—
Trade and bills receivables	*11*	646	718
Prepayment, deposits and other receivables		83	51
Deposits for acquisition of properties for development		199	225
Financial assets at fair value through profit or loss		548	398
Pledged time deposits		253	250
Cash and cash equivalents		994	1,673
Total current assets		3,194	3,538
CURRENT LIABILITIES			
Trade and bills payables	*12*	810	851
Tax payable		31	31
Other payables and accruals		197	300
Derivative financial instruments		118	62
Interest-bearing bank loans and other borrowings		235	212
Total current liabilities		1,391	1,456
NET CURRENT ASSETS		1,803	2,082
TOTAL ASSETS LESS CURRENT LIABILITIES		3,638	4,003

	Notes	30 June 2008 HK$ million (Unaudited)	31 December 2007 HK$ million (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		256	224
Deferred tax liabilities		4	4
Total non-current liabilities		260	228
Net assets		3,378	3,775
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	*14*	80	80
Reserves		2,791	3,121
Proposed interim/final dividend		21	24
Shareholders' funds		2,892	3,225
Minority interests		486	550
Total equity		3,378	3,775

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Attributable to equity holders of the parent												
	Issued share capital	Share premium account	Capital Reserve	Distributable reserve	Investment revaluation reserve	Equity component of convertible bonds	Share option reserve	Exchange fluctuation reserve	Retained profits/ (accumulated) losses)	Proposed interim/ final dividend	Total	Minority interests	Total equity
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
At 1 January 2008	80	77	745	1,417	1	10	3	19	849	24	3,225	550	3,775
Exchange realignment	—	—	—	—	—	—	—	30	—	—	30	—	30
Total income and expense recognised directly in equity	—	—	—	—	—	—	—	30	—	—	30	—	30
Loss for the period	—	—	—	—	—	—	—	—	(337)	—	(337)	(65)	(402)
Total income and expense for the period	—	—	—	—	—	—	—	30	(337)	—	(307)	(65)	(372)
Realisation of revaluation reserve upon disposal of investment	—	—	—	—	(1)	—	—	—	—	—	(1)	—	(1)
Deemed disposal of interest in a subsidiary upon exercise of share options in the subsidiary	—	—	—	—	—	—	(1)	—	—	—	(1)	1	—
2007 final dividend	—	—	—	—	—	—	—	—	—	(24)	(24)	—	(24)
Proposed 2008 interim dividend	—	—	—	—	—	—	—	—	(21)	21	—	—	—
At 30 June 2008	80	77	745	1,417	—	10	2	49	491	21	2,892	486	3,378
At 1 January 2007	78	67	741	1,417	1	13	2	4	409	20	2,752	57	2,809
Exchange realignment	—	—	—	—	—	—	—	5	—	—	5	—	5
Total income and expense recognised directly in equity	—	—	—	—	—	—	—	5	—	—	5	—	5
Profit for the period	—	—	—	—	—	—	—	—	498	—	498	(14)	484
Total income and expense for the period	—	—	—	—	—	—	—	5	498	—	503	(14)	489
Equity-settled share option Arrangements	—	—	—	—	—	—	7	—	—	—	7	6	13
Arising from disposal of shares in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	507	507
Deemed acquisition of minority interests upon exercise of share options in a subsidiary	—	—	5	—	—	—	(5)	—	—	—	—	38	38
Issue of new shares upon conversion of convertible bonds	2	8	—	—	—	(3)	—	—	—	—	7	—	7
2006 final dividend	—	—	—	—	—	—	—	—	—	(20)	(20)	—	(20)
Proposed 2007 interim dividend	—	—	—	—	—	—	—	—	(20)	20	—	—	—
At 30 June 2007	80	75	746	1,417	1	10	4	9	887	20	3,249	594	3,843

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	2008 *HK$ million* *(Unaudited)*	2007 *HK$ million* *(Unaudited)*
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(336)	(38)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	(392)	898
NET CASH INFLOW FROM FINANCING ACTIVITIES	31	92
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(697)	952
Cash and cash equivalents at beginning of period	1,673	865
Effect of foreign exchange rate changes, net	18	3
CASH AND CASH EQUIVALENTS AT END OF PERIOD	994	1,820
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	427	488
Non-pledged time deposits with original maturity of less than three months when acquired	567	1,332
	994	1,820

Notes to Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2007.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the consolidated financial statements for the year ended 31 December 2007.

In the current interim period, the Group has applied a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are relevant to its operations and are effective for accounting periods beginning on or after 1 January, 2008. The adoption of the new HKFRSs has no significant effect on the Group's accounting policies and amounts reported for the current and prior accounting periods in these condensed consolidated financial statements.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The directors anticipate that the application of these new standards or interpretations will have no material impact on the results and financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1, Amendments	Puttable Financial Instruments and Obligations Arising On Liquidation[2]
HKFRS 2 (Amended)	Share-based Payment — Amendments Relating to Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[1]
HK(IFRIC)-Int 15	Agreements for the construction of real estates[2]
HK(IFRIC)-Int 16	Hedges of a net investment in a foreign operation[4]

[1] Effective for annual periods beginning on or after 1 July 2008

[2] Effective for annual periods beginning on or after 1 January 2009

[3] Effective for annual periods beginning on or after 1 July 2009

[4] Effective for annual periods beginning on or after 1 October 2008

3. 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 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 service and corporate income and expenses items.

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

(a) Business segments

The following tables present revenue and profit/(loss) regarding the Group's business segments for the period ended 30 June 2008 and 2007.

2008

	Telecom and electronic products *HK$ million (Unaudited)*	**Infant and child products** *HK$ million (Unaudited)*	**Securities investment** *HK$ million (Unaudited)*	**Property investment and development** *HK$ million (Unaudited)*	**Corporate and others** *HK$ million (Unaudited)*	**Consolidated** *HK$ million (Unaudited)*
Segment revenue:						
Sales to external customers	1,364	77	10	1	18	1,470
Other revenue	20	3	6	2	2	33
Total revenue	1,384	80	16	3	20	1,503
Segment results	(145)	7	(212)	(3)	(49)	(402)
Interest income						13
Finance costs						(8)
Loss before tax						(397)
Tax						(5)
Loss for the period						(402)

2007

	Telecom and electronic products *HK$ million (Unaudited)*	Infant and child products *HK$ million (Unaudited)*	Securities investment *HK$ million (Unaudited)*	Property investment and development *HK$ million (Unaudited)*	Corporate and others *HK$ million (Unaudited)*	Consolidated *HK$ million (Unaudited)*
Segment revenue:						
Sales to external customers	1,584	57	37	2	23	1,703
Other revenue	9	1	484	—	79	573
Total revenue	1,593	58	521	2	102	2,276
Segment results	(48)	6	56	—	489	503
Interest income						10
Finance costs						(15)
Profit before tax						498
Tax						(14)
Profit for the period						484

(b) Geographical segments

The following tables present revenue information regarding the Group's geographical segments for the period ended 30 June 2008 and 2007.

2008

	United States of America *HK$ million (Unaudited)*	Asia Pacific *HK$ million (Unaudited)*	Europe *HK$ million (Unaudited)*	Consolidated *HK$ million (Unaudited)*
Segment revenue:				
Sales to external customers	709	507	254	1,470
Other revenue	—	33	—	33
Total revenue	709	540	254	1,503

2007

	United States of America *HK$ million (Unaudited)*	Asia Pacific *HK$ million (Unaudited)*	Europe *HK$ million (Unaudited)*	Consolidated *HK$ million (Unaudited)*
Segment revenue:				
Sales to external customers	847	592	264	1,703
Other revenue	—	573	—	573
Total revenue	847	1,165	264	2,276

4. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2008	**2007**
	HK$ million	*HK$ million*
	(Unaudited)	*(Unaudited)*
Gain on partial disposal/deemed disposal of interest in a subsidiary	1	532
Unrealised gain on financial assets	—	24
Exchange gain	7	—
Sample income	10	—
Other income	15	17
	33	573

5. OTHER EXPENSES

	Six months ended 30 June	
	2008	**2007**
	HK$ million	*HK$ million*
	(Unaudited)	*(Unaudited)*
Unrealised loss on financial assets	226	5
Write-off of deferred development costs	14	12
Other expenses	4	5
	244	22

6. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2008	**2007**
	HK$ million	*HK$ million*
	(Unaudited)	*(Unaudited)*
Cost of inventories sold	1,474	1,563
Depreciation	70	66
Amortisation of prepaid land lease payments	3	3
Amortisation of deferred development costs	22	18
Write off of deferred development costs	14	12

7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. 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 following by a 50% reduction for the next three consecutive years.

	Six months ended 30 June	
	2008	**2007**
	HK$ million	*HK$ million*
	(Unaudited)	*(Unaudited)*
Current — Hong Kong:		
Charge for the period	2	7
Current — Elsewhere	3	5
Deferred tax	—	2
Total tax charge for the period	5	14

8. DIVIDENDS

The board of directors has declared an interim dividend for 2008 of HK$0.025 per share (30 June 2007: HK$0.025 per share) to be payable from the Company's retained earnings. The interim dividend will be paid on or around Wednesday, 22 October 2008 to shareholders whose names appear on the register of members of the Company on Friday, 10 October 2008. The register of members of the Company will be closed from Wednesday, 8 October 2008 to Friday, 10 October 2008 (both date inclusive).

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

The calculation of the basic earnings/(loss) per share amount for the period is based on the loss for the period attributable to ordinary equity holders of the parent of HK$337 million (30 June 2007: profit of HK$498 million) and the weighted average number of 797,123,505 (30 June 2007: 795,584,050) ordinary shares in issue during the period.

Diluted loss per share amount for the period has not been disclosed, as the convertible bonds outstanding during the period had an anti-dilutive effect on the basic loss per share for the period. The calculation of diluted earnings per share amount for the prior period is based on the profit for the period 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 number of ordinary shares in issue during the prior period, 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 calculation of the diluted earnings per share for the prior period is based on:

	Six months ended 30 June 2007 *HK$ million (Unaudited)*
Earnings	
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	498
Interest on convertible bonds	1
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	499
	Number of shares
Shares	
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	795,584,050
Effect of dilution — weighted average number of ordinary shares:	
Convertible bonds	58,036,873
	853,620,923

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2008, the Group acquired fixed assets of HK$41 million (six months ended 30 June 2007: HK$83 million) and disposed fixed assets of HK$13 million (six months ended 30 June 2007: HK$2 million).

11. TRADE AND BILLS RECEIVABLES

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:

	30 June 2008		31 December 2007	
	Balance *HK$ million (Unaudited)*	**Percentage** *HK$ million (Unaudited)*	**Balance** *HK$ million (Audited)*	**Percentage** *HK$ million (Audited)*
Current to 30 days	255	40	217	30
31 to 60 days	222	34	223	31
61 to 90 days	130	20	199	28
Over 90 days	39	6	79	11
	646	100	718	100

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

12. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payable as at the balance sheet date is as follows:

	30 June 2008		31 December 2007	
	Balance	**Percentage**	**Balance**	**Percentage**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
	(Unaudited)	*(Unaudited)*	*(Audited)*	*(Audited)*
Current to 30 days	247	31	184	22
31 to 60 days	222	27	229	27
61 to 90 days	150	18	159	18
Over 90 days	191	24	279	33
	810	100	851	100

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

13. CONVERTIBLE BONDS

(a) On 25 April 2005, the Company issued convertible bonds with an aggregate nominal value of approximately HK$155 million 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 of 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 an aggregate nominal value of approximately HK$177 million were converted into 222,077,325 shares in the Company of HK$0.10 each. There was no conversion of 2010 Convertible Bonds during the current period.

The 2010 Convertible Bonds were subsequently converted into shares of the Company on 2 July 2008.

(b) On 23 June 2006, the Company issued convertible bond with a nominal value of HK$30 million as part of consideration for the acquisition of a property.

The 2009 Convertible Bonds are convertible at the option of the bondholder into ordinary shares of 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 Bonds) at any time from the date of issue of 2009 Convertible Bonds to the fifth business day immediately prior to the maturity thereof. The 2009 Convertible Bonds are unsecured, interest-free and have a maturity date of 23 June 2009. Unless converted into the Shares or early repaid by the Company, the outstanding balance of the 2009 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 2009 Convertible Bonds not yet repaid or converted into the Shares 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 Bonds during the prior year and the current period.

The 2009 Convertible Bonds were subsequently converted into Shares on 2 July 2008.

The fair value of the liability component of the 2010 Convertible Bonds and 2009 Convertible Bonds were 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.

14. SHARE CAPITAL

	30 June 2008 *HK$ million (Unaudited)*	31 December 2007 *HK$ million (Audited)*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	200	200
Issued and fully paid:		
797,123,505 (31 December 2007: 797,123,505) ordinary shares of HK$0.10 each	80	80

15. CONTINGENT LIABILITIES

As at 30 June 2008, the Group did not have any significant contingent liabilities.

16. PLEDGE OF ASSETS

At 30 June 2008, the Group's bank borrowings were secured by:

(i) pledge of the Group's fixed deposits amounting to approximately HK$253 million (31 December 2007: HK$250 million); and

(ii) fixed charges over certain of the Group's investment properties and leasehold land and buildings with an aggregate net book value amounting to approximately HK$750 million (31 December 2007: HK$804 million).

17. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to eleven years.

At 30 June 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2008 *HK$ million (Unaudited)*	31 December 2007 *HK$ million (Audited)*
Within one year	1	1
In the second to fifth years, inclusive	2	2
After five years	2	2
	5	5

(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 30 June 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2008	31 December 2007
	HK$ million	*HK$ million*
	(Unaudited)	*(Audited)*
Within one year	10	9
In the second to fifth years, inclusive	11	9
	21	18

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:

	30 June 2008	31 December 2007
	HK$ million	*HK$ million*
	(Unaudited)	*(Audited)*
Within one year	2	2
In the second to fifth years, inclusive	9	11
After five years	114	116
	125	129

18. COMMITMENTS

In addition to the operating lease commitments detailed in note 17, the Group had the following commitments at the balance sheet date:

(a) Capital commitments

	30 June 2008	31 December 2007
	HK$ million	*HK$ million*
	(Unaudited)	*(Audited)*
Contracted, but not provided for:		
Construction in progress	8	18
Purchases of plant and machinery and equipment	4	10
	12	28

(b) Property development commitments

	30 June 2008	31 December 2007
	HK$ million	*HK$ million*
	(Unaudited)	*(Audited)*
Contracted, but not provided for	193	51

19. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

	Six months ended 30 June	
	2008	**2007**
	HK$ million	*HK$ million*
	(Unaudited)	*(Unaudited)*
Short term employee benefits	23	23
Post-employment benefits	—	—
Total compensation paid to key management personnel	23	23

20. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the current period's presentation.

(D) STATEMENT OF INDEBTEDNESS

As at the close of business on 31 October 2008, being the latest practicable date for this statement of indebtedness prior to the printing of this document, the Group had outstanding borrowings of approximately HK$521.3 million and unsecured convertible notes with a principal sum of approximately HK$756.9 million. The borrowings comprised secured bank loans of approximately HK$388.7 million, unsecured bank loans of approximately HK$126.8 million and obligations under finance lease contracts of approximately HK$5.7 million.

The Group's secured bank 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$719.2 million at 31 October 2008; and (ii) certain fixed deposits of the Group of approximately HK$85.8 million at 31 October 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 October 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 October 2008.

(E) MATERIAL CHANGE

As disclosed in the interim report of the Company dated 19 September 2008 and the announcements of the Company dated 6 November 2008 and 15 January 2009 (the "Subject Announcements") in relation to the discontinuation of the retail telephony business by a major US customer of the Group and the resulting potential impairment in value of the under-utilised production facilities and the performance of the Group's securities business, the financial performance of the Group since 31 December 2007 has been affected by the followings:

(a) the decision by a US distribution company (the "US Customer"), which is the Group's largest single customer of its telecom product business, to exit with immediate effect its retail telephony activities in North America in early November 2008 (the "Discontinuation"). As the Group's current business with the US Customer is loss-making, the Discontinuation would allow the Group to further streamline and restructure its operations and to consolidate its resources to cater for other more profitable markets. The Discontinuation is expected to reduce the loss of the Group and is not expected to have a direct negative impact on the Group's results for the future financial years commencing 1 January 2009;

(b) unaudited impairment loss on the under-utilised fixed assets and intangible assets related to the business of the US Customer (which is only one of the customers in the Group's telecom and electronics business) as a result of the Discontinuation in the estimated amount of approximately HK$334 million which will be charged to the Group's consolidated income statement for the year ended 31 December 2008;

(c) the weakening demand of the Group's telecom products from the US due to the financial turmoil, price competition, high material and labour costs, and the continuing appreciation of the Renminbi against the US dollar. As a result of the difficult business environment, the Group's telecom product business is expected to continue to post a loss for the year ended 31 December 2008;

(d) the streamlining and restructuring of the Group's operations as a result of the Discontinuation, which is expected to incur certain one-off non-recurrent costs which will be charged to the consolidated income statement of the Group for the year ended 31 December 2008. The exact amount to be charged will be ascertained when the financial information of the Group is finalised; and

(e) deep downturn of the stock market in Hong Kong in the year 2008 due to the global financial crisis, which is expected to adversely affect the Group's securities business (which only accounted for approximately 31.5% and 52.7% of the Group in terms of operating results for the year ended 31 December 2007 and for the six months ended 30 June 2008) and resulting in the Group's securities business incurring significant net realised loss and unrealised mark-to-market losses in the value of the listed shares and financial instruments for the year ended 31 December 2008 estimated to be approximately HK$546 million, comprising unaudited total net realised losses of approximately HK$151 million and unaudited losses of approximately HK$395 million.

Save as disclosed above, as at the Latest Practicable Date, there is no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2007, being the date to which the latest published audited consolidated financial statements of the Group were made up.

(F) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following unaudited pro forma financial information of the Group is prepared based on the unaudited condensed consolidated balance sheet of the Group as at 30 June 2008, as extracted from the Company's published interim report for the six months ended 30 June 2008, and adjusted for the effect of the Offer as if the completion of the Offer had taken place on 30 June 2008. It has been prepared in accordance with Rule 4.29 of the Listing Rules for illustrative purposes only, to provide the Shareholders with information about the impact of the Offer, and, because of its nature, may not give a true picture of the financial position of the Group had the Offer actually completed on 30 June 2008 or the financial position of the Group at any future date.

	Unaudited net assets of the Group as at 30 June 2008 *HK$ million (Unaudited)*	**Cost of the Offer** *HK$ million (Note 1)*	**Pro forma adjusted net assets** *HK$ million (Unaudited)*
Non-current assets	1,835		1,835
Current assets*	3,194	(142)	3,052
Current liabilities *(Note 4)*	(1,391)		(1,391)
Net current assets	1,803	(142)	1,661
Total assets less current liabilities	3,638	(142)	3,496
Non-current liabilities	(260)	—	(260)
Net assets	3,378	(142)	3,236
Less: Minority interests	(486)	—	(486)
Shareholders' funds	2,892	(142)	2,750
* Including:			
Cash and cash equivalents	994	(142)	852
Unaudited net assets per Share immediately before the completion of the Offer *(HK$) (Note 2)*			3.388
Unaudited pro forma adjusted net assets per Share immediately following the completion of the Offer *(HK$) (Note 3)*			4.794

Notes:

1. *The amount represents the cost of the Offer (assuming full acceptance thereof up to the Maximum Number) and the estimated expenses of the Offer.*

2. *The unaudited net assets per Share of the Group immediately before the completion of the Offer is calculated based on the unaudited consolidated Shareholders' funds of the Group as at 30 June 2008 of HK$2,892 million and 853,614,826 Shares in issue as at the Latest Practicable Date, assuming the number of Shares in issue as at the Latest Practicable Date remains unchanged prior to and immediately before the completion of the Offer.*

3. The unaudited pro forma adjusted net assets per Share of the Group immediately following the completion of the Offer is calculated based on the unaudited pro forma adjusted consolidated Shareholders' funds of the Group as at 30 June 2008 of HK$2,750 million and 573,614,826 Shares in issue immediately following the completion of the Offer, assuming 853,614,826 Shares in issue immediately before the completion of the Offer as detailed above and the full acceptance of the Offer up to the Maximum Number.

4. The Offer will not have any material impact on the liabilities of the Group.

The following unaudited pro forma financial information of the Group for the year ended 31 December 2007 is prepared based on the audited net profit attributable to Shareholders of the Group for the year ended 31 December 2007 as shown in the "Financial information for the year ended 31 December 2007" set out in Appendix II to this document, and adjusted for the effect of the Offer as if the completion of the Offer had taken place at the beginning of the year being reported.

It has been prepared in accordance with Rule 4.29 of the Listing Rules for illustrative purposes only, to provide the Shareholders with information about the impact of the Offer, and, because of its nature, may not give a true picture of the results of the Group had the Offer actually completed at the beginning of the relevant year or the results of the Group for any future period.

	For the year ended 31 December 2007	
	(Audited) *(Note (a))*	**(Unaudited pro forma)** *(Note (b))*
Basic earnings per Share *(Note (c)) (HK$)*	0.608	0.937

Notes:

(a) The audited basic earnings per Share amount for the year ended 31 December 2007 is calculated based on the audited net profit attributable to equity holders of the parent for the year ended 31 December 2007 of approximately HK$484 million and the weighted average of 796,359,311 Shares in issue during the year ended 31 December 2007.

(b) The unaudited pro forma basic earnings per Share amount is calculated based on the audited net profit attributable to equity holders of the parent for the year ended 31 December 2007 of approximately HK$484 million and the weighted average of 516,359,311 Shares in issue, which is the weighted average of 796,359,311 Shares in issue during the year ended 31 December 2007, reduced by 280,000,000 Shares repurchased as if the completion of the Offer had taken place at 1 January 2007 and there is full acceptance of the Offer up to the Maximum Number.

(c) The estimated expenses of the Offer of approximately HK$2 million will be accounted for as a deduction from equity in accordance with Hong Kong Accounting Standard 32 "Financial Instruments: Presentation" issued by the Hong Kong Institute of Certified Public Accountants.



18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

23 January 2009

The Directors
CCT Telecom Holdings Limited

CCT Telecom Holdings Limited (the "Company") and its subsidiaries (the "Group")

Dear Sirs,

We report on the unaudited pro forma financial information of the Group (the "Unaudited Pro Forma Financial Information") set out on pages 142 to 143 in Appendix II to the offer document of the Company dated 23 January 2009 (the "Offer Document") in connection with the conditional cash offer by VC Brokerage Limited on behalf of the Company to repurchase up to 280,000,000 shares of HK$0.10 each in the share capital of the Company for HK$0.50 in cash per share (the "Offer"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information to the shareholders of the Company about how the Offer might have affected the financial information presented in respect of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 142 to 143 to the Offer Document.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standards on Investment Circular Reporting Engagements (HKSIR) 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement does not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group had the Offer actually occurred as at the dates indicated therein or at any future dates; or

- the results of the Group for the periods indicated therein or any future periods.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group in respect of the year ended 31 December 2007; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a letter and valuation certificates received from Grant Sherman Appraisal Limited, an independent property valuer, in connection with their valuation as at 30 November 2008 of the property interests of the Group for the purpose of inclusion in this Offer Document.



GRANT SHERMAN APPRAISAL LIMITED

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

23 January 2009

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 30 November 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 10 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, 8 and 9, 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.

It is 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 crystalised.

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 interiors 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 the 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 property in the PRC.

The properties in the PRC have been valued in Hong Kong Dollar at the exchange rate as on 30 November 2008 of RMB1.00 to HK$1.1337.

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(GP)
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/trading purpose in Hong Kong

	Property	Market Value as at 30 November 2008
1.	House No. 36 and Car Parking Nos. P3 & P4 in the garage, No. 56 Repulse Bay Road, Hong Kong	HK$85,760,000
2.	House No. 37 and Car Parking Nos. P50 & P51 in the garage, No. 56 Repulse Bay Road, Hong Kong	HK$84,490,000
3.	House No. 7 Rosecliff, No. 20 Tai Tam Road, Hong Kong	HK$87,200,000
4.	Car Park Nos. 26, 27 and 234 at the Basement of Site No. 3, Whampoa Garden, Hunghom, Kowloon, Hong Kong	HK$1,100,000
	Sub-total	HK$258,550,000

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$57,230,000
	Sub-total	HK$57,230,000

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$21,840,000
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	Market Value as at 30 November 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$618,900,000
9.	A building located at Shuang Ta District, Ning Feng Street, Chaoyang City, Liaoning Province, The People's Republic of China	No Commercial Value
10.	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$205,300,000
	Sub-total	HK$846,040,000
Group IV — Property interests held by the Group for future development in the PRC		
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$94,030,000
12.	A piece of land located at Ping On Street, Tiedong District, Anshan City, Liaoning Province, The People's Republic of China	HK$70,120,000
	Sub-total	HK$164,150,000
	Grand Total	HK$1,325,970,000

VALUATION CERTIFICATE

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

	Property	Description and tenure	Particulars of occupancy	Market Value as at 30 November 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$85,760,000

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

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

	Property	Description and tenure	Particulars of occupancy	Market Value as at 30 November 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$84,490,000

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

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

	Property	Description and tenure	Particulars of occupancy	Market Value as at 30 November 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$87,200,000

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

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

	Property	Description and tenure	Particulars of occupancy	Market Value as at 30 November 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.	Car Park No. 26 is licensed to an independent third party by CCT Strategies Holdings Limited, an indirect wholly-owned subsidiary of the Company for a term expiring on 31 October 2009 at a monthly license fee of HK$2,300 inclusive of rates and management fee. Car Park No. 234 is licensed to an independent third party by CCT Strategies Holdings Limited, an indirect wholly-owned subsidiary of the Company for a term expiring on 30 September 2009 at a monthly license fee of HK$2,400 inclusive of rates and management fee. Car Park No. 27 is currently vacant.	HK$1,100,000

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	Market Value as at 30 November 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 and 18th 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 were 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 were leased to CCT Tech Advanced Products Limited, an indirect non wholly-owned subsidiary of the Company for a term expiring on 31 December 2008 at a monthly rental of HK$64,821 exclusive of Government rent, rates and management charges. All units on 17th Floor are leased to CCT Tech International Limited, an indirect non wholly-owned subsidiary of the Company for a term commencing from 1 January 2009 to 31 December 2011 at a monthly rental of HK$122,629.50 exclusive of Government rent, rates and management charges. All units on the 18th Floor were leased to CCT Tech Advanced Products Limited, an indirect non wholly-owned subsidiary of the Company for a term expiring on 31 December 2008 at a monthly rental of HK$122,629.50 exclusive of Government rent, rates and management charges.	HK$57,230,000

VALUATION CERTIFICATE

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

	Property	Description and tenure	Particulars of occupancy	Market Value as at 30 November 2008
5.	17/F and 18/F., CCT Telecom Building, No. 11 Wo Shing Street, Shatin, New Territories, Hong Kong (continued)		All units on the 18th Floor are leased to CCT Tech International Limited, an indirect non wholly-owned subsidiary of the Company for a term commencing from 1 January 2009 to 31 December 2011 at a monthly rental of HK$122,629.50 exclusive of Government rent, rates and management charges.	

Notes:

(i) The registered owner of the property is Goldbay Investment 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 the Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value as at 30 November 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$21,840,000

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 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$2,760,000.

(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 Note (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

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

	Property	Description and tenure	Particulars of occupancy	Market Value as at 30 November 2008
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	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:	The property is currently occupied by the Group as a factory complex for the manufacturing of telecom and electronic products and plastic products.	No Commercial Value

Building and structures	No of Blocks	Construction Floor Area *(sq.m.)*
Main factories	1	30,220
Staff dormitories and quarters	4	27,394
Canteen and recreation building	1	7,983
Plant/service houses and store rooms	4	435
Ancillary rooms	4	790
Total		66,822

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.

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 東莞市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) 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.

(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) 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

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

	Property	Description and tenure	Particulars of occupancy	Market Value as at 30 November 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	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 completed in 1999 is about 179,684 sq.m and are summarized as below:	The property is currently occupied by the Group as a factory complex for manufacturing telecom and electronic products, components and accessories.	HK$618,900,000

Building 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

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.

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 Quarters 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	*214,592.54*

(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 right 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

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

	Property	Description and tenure	Particulars of occupancy	Market Value as at 30 November 2008
9.	A building located at Shuang Ta District, Ning Feng Street, Chaoyang City, Liaoning Province, The People's Republic of China	The property comprises a block of 6 storey building with a total gross floor area of approximately 17,326 sq.m. completed in 2008.	The property is currently occupied by the Group as dormitory.	No Commercial Value

Notes:

(i) *According to the Construction and Planning Permission Certificate, the property with a total gross floor area of about 17,326 sq.m. is under the name of CCT (Chaoyang) Plastic Products Company Limited (中建（朝陽）塑膠產品有限公司, an indirect wholly-owned subsidiary of the Company.*

(ii) *In course of our valuation, we have attributed "no commercial value" for the property with total gross floor area of 17,326 sq.m. due to the reason that CCT (Chaoyang) Plastic Products Company Limited 中建(朝陽)塑膠產品有限公司, has no right to transfer the property.*

(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) *CCT (Chaoyang) Plastic Products Company Limited (中建（朝陽）塑膠產品有限公司 is in the process of applying the building ownership of the property.*

(b) *CCT (Chaoyang) Plastic Products Company Limited 中建(朝陽)塑膠產品有限公司 has no right to transfer, let or mortgage the property.*

(c) *The property is not subject to material encumbrances.*

VALUATION CERTIFICATE

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

	Property	Description and tenure	Particulars of occupancy	Market Value as at 30 November 2008
10.	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$205,300,000

Note:

(i) *Pursuant to a Land Use Rights Certificate No. 惠陽國用(2006)字第2200006號 (Huiyang Guo Yong (2006) Zi No. 2200006), 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 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 Right 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 interests held by the Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value as at 30 November 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 irregular-shaped land having a site area of approximately 69,117.36 sq.m.	The propertyis currently left vacant.	HK$94,030,000

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 of 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

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

	Property	Description and tenure	Particulars of occupancy	Market Value as at 30 November 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$70,120,000

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 metre*
Commercial/Residential ratio	*The gross floor area of commercial portion shall not 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.

RESPONSIBILITY STATEMENT

This Offer Document includes particulars given in compliance with the Takeovers Code and the Repurchase Code for the purpose of giving information with regard to the Group.

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Offer Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Offer Document have been arrived at after due and careful consideration and there are no other facts not contained in this Offer Document, the omission of which would make any such statements contained in this Offer Document misleading.

SHARE CAPITAL

(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 Offer 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 to be issued and fully paid:		
— As at the Latest Practicable Date	853,614,826	85,361,482.60
— Shares to be repurchased	(280,000,000)	(28,000,000.00)
Upon completion of the Offer	573,614,826	57,361,482.60

All existing Shares rank equally in all respects, including in particular as to dividend, voting rights and capital.

Save for the issue of 56,491,321 Shares arising from the conversion of the convertible bonds (details of which are included in the circular of the Company dated 11 June 2008) on 2 July 2008, no Shares have been issued or repurchased since the end of the financial year of the Company ended 31 December 2007 up to the Latest Practicable Date.

Details of the Shares issued during the two-year period immediately preceding the date of commencement of the Offer period, being 6 January 2009, are as follows:

Date of allotment	Number of Shares	Issue price per Share *HK$*	Proceeds *HK$*
16 January 2007	17,242,781	0.604	N/A
19 July 2007	15,231	0.604	N/A
2 July 2008	29,942,649	0.604	N/A
2 July 2008	26,548,672	1.13	N/A

The 17,242,781 Shares as set out in the table above were issued and allotted to New Capital Industrial Limited (''New Capital''), a company wholly-owned by Mr. Mak, his spouse and his two sons, on 16 January 2007 upon conversion of the convertible bonds due 2010 (the ''2010 Convertible Bonds''). The 2010 Convertible Bonds were issued by the Company to the bondholders 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 (''CCT Tech'').

The 15,231 Shares as set out in the table above were issued and allotted to Mr. Zhang Jian Chu upon conversion of the 2010 Convertible Bonds.

The 29,942,649 Shares as set out in the table above were issued and allotted to New Capital on 2 July 2008 upon conversion of the 2010 Convertible Bonds.

The 26,548,672 Shares as set out in the table above were issued and allotted to Capital Winner Investments Limited, a company wholly-owned by Mr. Mak, his spouse and his two sons, on 2 July 2008 upon conversion of the convertible bonds due 2009 (the ''2009 Convertible Bonds'') with an outstanding principal amount of HK$30,000,000 as at the date of conversion. The 2009 Convertible Bonds were issued by the Company to Capital Winner Investments Limited 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 such acquisition are contained in the circular of the Company dated 19 May 2006).

There has been no re-organisation of capital during the two financial years immediately preceding the commencement of the Offer Period on 6 January 2009.

As at the Latest Practicable Date, save for the 853,614,826 Shares in issue, the Company did not have any other Shares, outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

During the two-year period immediately preceding the date of this Offer Document, the Company declared dividend three times, being a final dividend of HK$0.030 per Share paid on 12 June 2008, an interim dividend of HK$0.025 per Share paid on 31 October 2007 and an interim dividend of HK$0.025 per Share 22 October 2008. Depending on the future results and financial position of the Group, the Company may, on the recommendation of the Board, declare dividends as and when they consider appropriate taking into account the then financial performance of the Company as well as the amount of profits and/or reserves legally available for distribution. As disclosed in the annual report 2007 of the Company and the audited financial statements of the Group for the year ended 31 December 2007, the

Company's reserves available for distribution to the Shareholders at such year end date amounted to, in the opinion of the Board, HK$2,653 million. The Directors do not have any intention to declare any additional dividend or to alter the dividend policy of the Company.

DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the shares and the underlying shares 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 which 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 as at the Latest Practicable Date*

Long positions in the Shares:

Name of the Director	Number of the Shares beneficially held and nature of interest			Total	Approximate percentage of the total issued share capital *(%)*
	Personal	Family	Corporate		
Mr. Mak *(Note 1)*	715,652	—	294,775,079	295,490,731	34.62
Tam Ngai Hung, Terry	500,000	—	—	500,000	0.06
Cheng Yuk Ching, Flora *(Note 2)*	14,076,713	160,000	—	14,236,713	1.67
William Donald Putt	591,500	—	—	591,500	0.07

Notes:

1. *Included in the shareholdings in which Mr. Mak was interested, 294,775,079 Shares were held by Capital Force International Limited, New Capital Industrial Limited and Capital Winner Investments Limited, all of which are corporations wholly-owned by him, his spouse and his two sons. Mr. Mak is deemed to be interested in such Shares under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Capital Force International Limited, New Capital Industrial Limited and Capital Winner Investments Limited.*

2. *Included in the shareholdings in which Ms. Cheng Yuk Ching, Flora was interested, 160,000 Shares were 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.*

(2) ***Interests and short positions in the shares and the underlying shares of an associated corporation — CCT Tech as at the Latest Practicable Date***

Long positions in the shares of CCT Tech:

Name of the Director	Number of the Shares beneficially held and nature of interest			Approximate percentage of the total issued share capital *(%)*
	Personal	**Corporate**	**Total**	
Mr. Mak *(Note)*	120,000,000	33,026,391,124	33,146,391,124	50.67
Tam Ngai Hung, Terry	20,000,000	—	20,000,000	0.03
Cheng Yuk Ching, Flora	18,000,000	—	18,000,000	0.03
Chen Li	10,000,000	—	10,000,000	0.02

Note: Included in the shareholdings in which Mr. Mak was interested, 33,026,391,124 shares of CCT Tech were held by the Company through its indirect wholly-owned subsidiaries. Mr. Mak is deemed to be interested in such shares of CCT Tech under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of the Company.

(3) ***Interests and short positions in the shares and the underlying shares of the share options of an associated corporation — CCT Resources as at the Latest Practicable Date***

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

Name of the Director	Number of the shares interested and nature of interest			Approximate percentage of the total issued share capital (%)
	Personal	**Corporate**	**Total**	
Mr. Mak *(Note)*	19,344,000	2,031,764,070	2,051,108,070	64.03
Tam Ngai Hung, Terry	7,500,000	—	7,500,000	0.23

Note: Included in the shareholdings in which Mr. Mak was interested, 2,031,764,070 shares of CCT Resources were held by the Company through its wholly-owned subsidiary. Mr. Mak is deemed to be interested in such shares of CCT Resources under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of the Company.

(ii) *Long positions in the underlying shares of the share options of CCT Resources:*

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	0.70
Tam Ngai Hung, Terry	14/8/2006	14/8/2006 – 13/8/2011	0.038	18,000,000	18,000,000	0.56
Cheng Yuk Ching, Flora	14/8/2006	14/8/2006 – 13/8/2011	0.038	5,000,000	5,000,000	0.16
William Donald Putt	14/8/2006	14/8/2006 – 13/8/2011	0.038	5,000,000	5,000,000	0.16

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 which 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:

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 *(%)*
Capital Force International Limited *(Note)*	96,868,792	11.35
New Capital Industrial Limited *(Note)*	171,357,615	20.07

Note: Capital Force International Limited and New Capital Industrial Limited are corporations controlled by Mr. Mak, whose interest in such Shares has also been disclosed under the section headed "Directors' interests and short positions in the shares and the underlying shares 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.

OTHER INTERESTS IN THE COMPANY

As at the Latest Practicable Date:

(i) none of the subsidiaries of the Company, nor pension funds of the Company or any of the Company's subsidiaries, nor any advisers to the Company as specified in class (2) of the definition of associate (as defined in the Takeovers Code) but excluding exempt principal traders had any interest in the securities of the Company;

(ii) no person with whom Mr. Mak or any person acting in concert with Mr. Mak has control or owns had any arrangement of any kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate (as defined in the Takeovers Code); and

(iii) no shareholding in the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company.

DEALINGS IN SECURITIES

(a) By the Company

The Company has not repurchased any Shares in the 12-month period immediately preceding the Latest Practicable Date, and will not conduct any on-market share repurchase from the Latest Practicable Date up to and including the date the Offer closes, lapses or is withdrawn, as the case may be.

(b) By the Directors

Mr. Mak has confirmed (for himself and on behalf of parties acting in concert with him) that there has been no dealings in the securities in the Company by Mr. Mak and parties acting in concert with him in the six months immediately prior to the date of the Announcement and from the date of the Announcement up to and including the Latest Practicable Date.

Each of Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt has confirmed (for himself/herself and on behalf of parties acting in concert with him/her) that there has been no dealings in the securities in the Company by them and parties acting in concert with any of them in the six months immediately prior to the date of the Announcement and from the date of the Announcement up to and including the Latest Practicable Date.

(c) Others

Prior to the posting of this Offer Document, as at the Latest Practicable Date, save for the irrevocable undertaking given by each of Mr. Mak (for himself and parties acting in concert with him) and the Shareholding Directors that he/she will not accept the Offer, neither the Company nor parties acting in concert with it has received any irrevocable commitment from any persons to irrevocably accept or reject the Offer. Each of Mr. Mak (for himself and parties acting in concert with him) and the Shareholding Directors, who has irrevocably committed himself or herself to reject the Offer, has confirmed that he/she has not dealt for value in any securities in the Company during the six months prior to the date of the Announcement and ending on the Latest Practicable Date.

Prior to the posting of this Offer Document, as at the Latest Practicable Date, no persons have irrevocably committed to accept the Offer. As such, no persons who have irrevocably committed to accept the Offer have dealt for value in any securities in the Company during the six months prior to the date of the Announcement and ending on the Latest Practicable Date.

As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Company, Mr. Mak or any person acting in concert with any of them, and any other persons who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate (as defined in the Takeovers Code). As such, there has been no dealings in the securities in the Company by any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate (as defined in the Takeovers Code) with whom the Company, Mr. Mak or any person acting in concert with any of them has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in the six months immediately prior to the date of the Announcement and from the date of the Announcement up to and including the Latest Practicable Date.

As at the Latest Practicable Date, none of the Company, the Directors, Mr. Mak or parties acting in concert with any of them has borrowed or lent any Shares. As such, there has been no dealings in the securities in the Company by any person who has borrowed or lent any Shares in the six months immediately prior to the date of the Announcement and from the date of the Announcement up to and including the Latest Practicable Date.

As at the Latest Practicable Date, none of the subsidiaries of the Company, nor pension funds of the Company or any of the Company's subsidiaries, nor any advisers to the Company as specified in class (2) of the definition of associate (as defined in the Takeovers Code) but excluding exempt principal traders had any interest in the securities of the Company. As such, there has been no dealings in the securities in the Company by any of the subsidiaries of the Company, or pension funds of the Company or any of the Company's subsidiaries, or any advisers to the Company as specified in class (2) of the definition of associate (as defined in the Takeovers Code) but excluding exempt principal traders in the six months immediately prior to the date of the Announcement and from the date of the Announcement up to and including the Latest Practicable Date.

As at the Latest Practicable Date, no shareholding in the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company. As such, there has been no dealings in the securities in the Company by any fund manager (other than exempt fund managers) connected with the Company who manages the shareholding in the Company on a discretionary basis in the six months immediately prior to the date of the Announcement and from the date of the Announcement up to and including the Latest Practicable Date.

MARKET PRICES

The table below shows the closing price per Share on the Stock Exchange (i) on the Latest Practicable Date; (ii) on the Last Trading Day; and (iii) on the last trading day of each of the calendar months during the period commencing six months preceding the commencement of the Offer Period and ending on the Latest Practicable Date:

Date	**Closing price per Share** *HK$*
31 July 2008	0.900
29 August 2008	0.820
30 September 2008	0.600
31 October 2008	0.260
28 November 2008	0.315
31 December 2008	0.345
Last Trading Day	0.345
Latest Practicable Date	0.435

Highest and lowest Share prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the six-month period from the commencement of the Offer Period, being 6 January 2009, up to and including the Latest Practicable Date were HK$1.02 per Share on 7 and 8 July 2008 and HK$0.23 per Share on 7, 10 and 11 November 2008 respectively.

ARRANGEMENTS AFFECTING DIRECTORS

No benefit has been or will be given to any Director as compensation for loss of office or otherwise in connection with the Offer.

As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.

As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) that existed between the Company, being the offeror, or any person acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offer.

DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, there was no material contract entered into by Mr. Mak in which any Director has a material personal interest.

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.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contracts 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 has been amended within six months before commencement of the Offer period, being 6 January 2009.

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 direct wholly-owned subsidiary of the Company) and three employees of a subsidiary of CCT Resources, the Company, CCT Resources and the placing agent (OSK Asia Securities Limited) for top-up placing of an aggregate of 150,000,000 existing ordinary shares of CCT Resources and subscription of 150,000,000 new ordinary shares of CCT Resources at a price of HK$0.285 per ordinary share of CCT Resources;

(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 by Huge Partner of 32nd Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong at a consideration of HK$230,000,000;

(iii) the sale and purchase agreement (the "Initial S&P Agreement") dated 4 October 2007 entered into amongst CCT Resources, Merdeka Commodities Limited ("MCL") and Merdeka Timber Group Ltd. ("MTG"), the supplemental agreement entered on 17 October 2007 to amend certain terms of the Initial S&P Agreement with regard to mainly the conversion restriction and the maturity date of the convertible bonds, the second supplemental agreement entered on 28 February 2008 to amend the long stop date from 28 February 2008 to 31 August 2008 or such other date as CCT Resources, MCL and MTG may agree in writing, and

the third supplemental agreement entered on 20 March 2008 amending certain terms of the Initial S&P Agreement, in relation to the acquisition by CCT Resources of a forestry project in Papua, Indonesia; and

(iv) the subscription agreement dated 4 October 2007 (the "Manistar Initial Subscription Agreement") entered into between CCT Resources and Manistar, the supplemental agreement entered on 17 October 2007 to amend certain terms of the Manistar Initial Subscription Agreement with regard to mainly the conversion restriction and the maturity date of the Manistar CB (as defined hereinafter), the second supplemental agreement entered on 28 February 2008 to amend the long stop date from 28 February 2008 to 31 August 2008 or such other date as CCT Resources or Manistar may agree in writing, and the third supplemental agreement entered on 20 March 2008 amending mainly the aggregate principal amount of the Manistar CB, in relation to the subscripion of convertible bonds by Manistar and the issue of convertible bonds by CCT Resources to Manistar (the "Manistar CB").

EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions in this Offer Document:

Name	Qualification
VC Brokerage	a corporation licensed to carry out types 1 (dealing in securities) and 4 (advising on securities) regulated activities as defined under the SFO
VC Capital	a corporation licensed to carry out types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities as defined under the SFO
First Shanghai	a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity
Ernst & Young	certified public accountants
Grant Sherman Appraisal Limited ("Grant Sherman")	professional surveyors and valuers

Each of VC Brokerage, VC Capital, First Shanghai, Ernst & Young and Grant Sherman has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of the opinion or letter (as the case may be) and references to its name, in the form and context in which it is included.

MISCELLANEOUS

(a) 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.

(b) The Company is not licensed under the Australian Corporations Act (2001) to provide financial product advice in respect of the Shares. The information in this Offer Document does not constitute financial product advice and has been prepared without taking into account the objectives, financial situation or needs of any Shareholder or potential investor.

(c) The principal members of the concert group of the Company, being the offeror, comprise the Company, Mr. Mak and parties acting in concert with him and the Directors.

(d) As at the Latest Practicable Date, the Board consisted of Mr. Mak, Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and Mr. 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.

(e) The financial adviser to the Company, being the offeror, is VC Capital at 28/F The Centrium, 60 Wyndham Street, Central, Hong Kong.

(f) VC Brokerage will be making the Offer on behalf of the Company. The address of VC Brokerage is 28/F The Centrium, 60 Wyndham Street, Central, Hong Kong.

(g) The independent financial adviser to the Independent Board Committee and the Independent Shareholders is First Shanghai at 19/F Wing On House, 71 Des Voeux Road Central, Hong Kong.

(h) The Company's Hong Kong branch share registrar and transfer office is Tricor Tengis Limited, whose address is situated at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(i) 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.

(j) All time references contained in this Offer Document refer to Hong Kong time.

(k) The English text of this Offer Document, the form of proxy and the Form of Acceptance shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours (public holidays excepted) at the office of the Company at 2008, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong; (ii) on the website of the Securities and Futures Commission at www.sfc.hk; and (iii) on the website of the Company at www.cct.com.hk, from the date of this Offer Document until the end of the Offer Period:

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

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

(c) the interim report of the Company for the six months ended 30 June 2008;

(d) the letter from VC Brokerage, the text of which is set out on pages 16 to 23 of this Offer Document;

(e) the letter from the Independent Board Committee, the text of which is set out on pages 24 to 25 of this Offer Document;

(f) the letter from First Shanghai, the text of which is set out on pages 26 to 46 of this Offer Document;

(g) the comfort letter from Ernst & Young, the text of which is set out in Appendix III to this Offer Document;

(h) the property valuation report from Grant Sherman, the text of which is set out in Appendix IV to this Offer Document;

(i) the letter of consent from each of VC Brokerage, VC Capital, First Shanghai, Ernst & Young and Grant Sherman referred to in the paragraph headed "Experts and Consents" in this appendix;

(j) each of the material contracts mentioned in the section headed "Material Contracts" in this appendix; and

(k) the irrevocable undertakings from each of Mr. Mak and the Shareholding Directors not to accept the Offer.

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 at 10:00 a.m. on Monday, 16 February 2009 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**:

(a) the conditional cash offer (the "**Offer**") by VC Brokerage Limited on behalf of the Company to repurchase up to 280,000,000 shares of nominal value HK$0.10 each in the issued share capital of the Company (the "**Shares**") held by the shareholders of the Company ("**Shareholders**") at a price of HK$0.50 per Share in cash and subject to the terms and conditions set out in the offer document despatched to the Shareholders and dated 23 January 2009 together with the accompanying form of acceptance (a copy of which marked "A" has been produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) be approved, without prejudice to the existing authority of the Company under the general mandate to repurchase Shares granted by the Shareholders at the annual general meeting of the Company on 23 May 2008, and that any one of the directors of the Company be and is hereby authorised to execute all such documents with or without amendments and do all such things as he/she considers desirable, necessary or expedient in connection with or to give effect to any matters relating to or in connection with the Offer including without limitation, completion of the repurchase of Shares pursuant to the Offer; and

(b) the waiver (the "**Whitewash Waiver**") in respect of any obligation under the Codes on Takeovers and Mergers (the "**Takeovers Code**") and Share Repurchases (the "**Repurchase Code**") of Mr. Mak Shiu Tong, Clement and parties acting in concert (such term as defined in the Takeovers Code) with him to make a mandatory general offer for all the issued Shares other than those as held by him or them which may, but for such waiver, arise upon completion of the Offer be and is hereby approved, and that any one of the directors of the Company be and is hereby authorised to execute all such documents with or without amendments and do all such things as he/she considers desirable, necessary or expedient in connection with or 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, 23 January 2009

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.*