THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer 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, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for onward transmission to the purchaser(s) or the transferee(s).

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for Shares of the Company.

CCT TELECOM HOLDINGS LIMITED

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

(Stock Code: 00138)

(1) VERY SUBSTANTIAL DISPOSAL
AND
(2) POSSIBLE VERY SUBSTANTIAL ACQUISITION

A letter from the Board is set out on pages 7 to 23 of this circular.

A notice convening the SGM to be held at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong on Monday, 29 June 2009 at 10:00 a.m. is set out on pages 254 to 259 of this circular. A form of proxy for use by the Shareholders at the SGM is enclosed herein. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event, not later than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be). Such form of proxy for use at the SGM is also published on the 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 in person should you so wish.

1 June 2009

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

"Agreement"	the conditional agreement dated 29 April 2009 as amended by the supplemental agreement dated 7 May 2009 and the Second Supplemental Agreement dated 27 May 2009 entered into between CCT Telecom as vendor and CCT Tech as purchaser in respect of the Transaction;
"Announcement"	the joint announcement dated 11 May 2009 made by the Company and CCT Tech in connection with the Agreement, the Transaction and the Possible Maximum Increase;
"associate(s)"	has the meaning as ascribed to it under the Listing Rules;
"Board"	the board of the Directors;
"Business Day"	a day (other than Saturdays, Sundays and public holidays) on which licensed banks in Hong Kong are open for business;
"Capital Increase"	subject to and forthwith upon the Share Consolidation and the Capital Reduction becoming effective, the proposed increase of the authorised share capital of CCT Tech from HK$120,000,000 divided into 12,000,000,000 shares of par value of HK$0.01 each to HK$240,000,000 divided into 24,000,000,000 shares of par value of HK$0.01 each;
"Capital Reduction"	the proposed reduction of the par value of each issued Consolidated Share from HK$0.10 each to HK$0.01 each by cancelling HK$0.09 paid-up capital on each issued Consolidated Share upon the Share Consolidation becoming effective;
"Capital Reorganisation"	the proposed share capital reorganisation of CCT Tech which includes the Share Consolidation, the Capital Reduction, the Credit Transfer, and the Capital Increase, Reclassification and Re-designation as more fully set out under the section headed ''The Proposed Capital Reorganisation of CCT Tech'' in the ''Letter from the Board'' of this circular;
"CCASS"	Central Clearing and Settlement System established and operated by HKSCC;
"CCT Assets"	CCT Assets Management Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of CCT Telecom;

"CCT Industrial"	CCT Industrial Products Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of CCT Telecom;
"CCT Industrial Group"	CCT Industrial and its subsidiaries from time to time;
"CCT Resources"	CCT Resources Holdings Limited (formerly known as Tradeeasy Holdings Limited), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Growth Enterprise Market of the Stock Exchange and in which CCT Telecom has a substantial shareholding;
"CCT Tech"	CCT Tech International Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange;
"CCT Tech Board"	the board of the CCT Tech Directors;
"CCT Tech Director(s)"	the director(s) (including the independent non-executive directors) of CCT Tech;
"CCT Tech Existing Share(s)"	the existing issued share(s) of CCT Tech of par value of HK$0.01 each before the Capital Reorganisation becoming effective;
"CCT Tech Group"	CCT Tech and its subsidiaries;
"CCT Tech Ordinary Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of CCT Tech upon the Capital Reorganisation becoming effective;
"CCT Tech SGM"	the special general meeting of the CCT Tech Shareholders to be convened to consider and, if thought fit, inter alia, approve the Agreement, the Transaction and the Capital Reorganisation;
"CCT Tech Shareholder(s)"	the holder(s) of the CCT Tech Existing Share(s) before the Capital Reorganisation becoming effective or the holder(s) of the CCT Tech Ordinary Shares after the Capital Reorganisation becoming effective;
"CCT Telecom" or "Company"	CCT Telecom Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange;
"CCT Telecom Remaining Group"	the Group excluding the CCT Tech Group and excluding the CCT Industrial Group after Completion;
"Companies Act"	the Companies Act 1981 of Bermuda (as amended);

"Completion"	completion of the Transaction pursuant to the Agreement;
"Components"	plastic casing, plastic components, linear mode power supplies, switching mode power supplies, transformers, adaptors, and other electronic components manufactured by the CCT Industrial Group for supply to the CCT Tech Group and other third party manufacturers for production of telecom and electronic products;
"Components Business"	the existing business of the CCT Industrial Group in the manufacture of the Components, most of which have been supplied to the CCT Tech Group;
"connected person(s)"	has the meaning as ascribed to it under the Listing Rules;
"Consideration"	HK$346,311,000 for the Transaction under the Agreement;
"Consolidated Share(s)"	share(s) of HK$0.10 each in the issued share capital of CCT Tech immediately upon the Share Consolidation becoming effective but prior to the Capital Reduction;
"Conversion Period"	the perpetual period commencing from the date of issue of the Convertible Preference Shares during which holder(s) of the Convertible Preference Shares are eligible to convert the Convertible Preference Shares into the CCT Tech Ordinary Shares;
"Conversion Ratio"	the ratio of conversion of the Convertible Preference Shares into the CCT Tech Ordinary Shares, at the initial ratio of one Convertible Preference Share convertible into one CCT Tech Ordinary Share, subject to adjustment only in the event of an alteration to the nominal value of the CCT Tech Ordinary Shares as a result of consolidation or subdivision of the CCT Tech Ordinary Shares and not otherwise;
"Conversion Shares"	CCT Tech Ordinary Shares to be allotted and issued by CCT Tech upon conversion of the Convertible Preference Shares, from time to time;
"Convertible Preference Shares"	the non-voting and non-redeemable convertible preference shares of par value of HK$0.01 each, created by the Capital Reorganisation, to be issued by CCT Tech at the issue price of HK$0.10 each pursuant to the terms of the Agreement and having the rights and benefits and subject to the restrictions to be set out in the Resolution;
"Credit Transfer"	has the meaning as referred to in the section headed "The Proposed Capital Reorganisation of CCT Tech" in the "Letter from the Board" of this circular;

"Director(s)"	the director(s) (including the independent non-executive directors) of CCT Telecom;
"Discontinuation"	the discontinuation by the Group's largest single customer in the US of its retail telephony business activities in North America in November 2008;
"Enlarged Group"	the Group after completion of the Transaction and the Possible Maximum Increase;
"Expert Success"	Expert Success International Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of CCT Telecom;
"Group"	CCT Telecom and its subsidiaries;
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong;
"HKSCC"	Hong Kong Securities Clearing Company Limited;
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China;
"Independent CCT Tech Shareholders"	CCT Tech Shareholders other than the Group and its associates;
"Land"	the plot of land located at Shang Pai Lot Ban Pai, Shi Wei Ai Ling, Danshui Town, Huiyang City, Guangdong Province, the PRC with a site area of 450,000 square metres;
"Last Trading Date"	29 April 2009, being the last day on which the CCT Tech Existing Shares were traded on the Stock Exchange prior to the release of the Announcement;
"Latest Practicable Date"	27 May 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Long Stop Date"	originally 24 June 2009 which has been extended under the Second Supplemental Agreement to 31 July 2009, or such later date as agreed by the parties to the Agreement in writing;

"Possible Maximum Increase"	has the meaning as referred to in the sub-section headed "Possible very substantial acquisition for CCT Telecom" under the section headed "Listing Rules Implications" in the "Letter from the Board" of this circular;
"PRC"	the People's Republic of China, excluding Hong Kong for the purpose of this circular;
"Reclassification and Re-designation"	the reclassification and re-designation of the authorised share capital of CCT Tech subject to and forthwith upon the Capital Increase becoming effective so that the authorised share capital of CCT Tech shall become HK$240,000,000 divided into 24,000,000,000 shares of par value of HK$0.01 each, comprised of 3,463,110,000 Convertible Preference Shares of par value of HK$0.01 each and 20,536,890,000 CCT Tech Ordinary Shares of par value of HK$0.01 each and the proposed re-designation of the then issued shares of CCT Tech into issued CCT Tech Ordinary Shares;
"Resolution"	the resolution to be proposed at the CCT Tech SGM in relation to, among others, the creation of the Convertible Preference Shares;
"Sale Share"	one share of US$1.00 each in CCT Industrial, representing the entire issued share capital of CCT Industrial;
"Sale Shareholder's Loan"	the outstanding interest-free loan due from CCT Industrial to CCT Telecom as at Completion, which amounted to HK$393,990,107 as at the date of the Agreement;
"Second Supplemental Agreement"	the second supplemental agreement dated 27 May 2009 entered into between CCT Telecom and CCT Tech to extend the Long Stop Date from 24 June 2009 to 31 July 2009, or such later date as agreed by the parties to the Agreement in writing;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	the special general meeting of the Shareholders to be convened to consider and, if thought fit, inter alia, approve the Agreement and the Transaction and the possible very substantial acquisition arising from the Possible Maximum Increase;
"Share(s)"	the ordinary share(s) of HK$0.10 each in the share capital of CCT Telecom;

"Share Consolidation"	the proposed consolidation of every 10 issued CCT Tech Existing Shares of HK$0.01 each in the share capital of CCT Tech into one issued Consolidated Share of HK$0.10 each;
"Shareholder(s)"	the holder(s) of the Shares;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"substantial shareholder(s)"	has the meaning as ascribed to it under the Listing Rules;
"Transaction"	the proposed acquisition of the Sale Share and the Sale Shareholder's Loan by CCT Tech from CCT Telecom as contemplated under the Agreement;
"US"	the United States of America;
"US Customer"	the Group's largest single customer in the US that discontinued its retail telephony business activities in North America; and
"%"	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

1 June 2009

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL DISPOSAL AND (2) POSSIBLE VERY SUBSTANTIAL ACQUISITION

INTRODUCTION

On 11 May 2009, by means of the Announcement, the Board and the CCT Tech Board jointly announced that CCT Telecom and CCT Tech entered into the Agreement, pursuant to which CCT Telecom has agreed to sell the Sale Share and the Sale Shareholder's Loan to CCT Tech or its designated nominee(s) at a total consideration of HK$346,311,000, which shall be satisfied by the allotment and issue of 3,463,110,000 Convertible Preference Shares by CCT Tech credited as fully paid at the subscription price of HK$0.10 each in favour of Expert Success and CCT Assets, both of which are indirect wholly-owned subsidiaries of CCT Telecom. The Sale Share represents the entire issued share capital of CCT Industrial, a direct wholly-owned subsidiary of CCT Telecom.

To facilitate the issue of the Convertible Preference Shares and the Conversion Shares, the CCT Tech Board proposes to put forward the proposal to the CCT Tech Shareholders to effect the Capital Reorganisation which involves:

(i) the Share Consolidation;

(ii) the Capital Reduction;

(iii) the Credit Transfer; and

(iv) the Capital Increase, Reclassification and Re-designation.

The proposed Capital Reorganisation is conditional upon, among others, the CCT Tech Shareholders' approval of the proposed Capital Reorganisation and the Independent CCT Tech Shareholders' approval of the Agreement and the Transaction at the CCT Tech SGM. More details of the Capital Reorganisation of CCT Tech are set out under the section headed "The Proposed Capital Reorganisation of CCT Tech" in this letter from the Board.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transaction exceed 75% for CCT Telecom, the Transaction constitutes a very substantial disposal for CCT Telecom under the Listing Rules. The Transaction will subject to the approval of the Shareholders by way of poll at the SGM. No Shareholder is required to abstain from voting on the resolution(s) to approve the Agreement and the Transaction at the SGM.

The future conversion of the Convertible Preference Shares may result in the possible increase of 17.14% in the percentage of CCT Telecom's shareholdings in CCT Tech from 50.49% (the percentage of CCT Telecom's shareholdings in CCT Tech as at the Latest Practicable Date) to the maximum percentage of 67.63%. The Possible Maximum Increase of the percentage of CCT Telecom's shareholdings in CCT Tech will constitute a possible very substantial acquisition for CCT Telecom under Rule 14.24 of the Listing Rules. Accordingly, the possible very substantial acquisition is subject to the requirements of reporting, announcement and shareholders' approval under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) further details of the Transaction and the Agreement; (ii) further details of the possible very substantial acquisition arising from the Possible Maximum Increase; and (iii) the notice of the SGM.

THE AGREEMENT AND THE TRANSACTION

The Agreement

The sale and purchase agreement dated 29 April 2009 as amended by the supplemental agreement dated 7 May 2009 and the second supplemental agreement dated 27 May 2009 were entered into between the following parties in relation to the sale and purchase of the following assets:

Vendor:	CCT Telecom
Purchaser:	CCT Tech
Assets to be disposed:	CCT Telecom has conditionally agreed to sell the Sale Share and the Sale Shareholder's Loan to CCT Tech or its designated nominee(s) at a total consideration of HK$346,311,000. The Sale Share represents the entire issued share capital of CCT Industrial, a direct wholly-owned subsidiary of CCT Telecom.

On 27 May 2009, CCT Telecom and CCT Tech agreed in writing under the Second Supplemental Agreement to extend the Long Stop Date from 24 June 2009 to 31 July 2009, or such later date as agreed by the parties to the Agreement in writing.

CCT Telecom is the ultimate controlling shareholder of CCT Tech and indirectly holds 33,026,391,124 CCT Tech Existing Shares, representing approximately 50.49% of the total issued share capital of CCT Tech as at the Latest Practicable Date. CCT Telecom is therefore a substantial shareholder and hence a connected person of CCT Tech under the Listing Rules.

Consideration of the Transaction

The total consideration of HK$346,311,000 shall be satisfied at Completion by the allotment and issue by CCT Tech of 3,463,110,000 Convertible Preference Shares credited as fully paid at the subscription price of HK$0.10 each in favour of the following indirect wholly-owned subsidiaries of CCT Telecom:

(a) as to 1,731,555,000 Convertible Preference Shares in favour of Expert Success; and

(b) as to 1,731,555,000 Convertible Preference Shares in favour of CCT Assets.

The Convertible Preference Shares carry the right to convert into the CCT Tech Ordinary Shares at the Conversion Ratio on a one to one basis (subject to adjustment in the future event of a consolidation or subdivision of the CCT Tech Ordinary Shares but not otherwise) and shall have the rights and benefits and subject to restrictions set out in the sub-section headed "Rights, benefits and restrictions of the Convertible Preference Shares" below. The Conversion Shares to be issued upon the conversion of the Convertible Preference Shares will be issued under a specific mandate of CCT Tech.

The issue price of the Convertible Preference Shares at HK$0.10 each is equal to each of the following adjusted closing prices per CCT Tech Ordinary Share:

(a) the adjusted closing price of approximately HK$0.10 per CCT Tech Ordinary Share, based on the closing price of HK$0.01 per CCT Tech Existing Share as quoted on the Stock Exchange immediately before the suspension of trading on the Last Trading Date and adjusted for the effect of the Capital Reorganisation;

(b) the adjusted average closing price of approximately HK$0.10 per CCT Tech Ordinary Share, based on the average closing price of approximately HK$0.01 per CCT Tech Existing Share as quoted on the Stock Exchange immediately for the five consecutive trading days up to and including the Last Trading Date and adjusted for the effect of the Capital Reorganisation;

(c) the adjusted average closing price of approximately HK$0.10 per CCT Tech Ordinary Share, based on the average closing price of approximately HK$0.01 per CCT Tech Existing Share as quoted on the Stock Exchange immediately for the 10 consecutive trading days up to and including the Last Trading Date and adjusted for the effect of the Capital Reorganisation;

(d) the adjusted average closing price of approximately HK$0.10 per CCT Tech Ordinary Share, based on the average closing price of approximately HK$0.01 per CCT Tech Existing Share as quoted on the Stock Exchange immediately for the 30 consecutive trading days up to and including the Last Trading Date and adjusted for the effect of the Capital Reorganisation; and

(e) the adjusted average closing price of approximately HK$0.10 per CCT Tech Ordinary Share, based on the average closing price of approximately HK$0.01 per CCT Tech Existing Share as quoted on the Stock Exchange immediately for the 60 consecutive trading days up to and including the Last Trading Date and adjusted for the effect of the Capital Reorganisation;

The issue price of the Convertible Preference Shares represents a discount of approximately 23.1% to the adjusted closing price of HK$0.13 per CCT Tech Ordinary Share, based on the closing price of HK$0.013 per CCT Tech Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation.

The issue price of the Convertible Preference Shares also represents a discount of approximately 9.1% to the audited consolidated net assets value of approximately HK$0.11 per CCT Tech Ordinary Share as at 31 December 2008, as adjusted for the effect of the Capital Reorganisation.

The issue price of the Convertible Preference Shares was arrived at arm's length negotiation between CCT Tech and CCT Telecom with reference to the market price of the CCT Tech Existing Shares and adjusted for the effect of the Capital Reorganisation.

The Sale Shareholder's Loan shall be assigned to CCT Tech or its designated assignee(s) at its book value. The Consideration of HK$346,311,000 was determined based on the net total of: (i) the audited consolidated net deficit in the amount of HK$47,680,000 of the CCT Industrial Group after deduction of the Sale Shareholder's Loan as at 31 December 2008; and (ii) the audited book value of the Sale Shareholder's Loan in the amount of HK$393,991,000 as at 31 December 2008. The Consideration was determined after arm's length negotiation between the parties to the Transaction and with reference to the net assets value (before deduction of the Sale Shareholder's Loan) of the CCT Industrial Group as at 31 December 2008 in the amount of HK$346,311,000 and taking into account the following factors in arriving at the consideration:

(a) current market environment;

(b) current financial position and historical financial performance of the CCT Industrial Group; and

(c) potential income generation of the CCT Industrial Group.

The Directors consider the Consideration to be fair and reasonable to CCT Telecom, on normal commercial terms and in the interests of CCT Telecom and its shareholders as a whole.

Rights, benefits and restrictions of the Convertible Preference Shares

On Completion, the share capital of CCT Tech will comprise CCT Tech Ordinary Shares and Convertible Preference Shares. The Convertible Preference Shares will only carry limited voting rights, have no right to dividend payment by CCT Tech but can be converted into CCT Tech Ordinary Shares

at the Conversion Ratio on a one to one basis. The Conversion Ratio will only be adjusted where there is an alteration to the nominal value of a CCT Tech Ordinary Share as a result of consolidation or subdivision of the CCT Tech Ordinary Shares. Save for the foregoing, the Conversion Ratio will not be subject to any other adjustment event.

The rights of the Convertible Preference Shares will be set out in the Resolution and a summary of which is set out below:

Issuer	:	CCT Tech
Issue price	:	HK$0.10 per Convertible Preference Share
Conversion Ratio	:	Each Convertible Preference Share carries the right to convert into one CCT Tech Ordinary Share (subject to adjustment only in the event of an alteration to the nominal value of the CCT Tech Ordinary Shares as a result of consolidation or subdivision of the CCT Tech Ordinary Shares and not otherwise).
Dividend	:	Holders of Convertible Preference Shares are not entitled to any dividend payment or any distribution (including bonus issue) of CCT Tech.
Conversion	:	Holders shall have the right to convert, in whole or in part, during the Conversion Period, each Convertible Preference Share into one CCT Tech Ordinary Share at the Conversion Ratio provided that the public float of the CCT Tech Ordinary Shares shall not be less than 25% or the minimum percentage as set out in the Listing Rules from time to time, immediately following the exercise of such conversion right.
Conversion period	:	Perpetual as from the date of issue.
Transferrability	:	Convertible Preference Shares are freely transferrable from the date of issue.
Voting right	:	Holders of Convertible Preference Shares shall be entitled to receive notices of and attend any shareholders' meeting of CCT Tech but shall not be entitled to vote at any shareholders' meeting of CCT Tech by reason only of being holders of Convertible Preference Shares save where the resolutions in question relate to the dissolution or winding up of CCT Tech or variation or abrogation of the rights attaching to the Convertible Preference Shares in which cases the holders of the Convertible Preference Shares will have the same voting rights as those attaching to the CCT Tech Ordinary Shares on an as-converted basis.

Ranking	:	Rank in priority to the CCT Tech Ordinary Shares as to a return of capital on a winding up or otherwise up to the aggregate of the amounts paid up or credited as paid up on all outstanding Convertible Preference Shares. The Conversion Shares shall rank pari passu in all respects with all other CCT Tech Ordinary Shares in issue.
Redemption	:	Without prejudice to the power of CCT Tech to purchase its shares in accordance with the bye-laws of CCT Tech, the Convertible Preference Shares are non-redeemable.
Listing	:	No listing of the Convertible Preference Shares will be sought on the Stock Exchange or on any other stock exchanges. Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may fall to be issued upon the exercise of the conversion rights attaching to the Convertible Preference Shares.

Upon full conversion of the 3,463,110,000 Convertible Preference Shares, a total of 3,463,110,000 CCT Tech Ordinary Shares will be issued, subject to adjustment to the Conversion Ratio, which represent approximately 52.94% of the total issued CCT Tech Ordinary Shares immediately after the Capital Reorganisation becoming effective but before Completion and approximately 34.62% of the total issued share capital of CCT Tech as enlarged by the Conversion Shares to be issued upon full conversion of the Convertible Preference Shares.

Neither issue nor conversion of the Convertible Preference Shares will result in any change of control of CCT Tech.

Conditions precedent of the Agreement

Completion is conditional upon the fulfillment or waiver of the following conditions precedent:

(a) CCT Telecom having complied fully with the obligations and having performed all of the covenants and agreements required to be performed by it under the Agreement;

(b) the warranties given by CCT Telecom under the Agreement remaining true and accurate and not misleading;

(c) the warranties given by CCT Tech under the Agreement remaining true and accurate and not misleading;

(d) the approval by the Independent CCT Tech Shareholders at the CCT Tech SGM of (i) the acquisition by CCT Tech of the Sale Share and the Sale Shareholder's Loan and the transactions contemplated under the Agreement; and (ii) the issue and allotment of the Convertible Preference Shares and the Conversion Shares by CCT Tech pursuant to the Agreement having been obtained; and the approval by the CCT Tech Shareholders at the CCT Tech SGM of the Capital Reorganisation having been obtained;

(e) all requisite resolution(s) being passed by the Shareholders at the SGM approving the terms of and the transactions contemplated under the Agreement and the implementation thereof, in compliance with the Listing Rules;

(f) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the CCT Tech Ordinary Shares in issue following completion of the Capital Reorganisation and the Conversion Shares falling to be issued upon exercise of the conversion rights attaching to the Convertible Preference Shares;

(g) the granting of the requisite approval/consent(s) by the Bermuda Monetary Authority, where applicable, for the issue of the Convertible Preference Shares and the Conversion Shares falling to be issued upon exercise of the conversion rights attaching to the Convertible Preference Shares; and

(h) all necessary consents from third parties (including governmental or official authorities) in connection with the transactions contemplated under the Agreement having been obtained by CCT Telecom and no statute, regulations or decision which would prohibit, restrict or materially delay the sale and purchase of the Sale Share and the Sale Shareholder's Loans having been proposed, enacted or taken by any governmental or official authority.

CCT Tech shall have the right to waive the conditions set out in paragraphs (a), (b) and (h) above at any time by notice in writing to CCT Telecom. CCT Telecom shall have the right to waive the condition in paragraph (c) above at any time by notice in writing to CCT Tech.

In the event that any of the conditions shall not have been fulfilled or waived on or before 31 July 2009 or such later date as agreed by the parties to the Agreement in writing, the Agreement shall cease to be of any effect save in respect of claims arising out of any antecedent breach of the Agreement.

Completion

Completion of the Transaction is expected to take place on or before the third Business Day after all of the conditions have been fulfilled or waived (which shall be fulfilled by no later than the Long Stop Date). The Convertible Preference Shares will be issued in favour of Expert Success and CCT Assets on the date of Completion.

Upon Completion, all the members of the CCT Industrial Group will be accounted for as subsidiaries of CCT Tech.

Further information about the CCT Industrial Group

CCT Industrial is an investment holding company and the CCT Industrial Group is principally engaged in the manufacture and sale of the Components. Most of the Components are sold to the CCT Tech Group for the production of telecom and electronic products. Some of the Components are sold to independent third parties. The production plants of the CCT Industrial Group are located in the cities of Huiyang and Dongguan, Guangdong Province, the PRC. The manufacturing operations of the CCT Industrial Group are substantial and are vertically integrated. Besides the production of the Components, the CCT Industrial Group is also engaged in the plastic mould making and secondary operation of plastic products such as spraying, silk-screening & UV printing, hot-stamping, laser marking, and

ultrasonic welding. The CCT Industrial Group is equipped with a large number of advance machines, including plastic mould injection machines, automatic robot arm plastic moulding machines, electrical injection machines, tooling making machines, digital milling machines, wire-cutting machines, EDM and CNC processing centres, High Stabilised Programmable AC Source and Temperature & Humidity Controlled Chamber.

Besides the plant and machinery and fixed assets used in its operations, CCT Industrial Group also holds the Land with a site area of approximately 450,000 square metres which was acquired by the Group in 2000 at a cost of HK$160 million from a third party independent of and not connected with the substantial shareholders, chief executive and directors of the Group. As at the Latest Practicable Date, the Land is vacant and is adjunct to the factory complex of the CCT Tech Group located in the Huiyang City. After Completion, the Land is available for future development and expansion of the CCT Industrial Group as well as the CCT Tech Group. The carrying book value of the Land as at 31 December 2008 is approximately HK$142 million.

The audited consolidated turnover of the CCT Industrial Group for the two years ended 31 December 2007 and 2008 were approximately HK$525 million and HK$446 million, respectively. The audited consolidated loss before tax of the CCT Industrial Group for the two years ended 31 December 2007 and 2008 were approximately HK$8 million and HK$110 million, respectively. The audited consolidated loss after tax of the CCT Industrial Group for the two years ended 31 December 2007 and 2008 were approximately HK$10 million and HK$110 million, respectively. As at 31 December 2008, the audited consolidated net assets of the CCT Industrial Group before deduction of the Sale Shareholders' Loan were HK$346,311,000 and the audited consolidated net deficit of the CCT Industrial Group after deduction of the Sale Shareholder's Loan was HK$47,680,000.

The CCT Industrial Group was profitable in years prior to 2006. During the two years of 2007 and 2008, the CCT Industrial Group operated under adverse business difficult environment and its performance was adversely affected by uncontrollable outside factors including (i) high production costs due to high material costs of plastic resins (as a result of high petroleum price until September last year) and metal, surge of labour costs in the Guangdong Province and appreciation of Renminbi against US dollar; (ii) the financial turmoil which has resulted in global economic downturn and drop in the sales orders of the CCT Tech Group which in turn lowered the production orders of the CCT Industrial Group; and (iii) exceptional impairment loss of fixed asset in the amount of approximately HK$65 million in 2008 due to the Discontinuation which resulted in under-utilisation of certain fixed assets of the CCT Industrial Group.

Various measures and initiatives have been taken by the CCT Industrial Group to trim down costs and overheads and improve its efficiency and competitiveness and these measures have shown positive effect to the performance of the CCT Industrial Group. Although the CCT Industrial Group is currently loss-making, it has been a reliable source for the supply of a large volume of good quality Components to the CCT Tech Group at competitive prices.

Information on CCT Tech and CCT Telecom

CCT Tech is the holding company of the CCT Tech Group which is principally engaged in the design, manufacture and sale of telecom and electronic products before Completion. As at 31 December 2008, the audited consolidated net assets of the CCT Tech Group was HK$735 million. The audited consolidated loss before tax of the CCT Tech Group for the two years ended 31 December 2007 and

2008 were approximately HK$189 million and HK$315 million, respectively. The audited consolidated loss after tax of the CCT Tech Group for the two years ended 31 December 2007 and 2008 were approximately HK$201 million and HK$317 million, respectively.

CCT Telecom is the holding company of the Group whose principal activities before Completion are (i) manufacture and sale of telecom and electronic products through the CCT Tech Group; (ii) manufacture and sale of the Components through the CCT Industrial Group; (iii) manufacture and sale of infant and child products; (iv) securities business; (v) property development and holding; and (vi) the forestry resources business through CCT Resources.

After Completion, the Components Business of the CCT Industrial Group (which accounted for 100% of the revenue and loss of the CCT Industrial Group in 2008) will be transferred to the CCT Tech Group and the CCT Telecom Remaining Group will continue to be engaged in the businesses set out in (iii) to (vi) above.

Shareholding Structure of CCT Tech

The table below shows the shareholding movements of CCT Tech before and immediately after the Capital Reorganisation but before the Completion, immediately after the Capital Reorganisation and the Completion and after full conversion of the Convertible Preference Shares:

Name of the CCT Tech Shareholders	**As at the Latest Practicable Date**		**Immediately after the Capital Reorganisation becoming effective**		**Immediately after the Capital Reorganisation and the Completion but before any conversion of the Convertible Preference Shares**	
	No. of shares held	*%*	*No. of shares held*	*%*	*No. of shares held*	*%*
Jade Assets Company Limited*	29,326,391,124	44.83	2,932,639,112	44.83	2,932,639,112	44.83
Expert Success*	2,350,000,000	3.59	235,000,000	3.59	235,000,000	3.59
CCT Assets*	1,350,000,000	2.07	135,000,000	2.07	135,000,000	2.07
CCT Telecom Total	33,026,391,124	50.49	3,302,639,112	50.49	3,302,639,112	50.49
CCT Tech Directors	168,000,000	0.26	16,800,000	0.26	16,800,000	0.26
Public	32,219,602,866	49.25	3,221,960,287	49.25	3,221,960,287	49.25
Total	65,413,993,990	100.00	6,541,399,399	100.00	6,541,399,399	100.00

Name of the CCT Tech Shareholders	Immediately after the Capital Reorganisation and the Completion but before any conversion of the Convertible Preference Shares		Immediately after the Capital Reorganisation and the Completion and full conversion of the Convertible Preference Shares	
	No. of shares held	*%*	*No. of shares held*	*%*
Jade Assets Company Limited*	2,932,639,112	44.83	2,932,639,112	29.31
Expert Success*	235,000,000	3.59	1,966,555,000	19.66
CCT Assets*	135,000,000	2.07	1,866,555,000	18.66
CCT Telecom Total	3,302,639,112	50.49	6,765,749,112	67.63
CCT Tech Directors	16,800,000	0.26	16,800,000	0.17
Public	3,221,960,287	49.25	3,221,960,287	32.20
Total	6,541,399,399	100.00	10,004,509,399	100.00

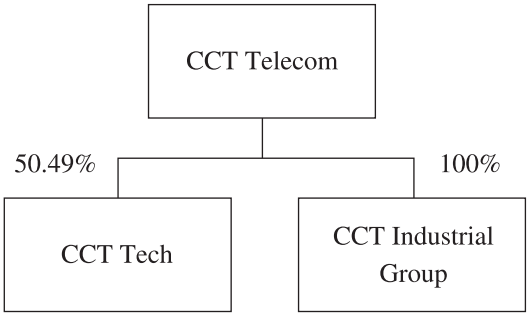
* *all are indirect wholly-owned subsidiaries of CCT Telecom.*

Application has been made to the Stock Exchange for the listing of, and the permission to deal in, the CCT Tech Ordinary Shares in issue following completion of the Capital Reorganisation, the Conversion Shares to be issued upon the conversion of the Convertible Preference Shares.

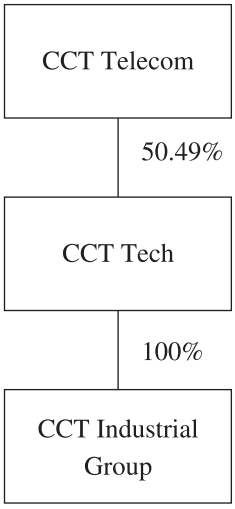
Group charts before and after the Transaction

The following diagrams illustrate a simplified corporate and shareholding structure of CCT Telecom and CCT Tech before and following the Capital Reorganisation and Completion:

As at the Latest Practicable Date



Immediately after the Capital Reorganisation and the Completion but before any conversion of the Convertible Preference Shares



Reasons for and benefits of the proposed Transaction

The Directors are of the view that the Transaction will result in the following benefits to the Group:

(a) to enable the Group to focus on its remaining businesses not carrying on by the CCT Tech Group and the CCT Industrial Group after Completion which will enhance management and operational effectiveness with greater focus on its core strength and competencies including dedication of resources on its businesses and development of new businesses;

(b) to attach a clearer corporate identity for CCT Telecom (whose core businesses excluding the manufacturing businesses of the CCT Tech Group are not principally manufacture and are relatively more diversified) after Completion, with a view to enabling a better appreciation of the value of its businesses; and

(c) to enable CCT Telecom to increase its interest in CCT Tech through the Convertible Preference Shares which are convertible into the CCT Tech Ordinary Shares and will enable CCT Telecom to benefit from the possible improved performance of CCT Tech as a result of the potential synergies and the improved competitiveness created through better resources integration and allocation, centralised management and planning after integration with the Components Business.

In light of the benefits above, the Directors believe that the terms of the Agreement are on normal commercial terms and are fair and reasonable, and in the interests of the Shareholders as a whole.

Financial effects of the very substantial disposal arising from the Transaction

Before Completion, all members of the CCT Tech Group are non wholly-owned subsidiaries of CCT Telecom and the assets, liabilities and results of the CCT Tech Group have been consolidated into the accounts of CCT Telecom. Before Completion, all members of the CCT Industrial Group are wholly-owned subsidiaries of CCT Telecom and the assets, liabilities and results of the CCT Industrial Group have been consolidated into the accounts of CCT Telecom. Upon Completion, each member of the CCT Industrial Group will become a wholly-owned subsidiary of CCT Tech and an indirect non wholly-owned subsidiary of CCT Telecom through CCT Tech. As such, the assets, liabilities and results of the enlarged CCT Tech Group, including the CCT Industrial Group, will continue to be consolidated into the accounts of CCT Telecom after Completion.

(a) Net assets value

Upon Completion, each member of the CCT Industrial Group will become a wholly-owned subsidiary of CCT Tech and an indirect non wholly-owned subsidiary of CCT Telecom through CCT Tech. The assets and liabilities of the enlarged CCT Tech Group, including the CCT Industrial Group, will continue to be consolidated into the accounts of CCT Telecom. Based on the unaudited pro forma consolidated balance sheet of the Group as set out in Appendix III(A)(1) to this circular which illustrates the effect of the Transaction on the financial position of the Group, on the basis of the assumptions as stated in Appendix III(A)(1), there would be no effect on the total assets, the total liabilities and the pro forma net assets value of the Group as a result of the Transaction upon Completion.

(b) Earnings

The audited consolidated loss of the Group and the CCT Industrial Group for the year ended 31 December 2008 amounted to approximately HK$1,289 million and HK$110 million, respectively. Based on the unaudited pro forma consolidated income statement of the Group as set out in Appendix III(A)(2) to this circular which illustrates the effect of the Transaction on the results of the Group, on the basis of the assumptions as stated in Appendix III(A)(2), there would be no effect to the results of the Group arising from the disposal of the equity investment in CCT Industrial as the Transaction is considered to be an intra-group transaction and any gain or loss arising from the Transaction is eliminated in full in the consolidated financial statements of the Group. The loss attributable to the equity holders of the Company would be decreased from HK$1,123 million to HK$1,069 million due to the share of the minority shareholders of CCT Tech in the loss of the CCT Industrial Group for the year ended 31 December 2008 after Completion.

Financial effects of the possible very substantial acquisition arising from the Possible Maximum Increase

Upon Completion and in the event that the Convertible Preference Shares are fully converted, the percentage of CCT Telecom's shareholdings in CCT Tech will increase from 50.49% to 67.63%, representing an increase of 17.14%. The Possible Maximum Increase will constitute a possible very substantial acquisition for CCT Telecom under Rule 14.24 of the Listing Rules.

(a) Net assets value

The possible very substantial acquisition arising from the Possible Maximum Increase will not have any effect on the total assets and liabilities of the Group as the accounts of the CCT Industrial Group and the CCT Tech Group have been and will continue to be consolidated into the accounts of the Group before and after Completion. Based on the unaudited pro forma consolidated balance sheet of the Enlarged Group as set out in Appendix III(B)(1) to this circular which illustrates the effect of the Possible Maximum Increase on the net assets value of the Enlarged Group, on the basis of the assumptions as stated in Appendix III(B)(1), there would be no change to the total assets, the total liabilities and the pro forma net assets value of the Enlarged Group as a result of the Possible Maximum Increase. The dilution gain in the amount of HK$14 million representing the increase in the share of the Enlarged Group in the net assets value of the CCT Tech Group as a result of the Possible Maximum Increase and this would be credited to the consolidated reserve and debited to the minority interests of the Enlarged Group as a result of the Possible Maximum Increase.

(b) Earnings

Based on the unaudited pro forma consolidated income statement of the Enlarged Group as set out in Appendix III(B)(2) to this circular which illustrates the effect of the possible very substantial acquisition arising from the Possible Maximum Increase on the results of the Enlarged Group, on the basis of the assumptions as stated in Appendix III(B)(2), the unaudited consolidated loss of the Enlarged Group for the year ended 31 December 2008 would be decreased by approximately HK$52 million to approximately HK$1,237 million due to the inclusion of the unaudited pro forma dilution gain arising from the Possible Maximum Increase as if the Transaction and the Possible Maximum Increase had taken place on 1 January 2008.

THE PROPOSED CAPITAL REORGANISATION OF CCT TECH

To facilitate the issue of the Convertible Preference Shares and the Conversion Shares, the CCT Tech Board proposes to put forward a proposal to the CCT Tech Shareholders to effect the Capital Reorganisation which involves:

(1) the Share Consolidation under which every 10 issued CCT Tech Existing Shares of HK$0.01 each of CCT Tech will be consolidated into one issued Consolidated Share of HK$0.10 each;

(2) the Capital Reduction under which the par value of each issued Consolidated Share will be reduced from HK$0.10 to HK$0.01 by cancelling HK$0.09 paid-up capital on each issued Consolidated Share;

(3) the Credit Transfer by transferring the credit in the amount of approximately HK$588,725,946 arising from the Capital Reduction of the issued share capital of CCT Tech to the contributed surplus account of CCT Tech which will be applied to set-off against the accumulated losses of CCT Tech on the date the Capital Reduction becoming effective (the "**Credit Transfer**"); and

(4) subject to and forthwith upon the Share Consolidation and the Capital Reduction becoming effective, the Capital Increase of the authorised share capital of CCT Tech from HK$120,000,000 divided into 12,000,000,000 shares of par value of HK$0.01 each of CCT Tech to HK$240,000,000 divided into 24,000,000,000 shares of par value of HK$0.01 each and the Reclassification and Re-designation of the increased authorised share capital so that it shall become HK$240,000,000 divided into 24,000,000,000 shares of par value of HK$0.01 each comprised of 3,463,110,000 Convertible Preference Shares of par value of HK$0.01 each and 20,536,890,000 CCT Tech Ordinary Shares of par value of HK$0.01 each and the re-designation of all of the then issued shares of CCT Tech into the issued CCT Tech Ordinary Shares of par value of HK$0.01 each.

The CCT Tech Directors have no present intention of issuing any part of the increased authorised share capital of CCT Tech other than for the purpose of allotment and issue of the Convertible Preference Shares and the Conversion Shares.

Subject to the granting of the listing of, and permission to deal in, the CCT Tech Ordinary Shares on the Stock Exchange, the CCT Tech Ordinary Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the CCT Tech Ordinary Shares on the Stock Exchange, or such other date as determined by HKSCC.

The proposed Capital Reorganisation is conditional upon, among others, the CCT Tech Shareholders' approval of the proposed Capital Reorganisation and the Independent CCT Tech Shareholders' approval of the Agreement and the Transaction at the CCT Tech SGM. CCT Tech will not proceed with the proposed Capital Reorganisation if the Independent CCT Tech Shareholders do not approve the Agreement and the Transaction at the CCT Tech SGM.

BUSINESS PROSPECTS OF THE ENLARGED GROUP

Trend of business of the Enlarged Group

Before and after Completion and the Possible Maximum Increase, the Enlarged Group is engaged in the principal activities of: (i) manufacture and sale of telecom and electronic products through the CCT Tech Group; (ii) the Components Business; (iii) manufacture and sale of infant and child products; (iv) securities business; (v) property development and holding; and (vi) the forestry resources business through CCT Resources.

During 2008, the results of the Enlarged Group were adversely affected by: (i) the financial turmoil, originated from the housing and financial market in the US which resulted in a drop of sales orders of the Enlarged Group; (ii) the high production costs; (iii) the Discontinuation which resulted in the exceptional costs of HK$376 million; and (iv) deep market downturn which resulted in losses of approximately HK$545 million in its securities business.

The rippling effect from the financial crisis will continue to impact the world economy in 2009 which will continue to affect global consumer demand. The Enlarged Group's turnover for 2009 is expected to be adversely affected by the Discontinuation. However, it is expected that the loss in turnover from the US Customer will be partially offset by the expected growth in sales to the Enlarged Group's customers in Europe and the Asia Pacific regions.

Against such uncertain and adverse conditions, the Enlarged Group has taken decisive actions towards cost optimisation. The Enlarged Group has streamlined and restructured its operations, consolidated its manufacturing operations, undergone capacity review and taken necessary actions in each location. In order to combat the adverse business environment, the Enlarged Group has implemented a number of initiatives which include re-engineering of its products, and costs reduction and controls in order to improve the Enlarged Group's competitiveness and efficiency. Additional initiatives like (i) exploring new markets and expanding its sales to Europe, the Middle East, the Asia Pacific Region, and other countries outside North America; (ii) trimming down costs and overheads relating to non-performing business units; (iii) stringent control on capital expenditures and employee recruitments; and (iv) a salary reduction plan for senior management having been implemented. These measures have shown positive effect and as a result, the gross margin of the Enlarged Group has improved from that in 2008.

The stock market in Hong Kong is still volatile and uncertain in 2009 and will be affected by external factors and performance of the overseas and PRC markets. As investors anticipate recovery of the global economy, the stock market in Hong Kong has rebound in the first few months of 2009. However, it is uncertain as to whether or not this upward trend will be maintained in the future. Under such uncertain financial environment, the Enlarged Group is cautious in managing its investment portfolio.

The PRC economy still faces a lot of challenges. However, with effect of a series of fiscal policies issued by the Central Government of China, the real estate market in the PRC will develop in a more steady way. Prudent strategies in respect of property development projects have been adopted by the Enlarged Group to preserve its capital resources. Under the current uncertain market environment, the

Enlarged Group has adopted a conservative approach to the pace of project development and construction. The Enlarged Group will develop the existing projects by phases in response to the market condition.

Trading and financial prospects of the Enlarged Group

Although the Enlarged Group incurred losses in 2008, the financial position of the Enlarged Group remains healthy and solid. The Enlarged Group does not have any net borrowings and its gearing ratio is maintained at a low level of 17.7% as at 31 December 2008. Given the current level of cash and bank balances, funds to be generated internally from its operations and the unutilised banking facilities available, the Enlarged Group has sufficient resources to meet its debt repayment and weather out the financial storm.

The Board expects that the outlook of the manufacturing industry to remain uncertain and challenging for 2009. However, the Board expects that the financial crisis will eventually settle down and the world economy will start to recover and at such time, the global demand for telecom and electronic products will gain back its momentum. Although the Discontinuation is expected to have an adverse impact on the Enlarged Group's turnover in 2009, as the business with the US Customer was loss-making in 2008, the Discontinuation has enabled the Enlarged Group to eliminate the loss-making US business and this is expected to have a positive impact on the Enlarged Group's performance in 2009. Although the exceptional loss and costs associated with the Discontinuation posted a short-term adverse impact on the Enlarged Group's results for 2008, they will improve the cost structure and efficiency of the Enlarged Group in 2009.

The Board believes that the strategy adopted by the Enlarged Group to diversify its customer base and mitigate market risk is a sound strategy and this will enable the Enlarged Group to explore new markets and reduce its reliance on any single market. The Board also expects that the various measures and initiatives taken by the Group to reduce costs and to improve its productivity and efficiency will enable the Enlarged Group to gain its competitive edge and will continue to show positive impact on the performance of the Enlarged Group. With the experienced management team, strong research and development capability and sound financial fundamentals of the Enlarged Group, the Board believes that the Enlarged Group is capable of overcoming the external pressures and challenges amid the more uncertain global economic environment and the Enlarged Group will revive its manufacturing businesses in the future.

The long-term economic outlook in Hong Kong and the PRC looks positive. The financial crisis together with its rippling effects will eventually go away and the stock market in Hong Kong will recover in the future. The Board expects that the securities business of the Enlarged Group will return to positive contribution as when the investment market in Hong Kong recovers in the future. Given the optimistic long-term economic outlook in the PRC, the prospect of the Enlarged Group's property development business is also expected to be promising.

LISTING RULES IMPLICATIONS

(a) Very substantial disposal for CCT Telecom

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transaction exceed 75% for CCT Telecom, the Transaction constitutes a very substantial disposal for CCT Telecom under the Listing Rules. The Transaction will subject to the approval of the Shareholders by way of poll at the SGM. As no Shareholder has a material interest in the Transaction, and therefore no Shareholder is required to abstain from voting on the resolution to approve the Agreement and the Transaction at the SGM.

(b) Possible very substantial acquisition for CCT Telecom

As set out in the shareholding table under the sub-section headed "Shareholding Structure of CCT Tech" under the section headed "The Agreement and the Transaction" above, the future conversion of the Convertible Preference Shares may result in the possible increase of 17.14% of the percentage of CCT Telecom's shareholdings in CCT Tech from 50.49% (the percentage of CCT Telecom's shareholdings in CCT Tech as at the Latest Practicable Date) to the maximum percentage of 67.63%. As the Transaction constitutes a very substantial disposal for CCT Telecom, the maximum possible increase of the percentage of CCT Telecom's shareholdings in CCT Tech (the "**Possible Maximum Increase**") will also constitute a possible very substantial acquisition for CCT Telecom under Rule 14.24 of the Listing Rules. Accordingly, the possible very substantial acquisition is subject to the requirements of reporting, announcement and shareholders' approval under Chapter 14 of the Listing Rules. As no Shareholder has a material interest in the Transaction, and therefore no Shareholder is required to abstain from voting on the resolution to approve the Possible Maximum Increase at the SGM.

SGM

A notice convening the SGM to be held at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong on Monday, 29 June 2009 at 10:00 a.m. is set out on pages 254 to 259 of this circular. At the SGM, ordinary resolution will be proposed and, if thought fit, passed to approve the Agreement and the Transaction.

A form of proxy for use by the Shareholders at the SGM is enclosed herein. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event, not later than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be). Such form of proxy for use at the SGM is also published on the 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 in person should you so wish.

Pursuant to Rules 13.39(4) of the Listing Rules, voting at the SGM will be conducted by way of poll. The chairman of the SGM will therefore demand a poll on the resolution put forward at the SGM pursuant to bye-law 66 of the bye-laws of the Company. An announcement on the poll voting results of the SGM will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cct.com.hk) after the SGM.

RECOMMENDATION

The Directors are of the view that the Agreement and the Transaction is fair and reasonable to the Company and in the interest of the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution proposed at the SGM to approve the entering into of the Agreement and all the transactions contemplated under the Agreement, the allotment and issue by CCT Tech of the Convertible Preference Shares to Expert Success and CCT Assets, and the possible very substantial acquisition arising from the Possible Maximum Increase as a result of the future conversion of the Convertible Preference Shares into the Conversion Shares.

ADDITIONAL INFORMATION

Your attention is drawn to further information contained in the appendices, which forms part of this circular.

Yours faithfully,
For and on behalf of the Board of
CCT TELECOM HOLDINGS LIMITED
Mak Shiu Tong, Clement
Chairman

(1) FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated income statement and the financial position for the year ended 31 December 2006 as extracted from the annual report of the Group for the year ended 31 December 2006, and that for the years ended 31 December 2007 and 2008 as extracted from the annual report of the Group for the year ended 31 December 2008.

No extraordinary items were recorded for each of the three years ended 31 December 2008. No qualified opinion or modified audit opinion had been issued by the Company's auditor, Ernst & Young, for each of the three years ended 31 December 2008.

Results of the Group

	For the year ended 31 December		
	2006	**2007**	**2008**
	HK$ million	*HK$ million*	*HK$ million*
REVENUE	4,084	3,729	2,935
Cost of sales	(3,674)	(3,441)	(3,066)
Gross profit/(loss)	410	288	(131)
Other income and gains	444	667	42
Selling and distribution costs	(63)	(56)	(45)
Administrative expenses	(284)	(324)	(303)
Other expenses	(80)	(118)	(432)
Finance costs	(40)	(43)	(24)
Share of loss of an associate	—	—	(15)
	387	414	(908)
Costs in connection with the Distribution and restructuring, net	—	—	(376)
PROFIT/(LOSS) BEFORE TAX	387	414	(1,284)
Tax	(21)	(17)	(5)
PROFIT/(LOSS) FOR THE YEAR	366	397	(1,289)
Profit/(loss) attributable to:			
— Equity holders of the parent	358	484	(1,123)
— Minority interests	8	(87)	(166)
	366	397	(1,289)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic	HK$0.49	HK$0.61	(HK$1.36)
Diluted	HK$0.43	HK$0.57	N/A
Dividend per share	HK$0.045	HK$0.055	HK$0.055

Financial position of the Group

	Assets and liabilities of the Group As at 31 December		
	2006	**2007**	**2008**
	HK$ million	*HK$ million*	*HK$ million*
Total assets	4,730	5,459	3,893
Total liabilities	(1,921)	(1,684)	(1,316)
Total net assets	2,809	3,775	2,577
EQUITY			
Equity attributable to equity holders of the parent	2,752	3,225	2,213
Minority interests	57	550	364
	2,809	3,775	2,577

(2) ACCOUNTANTS' REPORT OF THE GROUP

The following is the text of a report, prepared for the purpose of incorporation in this Circular, received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

安永

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

1 June 2009

The Directors
CCT Telecom Holdings Limited

Dear Sirs,

We set out below our report on the financial information including the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the three years ended 31 December 2006, 2007 and 2008 (the "Relevant Periods") and the consolidated and company balance sheets as at 31 December 2006, 2007 and 2008 and the notes thereto (the "Financial Information") of CCT Telecom Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), for inclusion in the circular (the "Circular") of the Company dated 1 June in connection with very substantial disposal and possible very substantial acquisition transactions of the Company.

The Company was incorporated in Cayman Islands with limited liability with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and continues 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. The principal activity of the Company is investment holding and the principal activities of the Group are set out below. The Company and its subsidiaries have adopted 31 December as their financial year end date.

At the date of this report, the Company had direct and indirect interests in the following principal subsidiaries all of which are private companies (or, if incorporated outside Hong Kong, have characteristics substantially similar to those of a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	*Notes*	Place and date of incorporation/ registration	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Canford Holdings Limited	(1)	Hong Kong 20 July 2004	HK$2 Ordinary	—	100	Property holding
CCT Marketing Limited	(1)	British Virgin Islands 11 November 1996	US$1 Ordinary	—	50.49	Trading of telecom products
CCT Tech (HK) Limited (formerly known as CCT Telecom (HK) Limited)	(1)	Hong Kong 22 July 1986	HK$2,600,000 Ordinary	—	50.49	Sourcing of telecom products, raw materials and components
CCT Telecom Securities Limited (formerly known as Wiltec International (HK) Limited)	(2)	Hong Kong 19 July 2006	HK$1 Ordinary	—	100	Securities investment
CCT Tech International Limited (“CCT Tech”)[@]	(1)	Bermuda 22 July 2002	HK$654,139,940 Ordinary	—	50.49	Investment holding
Electronic Sales Limited	(1)	Hong Kong 2 June 1972	HK$5,948,000 Ordinary	—	100	Sale of power supply components
Goldbay Investments Limited	(1)	Hong Kong 26 September 1997	HK$2 Ordinary	—	100	Property holding
Huge Partner Limited	(1)	Hong Kong 28 November 1996	HK$10,000 Ordinary	—	100	Property holding
Neptune Holding Limited	(1)	Hong Kong 7 February 1992	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	(1)	Hong Kong 23 April 2005	HK$1 Ordinary	—	100	Property holding
Topcon Investments Limited	(1)	Hong Kong 14 October 2005	HK$1 Ordinary	—	100	Property holding

Company name	*Notes*	Place and date of incorporation/ registration	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Wiltec Industries (HK) Limited (formerly known as Wiltec (China) Limited)	(1)	British Virgin Islands 17 March 1998	US$2 Ordinary	—	100	Design and trading of infant and child products and investment holding
惠陽中建電訊製品有限公司 (Huiyang CCT Telecommunications Products Co., Ltd.)#	(3)	The People's Republic of China ("PRC") 18 January 1999	HK$120,000,000 Registered^	—	50.49	Manufacturing of telecom products
惠陽中建塑膠產品有限公司 (Huiyang CCT Plastic Products Co., Ltd.)#	(3)	PRC 18 January 1999	HK$48,600,000 Registered^	—	100	Manufacturing of plastic casings and parts
中建置地 (鞍山) 房地產開發有限公司 (CCT Land Development (Anshan) Company Limited)# (formerly known as CCT Telecom (An Shan) Property Development Company Limited)	(4)	PRC 24 July 2007	HK$160,000,000 Registered^	—	100	Property development
中建置地 (朝陽) 房地產開發有限公司 (CCT Land Development (Chao Yang) Company Limited)# (formerly known as CCT Telecom (Chao Yang) Property Development Company Limited)	(5)	PRC 7 July 2006	US$15,433,900 Registered^	—	100	Property development
中建科技 (朝陽) 有限公司 (CCT Tech (Chao Yang) Company Limited)#	(5)	PRC 7 July 2006	US$6,950,000 Registered^	—	50.49	Manufacturing of telecom and electronic products
中建 (朝陽) 塑膠產品有限公司 (CCT (Chao Yang) Plastic Products Company Limited)#	(5)	PRC 11 July 2006	US$11,577,000 Registered^	—	100	Manufacturing of plastic casings and parts

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

@ Listed on the Main Board of the Stock Exchange.

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

For identification purposes only.

Notes:

(1) The financial statements of these companies for the years ended 31 December 2006, 2007 and 2008 were audited by Ernst & Young, Certified Public Accountants registered in Hong Kong.

(2) The financial statements of this company for the period ended 31 December 2006 and the years ended 31 December 2007 and 2008 were audited by Ernst & Young, Certified Public Accountants registered in Hong Kong.

(3) The financial statements of these companies for the years ended 31 December 2006, 2007 and 2008 were audited by Huizhou Rongde Certified Public Accountants (惠州榮德會計師事務所), Certified Public Accountants registered in the PRC.

(4) The financial statements of this company for the period ended 31 December 2007 and the year ended 31 December 2008 were audited by Liaoning Yongxinda Certified Public Accountants Limited Company (遼寧永信達會計師事務所有限公司), Certified Public Accountants registered in the PRC.

(5) The financial statements of these companies for the years ended 31 December 2007 and 2008 were audited by Chaoyang Longxin Certified Public Accountants Co. Ltd (朝陽龍信會計師事務所有限責任公司), Certified Public Accountants registered in the PRC. No audited financial statements were issued for the period ended 31 December 2006.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Group at each balance sheet date of the Relevant Periods. To give details of other subsidiaries would result in particulars of excessive length.

The Financial Information set out in this report has been prepared based on the audited consolidated financial statements of the Group for each of the three years ended 31 December 2006, 2007 and 2008, prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), after making such adjustments as considered appropriate.

The directors of the Company are responsible for the Financial Information which gives, for the purpose of this report, a true and fair view, and for the contents of the Circular in which this report is included. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates made are prudent and reasonable, and that the reasons for any significant departure from applicable accounting standards are stated. It is our responsibility to form an independent opinion on the Financial Information and to report our opinion to you.

Procedures performed in respect of the Relevant Periods

For the purpose of this report, we have carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion in respect of the Relevant Periods

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and the Group as at 31 December 2006, 2007 and 2008 and of the results and cash flows of the Group for each of the Relevant Periods.

I. Financial Information

(a) *Consolidated Income Statements*

	Notes	Year ended 31 December 2006 HK$ million	2007 HK$ million	2008 HK$ million
REVENUE	5	4,084	3,729	2,935
Cost of sales		(3,674)	(3,441)	(3,066)
Gross profit/(loss)		410	288	(131)
Other income and gains		444	667	42
Selling and distribution costs		(63)	(56)	(45)
Administrative expenses		(284)	(324)	(303)
Other expenses		(80)	(118)	(432)
Finance costs	8	(40)	(43)	(24)
Share of loss of an associate		—	—	(15)
		387	414	(908)
Costs in connection with the Discontinuation and restructuring, net	6	—	—	(376)
PROFIT/(LOSS) BEFORE TAX	7	387	414	(1,284)
Tax	11	(21)	(17)	(5)
PROFIT/(LOSS) FOR THE YEAR		366	397	(1,289)
Profit/(loss) attributable to:				
Equity holders of the parent	12	358	484	(1,123)
Minority interests		8	(87)	(166)
		366	397	(1,289)
DIVIDENDS	13			
Paid interim		16	20	21
Proposed final		20	24	20
Total		36	44	41
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14			
Basic		HK$0.49	HK$0.61	(HK$1.36)
Diluted		HK$0.43	HK$0.57	N/A

(b) ***Consolidated Balance Sheets***

		As at 31 December		
		2006	**2007**	**2008**
	Notes	*HK$ million*	*HK$ million*	*HK$ million*
NON-CURRENT ASSETS				
Property, plant and equipment	15	1,222	1,287	886
Investment properties	16	490	315	171
Prepaid land lease payments	17	225	219	213
Other intangible assets	18	45	32	—
Goodwill	19	128	55	55
Interest in an associate	21	—	—	229
Long term receivable	37	312	—	—
Available-for-sale financial assets	22	11	11	4
Deferred tax assets	38	4	2	1
Total non-current assets		2,437	1,921	1,559
CURRENT ASSETS				
Inventories	24	233	223	135
Property for development	25	—	—	113
Property held for sale	26	—	—	87
Trade and bills receivables	27	837	718	422
Prepayments, deposits and other receivables	28	42	276	256
Financial assets at fair value through profit or loss	29	226	398	446
Held-to-maturity financial assets	23	2	—	—
Pledged time deposits	30	88	250	89
Cash and cash equivalents	30	865	1,673	786
Total current assets		2,293	3,538	2,334

		As at 31 December		
		2006	2007	2008
	Notes	*HK$ million*	*HK$ million*	*HK$ million*
CURRENT LIABILITIES				
Trade and bills payables	31	886	851	551
Tax payable		25	31	29
Other payables and accruals	32	177	300	211
Derivative financial instruments	33	—	62	47
Interest-bearing bank and other borrowings	34	207	212	351
Total current liabilities		1,295	1,456	1,189
NET CURRENT ASSETS		998	2,082	1,145
TOTAL ASSETS LESS CURRENT LIABILITIES		3,435	4,003	2,704
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	34	296	224	124
Long term payable	37	256	—	—
Derivative financial instrument	37	71	—	—
Deferred tax liabilities	38	3	4	3
Total non-current liabilities		626	228	127
Net assets		2,809	3,775	2,577
EQUITY				
Equity attributable to equity holders of the parent				
Issued capital	39	78	80	85
Reserves	41(a)	2,654	3,121	2,108
Proposed final dividend	13	20	24	20
		2,752	3,225	2,213
Minority interests		57	550	364
Total equity		2,809	3,775	2,577

(c) *Consolidated Statements of Changes in Equity*

		Attributable to equity holders of the parent												
(HK$ million)	*Notes*	**Issued 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 final dividend**	**Total**	**Minority interests**	**Total equity**
At 1 January 2006		65	—	741	1,417	320	31	—	1	54	13	2,642	68	2,710
Change in fair value of available-for-sale financial assets		—	—	—	—	(1)	—	—	—	—	—	(1)	—	(1)
Exchange realignment		—	—	—	—	—	—	—	3	—	—	3	—	3
Total income and expense recognised directly in equity		—	—	—	—	(1)	—	—	3	—	—	2	—	2
Profit for the year		—	—	—	—	—	—	—	—	358	—	358	8	366
Total income and expense for the year		—	—	—	—	(1)	—	—	3	358	—	360	8	368
Realisation of revaluation reserve upon disposal of an 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	42	—	—	—	—	—	—	—	—	35	—	35	—	35
Acquisition of subsidiaries	42	—	—	—	—	—	—	—	—	—	—	—	11	11
Deemed acquisition of minority interests upon conversion of convertible notes		—	—	—	—	—	—	—	—	—	—	—	(30)	(30)
Issue of convertible bonds	36	—	—	—	—	—	5	—	—	—	—	5	—	5
Issue of new shares upon conversion of convertible bonds	39	13	67	—	—	—	(23)	—	—	—	—	57	—	57
2005 final dividend		—	—	—	—	—	—	—	—	(2)	(13)	(15)	—	(15)
2006 interim dividend	13	—	—	—	—	—	—	—	—	(16)	—	(16)	—	(16)
Proposed 2006 final dividend	13	—	—	—	—	—	—	—	—	(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

(HK$ million)	*Notes*	Attributable to equity holders of the parent												
		Issued 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 final dividend**	**Total**	**Minority interests**	**Total equity**
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	39	2	10	—	—	—	(3)	—	—	—	—	9	—	9
2006 final dividend		—	—	—	—	—	—	—	—	—	(20)	(20)	—	(20)
2007 interim dividend	13	—	—	—	—	—	—	—	—	(20)	—	(20)	—	(20)
Proposed 2007 final dividend	13	—	—	—	—	—	—	—	—	(24)	24	—	—	—
At 31 December 2007 and 1 January 2008		80	77	745	1,417	1	10	3	19	849	24	3,225	550	3,775
Exchange realignment		—	—	—	—	—	—	—	33	—	—	33	—	33
Total income and expense recognised directly in equity		—	—	—	—	—	—	—	33	—	—	33	—	33
Loss for the year		—	—	—	—	—	—	—	—	(1,123)	—	(1,123)	(166)	(1,289)
Total income and expense for the year		—	—	—	—	—	—	—	33	(1,123)	—	(1,090)	(166)	(1,256)
Deemed disposal of subsidiaries		—	—	—	—	—	—	—	—	—	—	—	(21)	(21)
Deemed disposal of an interest in a subsidiary upon exercise of share options in the subsidiary		—	—	—	—	—	—	(1)	—	—	—	(1)	1	—
Share of reserve of an associate		—	—	—	—	—	86	—	(5)	—	—	81	—	81
Issue of new shares upon conversion of convertible bonds	39	5	48	—	—	—	(10)	—	—	—	—	43	—	43
2007 final dividend paid		—	—	—	—	—	—	—	—	—	(24)	(24)	—	(24)
2008 interim dividend	13	—	—	—	—	—	—	—	—	(21)	—	(21)	—	(21)
Proposed 2008 final dividend	13	—	—	—	(20)	—	—	—	—	—	20	—	—	—
At 31 December 2008		85	125*	745*	1,397*	1*	86*	2*	47*	(295)*	20	2,213	364	2,577

(d) ***Consolidated Cash Flow Statements***

		Year ended 31 December		
		2006	**2007**	**2008**
	Notes	*HK$ million*	*HK$ million*	*HK$ million*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		387	414	(1,284)
Adjustments for:				
Finance costs	8	40	43	24
Share of loss of an associate		—	—	15
Interest income		(39)	(98)	(21)
Depreciation	7	128	135	140
Equity-settled share option expense		2	12	—
Amortisation of prepaid land lease payments	7	5	6	6
Impairment of goodwill	7	21	25	—
Amortisation of deferred expenditure	7	47	36	24
Impairment of trade receivables	7	8	22	48
Write-off of other receivables	7	—	6	1
Write-off and impairment of deferred development costs	7	15	14	35
Write-off and impairment of items of property, plant and equipment	7	11	14	320
(Gain)/loss on disposal of items of property, plant and equipment, net	7	(1)	—	1
Fair value loss/(gain) on investment properties	7	(39)	(19)	20
Gain on disposal of an investment property	7	—	(34)	—
Gain on partial disposal of subsidiaries	7	—	(456)	—
Gain on derecognition of a derivative financial instrument	7	—	(71)	—
Write-down of inventories to net realisable value	7	46	14	17
Fair value loss/(gain) on financial assets at fair value through profit or loss	7	(13)	(18)	402
Gain on disposal of available-for-sale financial assets	7	(318)	—	(3)
Loss on disposal of held-to-maturity financial assets	7	1	—	—
Gain on deemed acquisition of minority interests upon conversion of convertible notes	7	(30)	—	—
Gain on deemed disposal of interest in a subsidiary upon exercise of share options in the subsidiary	7	—	(21)	—
Gain on deemed disposal of interest in a subsidiary upon placement of shares by the subsidiary	7	—	(21)	—
Fair value loss/(gain) on derivative financial instruments	7	21	36	(6)
		292	39	(261)

	Notes	Year ended 31 December 2006 HK$ million	2007 HK$ million	2008 HK$ million
(Increase)/decrease in inventories		15	(4)	71
(Increase)/decrease in trade and bills receivables		(5)	97	247
(Increase)/decrease in prepayments, deposits and other receivables		10	(240)	(97)
Increase/(decrease) in trade and bills payables and other payables and accruals		(71)	88	(300)
Cash generated from/(used in) operations		241	(20)	(340)
Interest received		31	98	21
Interest paid		(34)	(26)	(24)
Hong Kong profits tax paid		(15)	(1)	(3)
PRC tax paid		(8)	(7)	(4)
Net cash inflow/(outflow) from operating activities		215	44	(350)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(126)	(205)	(78)
Proceeds from disposal of items of property, plant and equipment		7	5	14
Purchases of investment properties		(147)	—	—
Proceeds from disposal of investment properties		—	228	37
Additions to prepaid land lease payments		(10)	—	—
Additions to other intangible assets		(53)	(36)	(27)
Acquisition of subsidiaries	42	4	—	—
Proceeds from partial disposal of subsidiaries		—	748	—
Decrease in a long term receivable		—	312	—
Proceeds from disposal of held-to-maturity financial assets		15	2	—
Net purchases of financial assets at fair value through profit or loss		(156)	(154)	(532)
Proceeds from disposal of available-for-sale financial assets		557	—	10
Increase/(decrease) in derivative financial instruments		—	26	(9)
Decrease/(increase) in pledged time deposits		(17)	(162)	161
Deemed disposal of subsidiaries	43	—	—	(31)
Subscription of convertible bonds issued by an associate		—	—	(139)
Net cash inflow/(outflow) from investing activities		74	764	(594)

	Notes	Year ended 31 December 2006 HK$ million	2007 HK$ million	2008 HK$ million
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares by/subscription of shares in subsidiaries		—	101	—
New bank loans		236	116	173
New/(repayment of) trust receipts loans, net		(40)	19	50
Repayment of bank loans		(110)	(200)	(138)
Capital element of finance lease rental payments		(7)	(6)	(3)
Dividends paid		(31)	(40)	(45)
Net cash inflow/(outflow) from financing activities		48	(10)	37
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		337	798	(907)
Cash and cash equivalents at beginning of year		528	865	1,673
Effect of foreign exchange rate changes, net		—	10	20
CASH AND CASH EQUIVALENTS AT END OF YEAR		865	1,673	786
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	30	419	564	633
Non-pledged time deposits with original maturity of less than three months when acquired	30	446	1,109	153
		865	1,673	786

(e) ***Balance Sheets***

		As at 31 December		
		2006	**2007**	**2008**
	Notes	*HK$ million*	*HK$ million*	*HK$ million*
NON-CURRENT ASSETS				
Property, plant and equipment	15	2	2	1
Interests in subsidiaries	20	2,140	1,374	721
Long term receivable	37	312	—	—
Total non-current assets		2,454	1,376	722
CURRENT ASSETS				
Due from subsidiaries	20	—	699	1,051
Deposits and other receivables	28	1	1	—
Financial assets at fair value through profit or loss	29	226	—	—
Held-to-maturity financial assets	23	2	—	—
Pledged time deposits	30	5	—	—
Cash and cash equivalents	30	346	794	154
Total current assets		580	1,494	1,205
CURRENT LIABILITIES				
Other payables and accruals	32	15	7	4
Total current liabilities		15	7	4
NET CURRENT ASSETS		565	1,487	1,201
TOTAL ASSETS LESS CURRENT LIABILITIES		3,019	2,863	1,923
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	34	49	43	—
Long term payable	37	256	—	—
Derivative financial instrument	37	71	—	—
Total non-current liabilities		376	43	—
Net assets		2,643	2,820	1,923
EQUITY				
Issued capital	39	78	80	85
Reserves	41(b)	2,545	2,716	1,818
Proposed final dividend	13	20	24	20
Total equity		2,643	2,820	1,923

II. Notes to Financial Information

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands with limited liability, and continues 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 Relevant Periods, 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
- development and holding of properties.

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Statements ("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. It has been prepared under the historical cost convention, except for investment properties, certain derivative financial instruments and equity investments, which have been measured at fair value. The Financial Information is 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 Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. 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 intercompany balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the Relevant Periods 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. An acquisition of minority interests is accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

The HKICPA has issued a number of new and revised HKFRSs which are effective for the accounting periods beginning on 1 January 2006, 1 January 2007 and 1 January 2008. For the purpose of preparing and presenting the Financial Information, the Group has early adopted these new and revised HKFRSs throughout the Relevant Periods.

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

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs and* HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*[1]
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*[2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*[2]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement — Embedded Derivatives*[3]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*[1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*[4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*[2]
HK(IFRIC)-Int 18	*Transfer of Assets from Customers*[5]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for transfers of assets from customers received on or after 1 July 2009
* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

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 7 Amendments, HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HKAS 23 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and 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 values 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. 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.

Goodwill previously eliminated against consolidated reserves

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 "Business combinations" ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

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 calculated as 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 function of the impaired 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 an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such 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 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:

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

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at 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 and capitalised borrowing costs on related borrowed funds 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.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

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 accumulated amortisation and any impairment losses, and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five 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 derivative 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 and interest earned on these financial assets, which are recognised in accordance with the policies 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 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 policies 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 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 or held-to-maturity financial assets 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 decline 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. In addition, the Group evaluates other factors, such as the share price volatility. 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, interest-bearing loans and borrowings and long term payable 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 bonds; 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 bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts, share accumulator contracts 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 that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of share accumulator contract and share swap contract is determined by reference to market value for similar instrument.

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.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. 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 benefits 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. These subsidiaries are required to contribute a percentage of its 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

The Financial Information is 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 the exchange fluctuation reserve. 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 which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the 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 dealings in securities and the sale of investments, on the transaction dates when the relevant contract notes are exchanged, or the settlement dates when the securities are delivered;

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

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

Operating lease commitments — Group as lessor

The Group has entered into 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 investment property.

Classification of investment in CCT Resources Holdings Limited as interest in an associate in 2008

The Group has determined that upon the issuance of the convertible bonds by CCT Resources Holdings Limited (''CCT Resources''), a former non-wholly-owned subsidiary of the Group, to Merdeka Commodities Limited (an independent third party to the Group and CCT Resources) (the ''MCL Convertible Bonds'') for the acquisition of a forestry project in Papua, Indonesia on 12 August 2008, in consideration of the effect of all potential voting rights of the MCL Convertible Bonds, the Group ceased to be in a position to exercise control over the financial and operating policies of CCT Resources, notwithstanding that the Group's shareholding in CCT Resources was 63.43% as at 31 December 2008. Accordingly, the Group's interest in CCT Resources was ceased to be accounted for as an interest in a subsidiary and was reclassified to interest in an associate during the year ended 31 December 2008.

Classification between investment properties and property held for sale in 2008

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

Judgement is made on an individual property basis to determine whether the property is classified as a property held for sale as at 31 December 2008.

Disposal of an interest in a subsidiary subject to put options in 2006

As further detailed in note 37 below, during the year ended 31 December 2006, in order to restore the public float of CCT Tech, the Company and Deutsche Bank AG ("Deutsche Bank") entered into a sale and purchase agreement for the sale of 13.8 billion shares in CCT Tech 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 granted to Deutsche Bank. The put options are exercisable under the terms of a put agreement which requires the Company to repurchase the shares at a price of HK$0.02413 per share upon maturity of the put options on 9 May 2008 or the occurrence of certain events as set out in the put agreement.

The Group has determined that the financial asset derecognition conditions in relation to the 13.8 billion shares in CCT Tech as stipulated in HKAS 39 were not fulfilled. Accordingly, the Company continued to consolidate the results of the CCT Tech group for the years ended 31 December 2006 and 2007 attributable to the 13.8 billion shares in CCT Tech sold under the above arrangement up to the respective dates of unwind of the put options.

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 amounts of goodwill at 31 December 2006, 2007 and 2008 were HK$128 million, HK$55 million and HK$55 million, respectively. More details are given in note 19 below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Development costs are capitalised in accordance with the accounting policy for deferred development costs in note 2.2 above. 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. An impairment loss of HK$29 million (2007: Nil; 2006: Nil) was recognised during the year ended 31 December 2008 because management determines that it is uncertain whether the deferred development costs capitalised could generate future economic benefit for the Group.

Estimation of the fair value of put options relating to the disposal of an interest in a subsidiary in 2006

As further detailed in note 37 below, the Group has accounted for the put options relating to the sale of the 13.8 billion shares in CCT Tech as a derivative financial instrument, which is stated at fair value. In estimating the fair value of the put options, the Group has engaged an external valuer who has applied the Black-Scholes model to determine the fair value on the date of completion of the relevant transaction and on 31 December 2006. Significant estimation of the parameters for applying the model, including the risk-free interest rate, dividend yield and expected volatility, is required to be made.

The fair value of put options calculated using the Black-Scholes model was approximately HK$50 million on the completion date of the transaction and HK$71 million on 31 December 2006.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profits 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 values of deferred tax assets relating to recognised tax losses at 31 December 2006, 2007 and 2008 were HK$4 million, HK$2 million and HK$1 million, respectively. The amounts of the Group's unrecognised tax losses at 31 December 2006, 2007 and 2008 were HK$245 million, HK$202 million and HK$826 million, respectively. Further details are contained in note 38 below.

Costs in connection with the Discontinuation and restructuring

Costs in connection with the Discontinuation and restructuring are recognised for all costs, provision and impairment losses in connection with the Discontinuation and restructuring. Determining the amount to be recognised requires significant management judgement and requires management to make assumptions regarding the expected future cash generation of the Group. Total costs of HK$376 million were recognised during the year ended 31 December 2008. Further details are contained in note 6 below.

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 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 final location where the Group's products were sold to 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 Relevant Periods.

Year ended 31 December 2006

	Telecom and electronic products *HK$ million*	Infant and child products *HK$ million*	Securities investment *HK$ million*	Property investment and development *HK$ million*	Corporate and others *HK$ million*	Consolidated *HK$ million*
Segment revenue:						
Sales to external customers	3,882	112	34	3	34	4,065
Other revenue	34	—	—	—	2	36
Total revenue	3,916	112	34	3	36	4,101
Segment results	109	8	48	39	204	408
Interest income						19
Finance costs						(40)
Profit before tax						387
Tax						(21)
Profit for the year						366
Segment assets	3,186	68	226	499	747	4,726
Unallocated assets						4
Total assets						4,730
Segment liabilities	997	19	—	3	371	1,390
Unallocated liabilities						531
Total liabilities						1,921
Other segment information:						
Capital expenditure	172	2	—	177	18	369
Depreciation	112	2	—	—	16	130
Amortisation	51	—	—	—	1	52
Impairment losses recognised directly in the income statement	—	—	—	—	21	21
Fair value loss on derivative financial instruments	—	—	—	—	21	21
Other non-cash expenses	69	—	—	—	11	80
Fair value gain on investment properties	—	—	—	39	—	39
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	—	—	13	—	—	13
Gain on deemed acquisition of minority interests upon conversion of convertible notes	—	—	—	—	30	30

Year ended 31 December 2007

	Telecom and electronic products *HK$ million*	Infant and child products *HK$ million*	Securities investment *HK$ million*	Property investment and development *HK$ million*	Corporate and others *HK$ million*	Consolidated *HK$ million*
Segment revenue:						
Sales to external customers	3,374	115	149	4	43	3,685
Other revenue	18	2	—	—	1	21
Total revenue	3,392	117	149	4	44	3,706
Segment results	(201)	9	130	52	423	413
Interest income						44
Finance costs						(43)
Profit before tax						414
Tax						(17)
Profit for the year						397
Segment assets	2,970	83	845	554	1,005	5,457
Unallocated assets						2
Total assets						5,459
Segment liabilities	1,023	23	107	3	57	1,213
Unallocated liabilities						471
Total liabilities						1,684
Other segment information:						
Capital expenditure	244	2	—	3	3	252
Depreciation	130	2	—	—	4	136
Amortisation	41	—	—	—	1	42
Impairment losses recognised directly in the income statement	—	—	—	—	25	25
Fair value loss on derivative financial instruments	—	—	36	—	—	36
Other non-cash expenses	54	—	—	—	16	70
Fair value gain on investment properties	—	—	—	19	—	19
Gain on disposal of an investment property	—	—	—	34	—	34
Fair value gain on financial assets at fair value through profit or loss	—	—	18	—	—	18
Gain on deemed disposal of interests in subsidiaries	—	—	—	—	42	42
Gain on partial disposal of subsidiaries	—	—	—	—	456	456
Gain on derecognition of a derivative financial instrument	—	—	—	—	71	71

Year ended 31 December 2008

	Telecom and electronic products *HK$ million*	Infant and child products *HK$ million*	Securities investment *HK$ million*	Property investment and development *HK$ million*	Corporate and others *HK$ million*	Consolidated *HK$ million*
Segment revenue:						
Sales to external customers	2,776	140	(149)	123	25	2,915
Other revenue	30	2	—	—	10	42
Total revenue	2,806	142	(149)	123	35	2,957
Segment results	(623)	8	(555)	(26)	(69)	(1,265)
Interest income						20
Finance costs						(24)
Share of loss of an associate						(15)
Profit before tax						(1,284)
Tax						(5)
Profit for the year						(1,289)
Segment assets	2,190	65	447	724	237	3,663
Interest in an associate						229
Unallocated assets						1
Total assets						3,893
Segment liabilities	739	15	47	1	7	809
Unallocated liabilities						507
Total liabilities						1,316
Other segment information:						
Capital expenditure	72	11	—	2	20	105
Depreciation	136	2	—	—	2	140
Amortisation	30	—	—	—	—	30
Impairment losses recognised directly in the income statement	380	—	—	—	11	391
Fair value gain on derivative financial instruments	—	—	6	—	—	6
Other non-cash expenses	9	—	—	—	5	14
Fair value loss on investment properties	—	—	—	20	—	20
Gain on disposal of available-for-sale financial assets	—	3	—	—	—	3
Fair value loss on financial assets at fair value through profit or loss	—	—	402	—	—	402

(b) Geographical segments

The following tables present revenue information for the Group's geographical segments for the Relevant Periods.

Year ended 31 December 2006

	North America	Asia Pacific	Europe	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	2,183	527	1,355	4,065
Other revenue	—	36	—	36
Total revenue	2,183	563	1,355	4,101

Year ended 31 December 2007

	North America	Asia Pacific	Europe	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	1,907	595	1,183	3,685
Other revenue	—	21	—	21
Total revenue	1,907	616	1,183	3,706

Year ended 31 December 2008

	North America	Asia Pacific	Europe	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	1,355	380	1,180	2,915
Other revenue	—	42	—	42
Total revenue	1,355	422	1,180	2,957

Over 90% of the Group's assets are located in Hong Kong and the Mainland of the People's Republic of China. 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, net realised gain or loss from securities investment (which includes dividend income) and rental income from investment properties.

Revenue from the following activities has been included in turnover:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$ million	*HK$ million*	*HK$ million*
Revenue			
Manufacture and sale of telecom and electronic products	3,882	3,374	2,776
Manufacture and sale of infant and child products	112	115	140
Realised gain/(loss) from securities investment, net	22	101	(150)
Sale of a property	—	—	122
Provision of e-commerce services	34	43	25
Rental income from investment properties (note 7)	3	4	1
Interest income from held-to-maturity financial assets and financial assets at fair value through profit or loss	12	48	1
Bank interest income	19	44	20
	4,084	3,729	2,935

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

During the year ended 31 December 2008, the holding company of a distribution company in the United States of America (the "US Customer") announced its decision to exit with immediate effect its retail telephony activities in North America which were then carried on by the US Customer (the "Discontinuation"). The US Customer is the largest single customer of the Group for that year. As a result of the Discontinuation, certain production facilities of the Group have become under utilised. In order to improve its competitiveness, the Group had implemented measures to streamline and restructure its operations.

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

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

7. PROFIT/(LOSS) BEFORE TAX

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

	Notes	Year ended 31 December 2006 HK$ million	2007 HK$ million	2008 HK$ million
Cost of inventories sold		3,693	3,408	2,921
Depreciation	15	130	136	140
Less: Amount capitalised in deferred development costs		(2)	(1)	—
		128	135	140
Amortisation of prepaid land lease payments	17	5	6	6
Minimum lease payments under operating leases in respect of land and buildings		6	12	14
Research and development costs:				
Deferred expenditure amortised*	18	47	36	24
Current year expenditure		58	76	87
Goodwill impairment**	19	21	25	—
Auditors' remuneration		7	7	5
Employee benefits expense (excluding directors' remuneration — note 9)				
Wages and salaries		419	477	472
Equity-settled share option expense		—	9	—
Pension scheme contributions****		4	5	2
Less: Amount capitalised in deferred development costs		(20)	(21)	(8)
		403	470	466
Impairment of trade receivables**	27	8	22	48
Write-off of other receivables**		—	6	1
Loss/(gain) on disposal of items of property, plant and equipment, net**		(1)	—	1
Write-off or impairment of items of property, plant and equipment**	15	11	14	320
Write-off and impairment of deferred development costs**	18	15	14	35
Write-down of inventories to net realisable value*		46	14	17
Foreign exchange differences, net		(7)	5	20
Fair value loss on investment properties		—	—	20
Fair value loss on financial assets at fair value through profit or loss**		—	—	402
Loss on disposal of held-to-maturity financial assets**		1	—	—
Fair value loss/(gain) on derivative financial instruments**		21	36	(6)
and after crediting:				
Fair value gain on investment properties***	16	39	19	—
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 an interest in a subsidiary upon exercise of share options in the subsidiary***		—	21	—
Gain on deemed disposal of an interest in a subsidiary upon placement of shares by the subsidiary***		—	21	—
Gain on disposal of available-for-sale financial assets***		318	—	3
Fair value gain on financial assets at fair value through profit or loss***		13	18	—
Gross rental income from investment properties	5	3	4	1
Interest income on a long term receivable***		8	6	—

* Included in "Cost of sales" on the face of the consolidated income statement.

** Included in "Other expenses" on the face of the consolidated income statement.

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

**** The effect of forfeited contributions on the Group's contributions to the pension schemes for the year, and the amounts of forfeited contributions available to reduce contributions in future years were not material.

8. FINANCE COSTS

	Year ended 31 December		
	2006	2007	2008
	HK$ million	*HK$ million*	*HK$ million*
Interest on bank loans and overdrafts wholly repayable within five years	12	14	12
Interest on bank loans wholly repayable after five years	11	12	12
Interest on convertible bonds	4	3	—
Interest on other liability	13	14	—
Total interest expense on financial liabilities not at fair value through profit or loss	40	43	24

9. DIRECTORS' REMUNERATION

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

	Year ended 31 December		
	2006	2007	2008
	HK$ million	*HK$ million*	*HK$ million*
Fees:			
Executive directors	—	—	—
Independent non-executive directors	1	1	1
Executive directors' other emoluments:			
Salaries, allowances and benefits in kind	17	17	17
Tax allowances	4	4	8
Performance related bonuses*	26	34	11
Employee share option benefits	2	3	—
Pension scheme contributions	1	1	1
	50	59	37
	51	60	38

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

During the year ended 31 December 2007, 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, 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 Information for that year is included in the above directors' remuneration disclosures.

During the year ended 31 December 2006, 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 Resources, 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 Information for that year is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

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

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Samuel Olenick*	240	240	20
Tam King Ching, Kenny	240	240	240
Lau Ho Man, Edward	240	240	240
Chen Li**	—	—	220
	720	720	720

* Resigned on 5 February 2008

** Appointed on 5 February 2008

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors

	Salaries, allowances and benefits in kind *HK$ million*	**Tax allowances** *HK$ million*	**Performance related bonuses** *HK$ million*	**Employee share option benefits** *HK$ million*	**Pension scheme contributions** *HK$ million*	**Total remuneration** *HK$ million*
Year ended 31 December 2006						
Mak Shiu Tong, Clement	9	4	13	1	1	28
Tam Ngai Hung, Terry	4	—	7	1	—	12
Cheng Yuk Ching, Flora	4	—	6	—	—	10
William Donald Putt	—	—	—	—	—	—
	17	4	26	2	1	50
Year ended 31 December 2007						
Mak Shiu Tong, Clement	10	4	18	1	1	34
Tam Ngai Hung, Terry	4	—	8	1	—	13
Cheng Yuk Ching, Flora	3	—	8	1	—	12
William Donald Putt	—	—	—	—	—	—
	17	4	34	3	1	59
Year ended 31 December 2008						
Mak Shiu Tong, Clement	10	8	7	—	1	26
Tam Ngai Hung, Terry	4	—	2	—	—	6
Cheng Yuk Ching, Flora	3	—	2	—	—	5
William Donald Putt	—	—	—	—	—	—
	17	8	11	—	1	37

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2006, 2007 and 2008 included three, three and three directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two, two and two non-director, highest paid employees for the years ended 31 December 2006, 2007 and 2008 respectively are as follows:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$ million	*HK$ million*	*HK$ million*
Salaries, allowances and benefits in kind	6	5	4
Performance related bonuses	1	1	—
Employee share option benefits	—	1	—
Pension scheme contributions	—	—	—
	7	7	4

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

	Number of employees Year ended 31 December		
	2006	**2007**	**2008**
HK$1,000,001–HK$1,500,000	—	—	1
HK$2,000,001–HK$2,500,000	—	1	—
HK$2,500,001–HK$3,000,000	1	—	1
HK$4,000,001–HK$4,500,000	—	1	—
HK$4,500,001–HK$5,000,000	1	—	—
	2	2	2

During the year ended 31 December 2007, the two 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, 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 Information for that year is included in the above five highest paid employees' disclosures.

11. TAX

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods. 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 corporate income tax for two years starting from their first profit-making year, followed by a 50% reduction in the PRC corporate income tax for the following three consecutive years.

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$ million	*HK$ million*	*HK$ million*
Group:			
Current — Hong Kong:			
Charge for the year	10	6	—
Overprovision in prior years	—	(1)	1
Current — Elsewhere:			
Charge for the year	12	9	2
Underprovision in prior years	—	—	2
Deferred — note 38	(1)	3	—
Total tax charge for the year	21	17	5

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:

Year ended 31 December 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

Year ended 31 December 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

Year ended 31 December 2008

	Hong Kong		The PRC, excluding Hong Kong		Total	
	HK$ million	*%*	*HK$ million*	*%*	*HK$ million*	*%*
Loss before tax	(750.6)		(533.0)		(1,283.6)	
Tax at the statutory or appropriate tax rate	(123.8)	16.5	(133.2)	25	(257)	20
Adjustment in respect of current tax of previous periods	0.8	(0.1)	2.1	(0.4)	2.9	(0.2)
Income not subject to tax	(5.4)	0.7	(2.0)	0.4	(7.4)	0.6
Expenses not deductible for tax	21.3	(2.8)	99.4	(18.7)	120.7	(9.4)
Tax losses utilised from previous periods	(0.8)	0.1	—	—	(0.8)	—
Tax losses not recognised	108.9	(14.5)	37.5	(7.0)	146.4	(11.4)
Tax exemption	—	—	—	—	—	—
Tax charge at the Group's effective rate	1.0	(0.1)	3.8	(0.7)	4.8	(0.4)

In late February 2008, the Company received a letter from the Hong Kong Inland Revenue Department (the "IRD") in respect of a review on the tax affairs of the Group for the past years, and protective tax assessments in the aggregate amount of HK$34 million for the year of assessment 2001/2002 were issued by the IRD to certain subsidiaries of the Company. As at 31 December 2008, tax reserve certificates of HK$19 million had been purchased by the Group for the protective assessments raised for the year of assessment 2001/2002. Subsequent to 31 December 2008, in March 2009, protective tax assessments in the aggregate amount of HK$52 million for the year of assessment 2002/2003 were 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 this report, the directors of the Company consider that adequate tax provision has been made in the Financial Information.

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

The consolidated profit/(loss) attributable to equity holders of the parent for the years ended 31 December 2006, 2007 and 2008 includes profit of HK$428 million, profit of HK$32 million and loss of HK$208 million, respectively, which has been dealt with in the financial statements of the Company (note 37(b)).

13. DIVIDENDS

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$ million	*HK$ million*	*HK$ million*
Paid interim for 2006, 2007 and 2008 at HK$0.020, HK$0.025 and HK$0.025 per ordinary share, respectively	16	20	21
Proposed final for 2006, 2007 and 2008 at HK$0.025, HK$0.030 and HK$0.030 per ordinary share, respectively	20	24	20
Total	36	44	41

The proposed final dividend for the year ended 31 December 2008 is subject to approval of the Company's shareholders at the annual general meeting to be held on 2 June 2009.

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

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for each of the Relevant Periods attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during each of the Relevant Periods.

A diluted loss per share amount for the year ended 31 December 2008 has not been disclosed, as the convertible bonds outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

The calculation of diluted earnings per share amounts for each of the two years ended 31 December 2007 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 each of the two years ended 31 December 2007, 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 diluted earnings per share are based on:

	Year ended 31 December	
	2006	**2007**
	HK$ million	*HK$ million*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	358	484
Interest on convertible bonds (note 8)	4	3
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	362	487
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	732,918,201	796,359,311
Effect of dilution — weighted average number of ordinary shares:		
Convertible bonds	108,046,640	57,261,612
	840,964,841	853,620,923

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
At 1 January 2006, net of accumulated depreciation and impairment	924	215	59	43	11	1	1,253
Acquisition of subsidiaries (note 42)	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 16)	(17)	—	—	—	—	—	(17)
Exchange realignment	—	3	—	—	—	—	3
At 31 December 2006 and 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 and 1 January 2008, net of accumulated depreciation and impairment	814	272	59	59	11	72	1,287
Additions	29	35	3	6	3	2	78
Disposals	(5)	(6)	(1)	—	(3)	—	(15)
Write-off	(2)	(2)	—	(2)	—	—	(6)
Disposal of subsidiaries (note 43)	(1)	(16)	—	—	—	—	(17)
Depreciation provided during the year	(50)	(51)	(21)	(14)	(4)	—	(140)
Impairment	(215)	(71)	(13)	(14)	(1)	—	(314)
Transfer	63	4	—	—	—	(67)	—
Exchange realignment	1	9	—	2	—	1	13
At 31 December 2008, net of accumulated depreciation and impairment	634	174	27	37	6	8	886

	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*
At 31 December 2008:							
Cost	1,179	594	216	162	22	8	2,181
Accumulated depreciation and impairment	(545)	(420)	(189)	(125)	(16)	—	(1,295)
Net carrying amount	634	174	27	37	6	8	886
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
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

The net book value of items of property, plant and equipment of the Group held under finance leases included in the total amounts of plant and machinery as at 31 December 2006, 2007 and 2008 amounted to approximately HK$11 million, HK$10 million and HK$9 million, respectively, and those included in the total amounts of motor vehicles amounted to HK$4 million, HK$3 million and HK$2 million, respectively.

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

	Hong Kong			Elsewhere			Total		
	As at 31 December			As at 31 December			As at 31 December		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Medium term leases	33	29	27	831	785	607	864	814	634

At 31 December 2006, 2007 and 2008, certain of the Group's leasehold land and buildings with an aggregate carrying value of approximately HK$517 million, HK$490 million and HK$457 million, respectively, were pledged to secure general banking facilities granted to the Group (note 34(a)(ii)).

During the year ended 31 December 2008, an impairment of HK$310 million was recognised for certain property, plant and equipment because certain production facilities and fixed assets of the Group were under-utilised as a result of the Discontinuation (note 6). The impairment loss is estimated based on the recoverable amount of the telecom and electronic products cash-generating units. 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 11.7%.

Company

	Furniture and office equipment *HK$ million*
Cost at 1 January 2006, net of accumulated depreciation	3
Depreciation provided during the year	(1)
Cost at 31 December 2006 and 1 January 2007, net of accumulated depreciation	2
Depreciation provided during the year	—
Cost at 31 December 2007 and 1 January 2008, net of accumulated depreciation	2
Depreciation provided during the year	(1)
At 31 December 2008	1
At 31 December 2008:	
Cost	3
Accumulated depreciation	(2)
Net carrying amount	1
At 31 December 2007:	
Cost	3
Accumulated depreciation	(1)
Net carrying amount	2
At 31 December 2006:	
Cost	5
Accumulated depreciation	(3)
Net carrying amount	2

16. INVESTMENT PROPERTIES

	Group		
	2006	**2007**	**2008**
	HK$ million	*HK$ million*	*HK$ million*
Carrying amount at 1 January	257	490	315
Additions	177	—	—
Disposals	—	(194)	(37)
Fair value gain/(loss) on investment properties	39	19	(20)
Transfer from an owner-occupied property (note 15)	17	—	—
Transfer to property held for sale	—	—	(87)
Carrying amount at 31 December	490	315	171

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

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$ million	*HK$ million*	*HK$ million*
Long term leases	275	279	171
Medium term leases	215	36	—
	490	315	171

The Group's investment properties were revalued on 31 December 2006, 2007 and 2008 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 47(a) to the Financial Information.

At 31 December 2006, 2007 and 2008, the Group's investment properties with an aggregate carrying value of HK$487 million, HK$314 million and HK$170 million, respectively, were pledged to secure general banking facilities granted to the Group (note 34(a)(i)).

Further particulars of the Group's investment properties at 31 December 2008 are as follows:

Location	**Use**	**Tenure**	**Attributable interest of the Group**
House No. 36, Carpark 3 & 4, 56 Repulse Bay Road, Hong Kong	Residential	Long term lease	100%
House No. 37, Carpark 50 & 51, 56 Repulse Bay Road, Hong Kong	Residential	Long term lease	100%
Carpark No. 26, 27 and 234 at the Basement of Site No. 3, Whampoa Garden, Hunghom, Kowloon, Hong Kong	Carpark	Long term lease	100%

17. PREPAID LAND LEASE PAYMENTS

	Group		
	2006	**2007**	**2008**
	HK$ million	*HK$ million*	*HK$ million*
Carrying amount at 1 January	225	230	224
Additions	10	—	—
Recognised during the year	(5)	(6)	(6)
Carrying amount at 31 December	230	224	218
Current portion included in prepayments, deposits and other receivables	(5)	(5)	(5)
Non-current portion	225	219	213

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

18. OTHER INTANGIBLE ASSETS

	Deferred development costs
	HK$ million
Cost at 1 January 2006, net of accumulated amortisation and impairment	45
Acquisition of subsidiaries (note 42)	7
Additions — internal development	55
Write-off	(15)
Amortisation provided during the year	(47)
Cost at 31 December 2006 and 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)
Cost at 31 December 2007 and 1 January 2008, net of accumulated amortisation and impairment	32
Additions — internal development	27
Impairment	(29)
Write-off	(6)
Amortisation provided during the year	(24)
At 31 December 2008	—
At 31 December 2008:	
Cost	115
Accumulated amortisation and impairment	(115)
Net carrying amount	—
At 31 December 2007:	
Cost	94
Accumulated amortisation and impairment	(62)
Net carrying amount	32

	Deferred development costs *HK$ million*
At 31 December 2006:	
Cost	102
Accumulated amortisation and impairment	(57)
Net carrying amount	45

19. 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*
Cost at 1 January 2006, net of accumulated impairment	110
Acquisition of minority interests in subsidiaries	39
Impairment during the year	(21)
Cost at 31 December 2006, and 1 January 2007, net of accumulated impairment	128
Release of goodwill upon partial disposal of subsidiaries	(48)
Impairment during the year	(25)
Cost at 31 December 2007, 1 January 2008 and 31 December 2008, net of accumulated impairment	55
At 31 December 2008:	
Cost	108
Accumulated impairment	(53)
Net carrying amount	55
At 31 December 2007:	
Cost	108
Accumulated impairment	(53)
Net carrying amount	55
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 for 2008 is 11.7%.

Provision of e-commerce services cash-generating unit

The recoverable amount of the provision of e-commerce services 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 for the years ended 31 December 2006 and 2007 is 15%. Impairment losses of HK$19 million and HK$20 million were recognised during the years ended 31 December 2006 and 2007, respectively, to reduce the carrying amounts of goodwill as at 31 December 2006 and 2007 to HK$20 million and nil, respectively.

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 independent valuation is obtained to determine the fair value. Impairment losses of HK$2 million and HK$5 million were recognised during the years ended 31 December 2006 and 2007, respectively, to reduce the carrying amounts of goodwill as at 31 December 2006 and 2007 to HK$5 million and nil, respectively.

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

	As at 31 December		
	2006	**2007**	**2008**
	HK$ million	*HK$ million*	*HK$ million*
Telecom and electronic products	103	55	55
Provision of e-commerce services	20	—	—
Property holding	5	—	—
Carrying amount of goodwill	128	55	55

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 the Relevant Periods. 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.

20. INTERESTS IN SUBSIDIARIES

	Company As at 31 December		
	2006	2007	2008
	HK$ million	*HK$ million*	*HK$ million*
Unlisted shares, at cost	45	45	45
Due from subsidiaries	3,131	2,921	3,588
	3,176	2,966	3,633
Impairment	(1,036)	(893)	(1,861)
	2,140	2,073	1,772
Less: Portion of amounts due from subsidiaries classified as current assets	—	(699)	(1,051)
	2,140	1,374	721

The balances with the subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for the balances of HK$699 million as at 31 December 2007 and HK$169 million as at 31 December 2008 due from subsidiaries which are unsecured and repayable on demand, and bear interest at 3% above the Hong Kong dollar prime rate, as determined by The Hongkong and Shanghai Banking Corporation Limited, per annum, and a balance of HK$882 million as at 31 December 2008 which is unsecured, interest-free and repayable on demand. The carrying amounts of the amounts due from subsidiaries approximate to their fair values.

21. INTEREST IN AN ASSOCIATE

Group

	As at 31 December		
	2006	2007	2008
	HK$ million	*HK$ million*	*HK$ million*
Share of net assets	—	—	229
Market value of listed shares	—	—	215

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activity
CCT Resources Holdings Limited (formerly known as Tradeeasy Holdings Limited)	Ordinary shares of HK$0.01 each	Cayman Islands/ Hong Kong	63.43	Forestry business

In consideration of the effect of all potential voting rights of the MCL Convertible Bonds, the Group ceased to be in a position to exercise control over the financial and operating policies of CCT Resources. Accordingly, the Group's interest in CCT Resources was accounted for as an interest in an associate as at 31 December 2008.

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

The market value of the listed shares held by the Group as at the close of business on 27 May 2009 was approximately HK$386 million.

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

	2008 *HK$ million*
Assets	1,009
Liabilities	606
Revenues	31
Loss	34

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

	As at 31 December		
	2006	2007	2008
	HK$ million	*HK$ million*	*HK$ million*
Unlisted equity investment, at cost less impairment	2	2	2
Other assets, at fair value	9	9	2
	11	11	4

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

23. HELD-TO-MATURITY FINANCIAL ASSETS

Group and Company

	As at 31 December		
	2006	2007	2008
	HK$ million	*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 during the year ended 31 December 2007 and there were no held-to-maturity financial assets outstanding as at 31 December 2007.

24. INVENTORIES

Group

	As at 31 December		
	2006	2007	2008
	HK$ million	*HK$ million*	*HK$ million*
Raw materials	78	61	38
Work in progress	57	55	32
Finished goods	98	107	65
	233	223	135

25. PROPERTY FOR DEVELOPMENT

The property for development is situated in the PRC and held under medium term lease.

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

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

26. PROPERTY HELD FOR SALE

During the year ended 31 December 2008, an investment property of the Group was reclassified as a property held for sale as the carrying amount of the property will be recovered principally through a sales transaction and the Group is committed to a plan to dispose of the investment property and the sale is considered to be highly probable in the forthcoming year.

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

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

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

27. TRADE AND BILLS RECEIVABLES

Group

	As at 31 December		
	2006	2007	2008
	HK$ million	*HK$ million*	*HK$ million*
Trade and bills receivables	851	746	477
Impairment	(14)	(28)	(55)
	837	718	422

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 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 31 December 2006, 2007 and 2008, the Group had certain concentration of credit risk as 45%, 58% and 32% of the Group's trade receivables were due from the Group's largest customer, respectively, and 83%, 85% and 85% of the Group's trade receivables were due from the Group's 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

	As at 31 December					
	2006		2007		2008	
	Balance	Percentage	Balance	Percentage	Balance	Percentage
	HK$ million		*HK$ million*		*HK$ million*	
Current to 30 days	294	35	217	30	147	35
31 to 60 days	249	30	223	31	113	27
61 to 90 days	243	29	199	28	149	35
Over 90 days	51	6	79	11	13	3
	837	100	718	100	422	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		
	2006	2007	2008
	HK$ million	*HK$ million*	*HK$ million*
At 1 January	18	14	28
Impairment losses recognised	8	22	48
Amount written off as uncollectible	(12)	(8)	(21)
At 31 December	14	28	55

As at 31 December 2006, 2007 and 2008, included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$14 million, HK$28 million and HK$55 million, respectively, with carrying amounts of HK$401 million, HK$586 million and HK$290 million respectively. 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

	As at 31 December		
	2006	2007	2008
	HK$ million	*HK$ million*	*HK$ million*
Neither past due nor impaired	615	549	355
Past due but not impaired			
— within 6 months	205	161	65
— 7 to 12 months	16	7	2
— over 1 year	1	1	—
	837	718	422

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

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

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December		
	2006	**2007**	**2008**
	HK$ million	*HK$ million*	*HK$ million*
Prepayments	10	238	213
Deposits and other receivables	32	38	43
	42	276	256

Company

	As at 31 December		
	2006	**2007**	**2008**
	HK$ million	*HK$ million*	*HK$ million*
Deposits and other receivables	1	1	—

The Group's prepayments at 31 December 2007 and 2008 included prepayments for the acquisition of land use rights in Mainland China amounting to approximately HK$225 million and HK$205 million, respectively, in relation to the Group's property development business.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	As at 31 December		
	2006	**2007**	**2008**
	HK$ million	*HK$ million*	*HK$ million*
Listed equity investments in Hong Kong, at market value	71	227	438
Equity-linked deposits/notes, at fair value	155	153	—
Fund investments, at fair value	—	18	8
	226	398	446

Company

	As at 31 December		
	2006	**2007**	**2008**
	HK$ million	*HK$ million*	*HK$ million*
Listed equity investments in Hong Kong, at market value	71	—	—
Equity-linked deposits/notes, at fair value	155	—	—
	226	—	—

The above equity investments, equity-linked deposits/notes and fund investments at 31 December 2005, 2006 and 2007 were classified as held for trading. The market value of the Group's equity investments as at the close of business on 27 May 2009 was approximately HK$506 million.

30. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

Group

	As at 31 December		
	2006	**2007**	**2008**
	HK$ million	*HK$ million*	*HK$ million*
Cash and bank balances	419	564	633
Time deposits	534	1,359	242
	953	1,923	875
Less: Time deposits pledged for bank facilities (note 34)	(88)	(88)	(89)
Time deposits pledged for stock accumulator contracts	—	(162)	—
Cash and cash equivalents	865	1,673	786

Company

	As at 31 December		
	2006	**2007**	**2008**
	HK$ million	*HK$ million*	*HK$ million*
Cash and bank balances	10	17	150
Time deposits	341	777	4
	351	794	154
Less: Time deposits pledged for bank facilities	(5)	—	—
Cash and cash equivalents	346	794	154

At 31 December 2006, 2007 and 2008, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$11 million, HK$20 million and HK$161 million, respectively. 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.

31. 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

	As at 31 December					
	2006		2007		2008	
	Balance	Percentage	Balance	Percentage	Balance	Percentage
	HK$ million		*HK$ million*		*HK$ million*	
Current to 30 days	232	26	184	22	106	19
31 to 60 days	233	26	229	27	76	14
61 to 90 days	168	19	159	18	134	24
Over 90 days	253	29	279	33	235	43
	886	100	851	100	551	100

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

32. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December		
	2006	2007	2008
	HK$ million	*HK$ million*	*HK$ million*
Other payables	86	175	58
Accruals	91	125	153
	177	300	211

Company

	As at 31 December		
	2006	2007	2008
	HK$ million	*HK$ million*	*HK$ million*
Other payables	10	—	—
Accruals	5	7	4
	15	7	4

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

33. DERIVATIVE FINANCIAL INSTRUMENTS

Group

	As at 31 December		
	2006	**2007**	**2008**
	HK$ million	*HK$ million*	*HK$ million*
Liabilities:			
Stock accumulator contracts	—	35	—
Share swap contracts	—	27	47
	—	62	47

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

34. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December								
	2006			**2007**			**2008**		
	Effective interest rate (%)	**Maturity**	**HK$ million**	**Effective interest rate (%)**	**Maturity**	**HK$ million**	**Effective interest rate (%)**	**Maturity**	**HK$ million**
Group									
Current									
Finance lease payables (note 35)	2.50–5.75	2007	4	2.50–3.20	2008	3	3.25–4.25	2009	4
Bank loans — unsecured	6.01–7.00	2007	26	6.00–7.00	2008	26	1.69–6.25	2009	103
Bank loans — secured	4.74–7.25	2007	177	4.20–7.25	2008	183	1.25–6.97	2009	244
			207			212			351
Non-current									
Finance lease payables (note 35)			—	3.20–4.75	2009–2010	5	3.25–4.25	2010	1
Bank loans — secured	4.74–6.25	2008–2016	247	4.20–6.72	2009–2016	176	1.65–4.00	2010–2016	123
2010 Convertible Bonds (note 36(a))	7.25	2010	23	7.25	2010	15			—
2009 Convertible Bonds (note 36(b))	5.68	2009	26	5.68	2009	28			—
			296			224			124
			503			436			475
Company									
Non-current									
2010 Convertible Bonds (note 36(a))	7.25	2010	23	7.25	2010	15			—
2009 Convertible Bonds (note 36(b))	5.68	2009	26	5.68	2009	28			—
			49			43			—

Group

	As at 31 December		
	2006	**2007**	**2008**
	HK$ million	*HK$ million*	*HK$ million*
Analysed into:			
Bank loans repayable:			
Within one year or on demand	203	209	347
In the second year	59	51	22
In the third to fifth years, inclusive	100	64	62
Beyond five years	88	61	39
	450	385	470
Other borrowings repayable:			
Within one year or on demand	4	3	4
In the second year	—	32	1
In the third to fifth years, inclusive	49	16	—
	53	51	5
	503	436	475

Company

	As at 31 December		
	2006	**2007**	**2008**
	HK$ million	*HK$ million*	*HK$ million*
Other borrowings repayable:			
In the second year	—	28	—
In the third to fifth years, inclusive	49	15	—
	49	43	—

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

(i) mortgages over the Group's investment properties situated in Hong Kong, which had aggregate carrying values at 31 December 2006, 2007 and 2008 of approximately HK$487 million, HK$314 million and HK$170 million, respectively (note 16);

(ii) mortgages over the Group's leasehold land and buildings situated in Hong Kong and the PRC, which had aggregate carrying values at 31 December 2006, 2007 and 2008 of approximately HK$517 million, HK$490 million and HK$457 million, respectively (note 15); and

(iii) the pledge of certain of the Group's time deposits as at 31 December 2006, 2007 and 2008 amounting to HK$88 million, HK$88 million and HK$89 million, respectively (note 30).

(b) At 31 December 2008, the Group's bank and other borrowings with carrying amounts of HK$243 million (2007: HK$216 million; 2006: HK$304 million), Nil (2007: HK$7 million; 2006: HK$22 million) and HK$232 million (2007: 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 values of the Group's and the Company's convertible bonds with carrying amounts of HK$49 million and HK$43 million at 31 December 2006 and 2007 were HK$44 million and HK$41 million, respectively.

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 the prevailing interest rates.

35. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles, machinery and office equipment for business use. These leases are classified as finance leases and have remaining lease terms of three years.

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

	Minimum lease payments As at 31 December			Present value of minimum lease payments As at 31 December		
	2006	2007	2008	2006	2007	2008
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Amounts payable:						
Within one year	4	4	4	4	3	4
In the second year	—	4	1	—	4	1
In the third to fifth years, inclusive	—	1	—	—	1	—
Total minimum finance lease payments	4	9	5	4	8	5
Future finance charges	—	(1)	—			
Total net finance lease payables	4	8	5			
Portion classified as current liabilities (note 34)	(4)	(3)	(4)			
Non-current portion (note 34)	—	5	1			

36. 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 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.

The 2010 Convertible Bonds with nominal values of approximately HK$75 million, HK$10 million and HK$18 million were converted into 80,662,359 shares, 124,172,185 shares and 17,258,012 shares in the Company of HK$0.10 each during the years ended 31 December 2006, 2007 and 2008, respectively.

(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 the consideration for the acquisition of a property as further detailed in note 49(a) below.

The 2009 Convertible Bond is 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 Bond) at any time from the date of issue of the 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.

During the year ended 31 December 2008, the whole balance of the 2009 Convertible Bonds with a nominal value of approximately HK$30 million were fully converted into 26,548,672 shares in the Company of HK$0.10 each (note 39).

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 bond issued during the year ended 31 December 2006 has been split as to the liability and equity components, as follows:

Group and Company

	As at 31 December		
	2006	**2007**	**2008**
	HK$ million	*HK$ million*	*HK$ million*
Nominal value of convertible bonds issued during the year	30	—	—
Equity component (note 41(b))	(5)	—	—
Liability component at the issuance date	25	—	—
Interest expense	1	—	—
Liability component at 31 December (note 34)	26	—	—

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

Group and Company

		Year ended 31 December		
		2006	**2007**	**2008**
	Notes	*HK$ million*	*HK$ million*	*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 serves 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 ended 31 December 2007, 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 up to the respective dates of unwind of the Put Options attributable to the CCT Tech Sale Shares as if the CCT Tech Sale Shares had not been disposed of.

(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 ended 31 December 2007, 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 and the Group 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 ended 31 December 2007, 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 31 December 2006. 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 would expire on 9 May 2008. 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 ended 31 December 2007, 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.

38. DEFERRED TAX

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

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation *HK$ million*
At 1 January 2006, 31 December 2006 and 1 January 2007	3
Deferred tax charged to the income statement during the year (note 11)	1
Gross deferred tax liabilities recognised in the consolidated balance sheet at 31 December 2007	4
Deferred tax charged to the income statement during the year (note 11)	(1)
Gross deferred tax liabilities recognised in the consolidated balance sheet at 31 December 2008	3

Deferred tax assets

Group

	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 11)	1
Gross deferred tax assets recognised in the consolidated balance sheet at 31 December 2006 and 1 January 2007	4
Deferred tax charged to the income statement during the year (note 11)	(2)
Gross deferred tax assets recognised in the consolidated balance sheet at 31 December 2007 and 1 January 2008	2
Deferred tax charged to the income statement during the year (note 11)	(1)
Gross deferred tax assets recognised in the consolidated balance sheet at 31 December 2008	1

As at 31 December 2006, 2007 and 2008, the Group had tax losses arising in Hong Kong of HK$245 million, HK$202 million and HK$826 million, respectively, and the Company had tax losses arising in Hong Kong of HK$173 million, HK$107 million and HK$146 million, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

At 31 December 2008, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China as these subsidiaries incurred losses during the year ended 31 December 2008.

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

39. SHARE CAPITAL

Shares

	As at 31 December		
	2006	**2007**	**2008**
	HK$ million	*HK$ million*	*HK$ million*
Authorised:			
2,000,000,000 ordinary shares of HK$0.10 each	200	200	200
Issued and fully paid:			
779,865,493, 797,123,505 and 853,614,826 ordinary shares of HK$0.10 each as at 31 December 2006, 2007 and 2008, respectively	78	80	85

In 2006, the 2010 Convertible Bonds with a nominal value of approximately HK$75 million were converted into 124,172,185 shares in the Company of HK$0.10 each at a conversion price of HK$0.604 per share.

In 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 at a conversion price of HK$0.604 per share.

In 2008, the 2010 Convertible Bonds with a nominal value of approximately HK$18 million were converted into 29,942,649 shares in the Company of HK$0.10 each at a conversion price of HK$0.604 per share, and the 2009 Convertible Bonds with a nominal value of approximately HK$30 million were converted into 26,548,672 shares in the Company of HK$0.10 each at a conversion price of HK$1.13 per share. Further details relating to the 2010 Convertible Bonds and 2009 Convertible Bonds were set out in notes 36(a) and 36(b) to the Financial Information, respectively.

A summary of the transactions involving the Company's issued ordinary share capital during the Relevant Periods 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
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	17,258,012	2	10	12
At 31 December 2007 and 1 January 2008	797,123,505	80	77	157
Issue of new shares upon conversion of convertible bonds	56,491,321	5	48	53
At 31 December 2008	853,614,826	85	125	210

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 40 below.

40. SHARE OPTION SCHEME

(a) A share option scheme was adopted by the Company on 28 February 2002 (the "Share Option Scheme") to comply with the new amendments to the Listing Rules in respect of the share option schemes of a listed company. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from the date of adoption. As at 31 December 2006, 2007 and 2008, there were no share options outstanding under the Share Option Scheme. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme during each of the Relevant Periods.

The purpose of the Share Option Scheme is to provide incentives and rewards to the eligible participants who contribute to the success of the Group's operation. Eligible participants of the Share Option Scheme include any employee, executive or officer of the Group (including executive and non-executive directors of the Group) and any supplier, consultant, agent, adviser, shareholder, customer, partner, business associate who, in the sole discretion of the board of directors of the Group (the "Board"), 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 shares subject to any other share option scheme(s) of the Group, must not exceed 10% of the issued share capital of the Group as at the date of adoption of the Share Option Scheme or 30% of the issued share capital of the Group from time to time.

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

Share options granted to a director, chief executive or substantial shareholder of the Group, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors of the Group, excluding the independent non-executive director(s) of the Group who is/are the grantee(s) of the share options. In

addition, any share option granted to a substantial shareholder or an independent non-executive director of the Group, or to any of their respective associates, in excess of 0.1% of the shares of the Group in issue as at the date of grant or with an aggregate value (based on the closing price of the Group's shares as at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to the issue of a circular by the Group and the shareholders' approval of the Group in advance at a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the 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 Group's 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 of the Group as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares of the Group.

(b) During the year ended 31 December 2007, CCT Tech granted 1,550,000,000 share options in CCT Tech to certain of its directors and employees under CCT Tech's share option scheme. The fair value of the share options granted was HK$12 million of which the Group recognised a share option expense of HK$12 million during the year ended 31 December 2007.

The fair value of equity-settled share options granted by CCT Tech was estimated as at the date of grant, using the Black-Scholes model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used in respect of CCT Tech:

	2007
Dividend yield (%)	—
Expected volatility (%)	74.83
Historical volatility (%)	74.83
Risk-free interest rate (%)	3.89
Expected life of share options (year)	0.25
Weighted average share price (HK$)	0.055

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

No other feature of the options granted by CCT Tech was incorporated into the measurement of fair value.

(c) During the year ended 31 December 2006, CCT Resources granted 117,850,000 share options in CCT Resources to certain of its directors and employees under CCT Resources' share option scheme. The fair value of the share options granted was HK$2 million of which the Group recognised a share option expense of HK$2 million during the year ended 31 December 2006.

The fair value of equity-settled share options granted by CCT Resources was estimated as at the date of grant, using the Black-Scholes model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used in respect of CCT Resources:

	2006
Dividend yield (%)	—
Expected volatility (%)	113.15
Historical volatility (%)	113.15
Risk-free interest rate (%)	4.06
Expected life of share options (year)	1
Weighted average share price (HK$)	0.041

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

No other feature of the options granted by CCT Resources was incorporated into the measurement of fair value.

41. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statement of changes in equity on pages 33 to 34 of this report.

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

(b) Company

	Share premium account	Capital reserve *(Note)*	Distributable reserve	Equity component of convertible bonds	Retained profits/ (accumulated losses)	Total
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
At 1 January 2006	—	741	1,417	31	313	2,502
Issue of convertible bonds	—	—	—	5	—	5
Issue of shares upon conversion of convertible bonds	67	—	—	(23)	—	44
Profit for the year	—	—	—	—	32	32
2006 final dividend	—	—	—	—	(2)	(2)
2007 interim dividend	—	—	—	—	(16)	(16)
Proposed 2007 final dividend	—	—	—	—	(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	—	—	—	—	208	208
2008 interim dividend	—	—	—	—	(20)	(20)
Proposed 2008 final dividend	—	—	—	—	(24)	(24)
At 31 December 2007 and 1 January 2008	77	741	1,417	10	471	2,716
Issue of shares upon conversion of convertible bonds	48	—	—	(10)	—	38
Loss for the year	—	—	—	—	(895)	(895)
2008 interim dividend	—	—	—	—	(21)	(21)
Proposed 2008 final dividend	—	—	(20)	—	—	(20)
At 31 December 2008	125	741	1,397	—	(445)	1,818

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

42. BUSINESS COMBINATION

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

The fair value of the identifiable assets and liabilities of the CCT Resources 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 (note 15)	3	3
Other intangible assets (note 18)	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 is as follows:

	Year ended 31 December 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 its acquisition, the CCT Resources Group contributed approximately HK$34 million to the Group's turnover and a loss of HK$4 million to the consolidated profit for the year ended 31 December 2006.

Had the combination taken place at the beginning of the year ended 31 December 2006, there would have been no significant impact on the revenue and profit of the Group for that year.

43. DISPOSAL OF SUBSIDIARIES

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

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

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

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

44. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

(a) During the years ended 31 December 2006 and 2007, 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$1 million and HK$10 million, respectively.

(b) As further detailed in note 36(b) above, during the year ended 31 December 2006, 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 from Mr. Mak.

(c) As further detailed in note 37 above, during the year ended 31 December 2006, 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.

45. CONTINGENT LIABILITIES

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

	Company		
	As at 31 December		
	2006	2007	2008
	HK$ million	*HK$ million*	*HK$ million*
Corporate guarantees given to banks in connection with facilities granted to subsidiaries	301	211	289

As at 31 December 2006, 2007 and 2008, 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$247 million, HK$165 million and HK$205 million, respectively.

(b) The Group is currently under review by the IRD on its tax affairs for the past years. The directors of the Company believe that adequate tax provision has been made in prior years. Further details have been disclosed in note 11.

46. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by assets of the Group are included in notes 30 and 34 above.

47. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 11 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:

	As at 31 December		
	2006	2007	2008
	HK$ million	*HK$ million*	*HK$ million*
Within one year	4	1	1
In the second to fifth years, inclusive	4	2	2
After five years	3	2	2
	11	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 2 to 5 years.

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

	As at 31 December		
	2006	2007	2008
	HK$ million	*HK$ million*	*HK$ million*
Within one year	8	9	9
In the second to fifth years, inclusive	5	9	7
After five years	—	—	—
	13	18	16

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases with initial lease terms ranging from 50 to 51 years in respect of land on which certain of the Group's factories are situated falling due as follows:

	As at 31 December		
	2006	2007	2008
	HK$ million	*HK$ million*	*HK$ million*
Within one year	2	2	3
In the second to fifth years, inclusive	9	11	11
After five years	117	116	127
	128	129	141

48. COMMITMENTS

In addition to the operating lease commitments detailed in note 47(b) above, the Group had the following commitments at the balance sheet date:

Capital commitments

	As at 31 December		
	2006	2007	2008
	HK$ million	*HK$ million*	*HK$ million*
Contracted, but not provided for:			
Construction in progress	64	18	2
Purchases of plant and machinery and equipment	5	10	—
Acquisition of land	—	51	206
	69	79	208

49. RELATED PARTY TRANSACTIONS

(a) On 27 April 2006, Rich Full International Industries Limited ("Rich Full"), an indirect 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.

(b) Compensation of key management personnel of the Group

	Year ended 31 December		
	2006	2007	2008
	HK$ million	*HK$ million*	*HK$ million*
Short term employee benefits	64	68	44
Post-employment benefits	—	—	—
Total compensation paid to key management personnel	64	68	44

Further details of directors' emoluments are included in note 9 above.

50. FINANCIAL INSTRUMENTS BY CATEGORY

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

2006

	Group				
Financial assets	**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 (note 28)	—	—	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

	Group		
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 32)	—	86	86
Derivative financial instruments	71	—	71
Interest-bearing bank and other borrowings	—	503	503
Long term payable	—	256	256
	71	1,731	1,802

2007

	Group			
Financial assets	**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 (note 28)	—	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

	Group		
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 32)	—	175	175
Derivative financial instruments	62	—	62
Interest-bearing bank and other borrowings	—	436	436
	62	1,462	1,524

2008

	Group			
Financial assets	**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	—	—	4	4
Trade and bills receivables	—	422	—	422
Financial assets included in prepayments, deposits and other receivables (note 28)	—	43	—	43
Financial assets at fair value through profit or loss	446	—	—	446
Pledged time deposits	—	89	—	89
Cash and cash equivalents	—	786	—	786
	446	1,340	4	1,790

	Group		
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	—	551	551
Financial liabilities included in other payables and accruals (note 32)	—	58	58
Derivative financial instruments	47	—	47
Interest-bearing bank and other borrowings	—	475	475
	47	1,084	1,131

2006

	Company			
Financial assets	**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 20)	—	—	2,095	2,095
Long term receivable	—	—	312	312
Financial assets at fair value through profit or loss	226	—	—	226
Financial assets included in prepayments, deposits and other receivables (note 28)	—	—	1	1
Held-to-maturity financial assets	—	2	—	2
Pledged time deposits	—	—	5	5
Cash and cash equivalents	—	—	346	346
	226	2	2,759	2,987

	Company		
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 32)	—	10	10
Interest-bearing bank and other borrowings	—	49	49
Long term payable	—	256	256
Derivative financial instrument	71	—	71
	71	315	386

2007

Financial assets	**Company Loans and receivables** *HK$ million*
Financial assets included in interests in subsidiaries (note 20)	2,028
Financial assets included in prepayments, deposits and other receivables (note 28)	1
Cash and cash equivalents	794
	2,823

Financial liabilities	**Financial liabilities at amortised cost**
Interest-bearing bank and other borrowings	43

2008

Financial assets	**Company Loans and receivables** *HK$ million*
Financial assets included in interests in subsidiaries (note 20)	1,727
Cash and cash equivalents	154
	1,881

Financial liabilities	**Financial liabilities at amortised cost**
Interest-bearing bank and other borrowings	—

51. 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 of the Company 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 2.2 above.

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 a relatively low level, the Group's interest rate risk is not significant.

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

Group

	2006		2007		2008	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** *HK$ million*	**Increase/ (decrease) in basis points**	**Increase/ (decrease) in profit before tax** *HK$ million*	**Increase/ (decrease) in basis points**	**Increase/ (decrease) in loss before tax** *HK$ million*
HK$	100	(3)	100	(2)	100	3
United States dollars ("US$")	100	(2)	100	(2)	100	2
HK$	(100)	3	(100)	2	(100)	(3)
US$	(100)	2	(100)	2	(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 Relevant Periods, 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$, Renminbi and Euro exchange rates, with all other variables held constant, of the Group's profit/(loss) before tax (due to changes in the fair value of monetary assets and liabilities).

Group

	2006		2007		2008	
	Increase/ (decrease) in exchange rate *%*	**Increase/ (decrease) in profit before tax** *HK$ million*	**Increase/ (decrease) in exchange rate** *%*	**Increase/ (decrease) in profit before tax** *HK$ million*	**Increase/ (decrease) in exchange rate** *%*	**Increase/ (decrease) in loss before tax** *HK$ million*
If AUD strengthens against HK$	—	—	18.568	13	—	—
If AUD weakens against HK$	—	—	(18.568)	(13)	—	—
If US$ strengthens against RMB	3.280	1	6.222	2	3.900	1
IF US$ weakens against RMB	(3.280)	(1)	(6.222)	(2)	(3.900)	(1)
If Euro strengthens against HK$	—	—	—	—	20.170	(3)
If Euro weakens against HK$	—	—	—	—	(20.170)	3

Credit risk

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

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

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

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

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 and the Company's financial liabilities based on the contractual undiscounted payments.

Group

	Within one year or on demand *HK$ million*	**In the second year** *HK$ million*	**In the third to fifth years, inclusive** *HK$ million*	**Beyond five years** *HK$ million*	**Total** *HK$ million*
At as 31 December 2006					
Interest-bearing bank and other borrowings	207	59	149	88	503
Trade and bills payables	886	—	—	—	886
Other payables	86	—	—	—	86
Derivative financial instruments	—	71	—	—	71
Long term payable	—	256	—	—	256
	1,179	386	149	88	1,802
At as 31 December 2007					
Interest-bearing bank and other borrowings	212	83	80	61	436
Trade and bills payables	851	—	—	—	851
Other payables	175	—	—	—	175
Derivative financial instruments	62	—	—	—	62
	1,300	83	80	61	1,524
At as 31 December 2008					
Interest-bearing bank and other borrowings	359	26	67	40	492
Trade and bills payables	551	—	—	—	551
Other payables	58	—	—	—	58
Derivative financial instruments	47	—	—	—	47
	1,015	26	67	40	1,148

Company

	Within one year or on demand *HK$ million*	In the second year *HK$ million*	In the third to fifth years, inclusive *HK$ million*	Total *HK$ million*
As at 31 December 2006				
Interest-bearing bank and other borrowings	—	—	49	49
Other payables	10	—	—	10
Derivative financial instruments	—	71	—	71
Long term payable	—	256	—	256
	10	327	49	386
As at 31 December 2007				
Interest-bearing bank and other borrowings	—	28	15	43
As at 31 December 2008				
Interest-bearing bank and other borrowings	—	—	—	—

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 was exposed to equity price risk arising from individual equity investments classified as trading equity investments (note 29) as at each balance sheet date of the Relevant Periods. 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 Relevant Periods to the balance sheet date, and their respective highest and lowest points during the year were as follows:

	31 December 2006	High/low 2006	31 December 2007	High/low 2007	31 December 2008	High/low 2008
Hong Kong						
— Hang Seng Index	19,965	20,049/ 14,844	27,813	31,958/ 18,659	14,387	27,584/ 10,676

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on the 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*
2006			
Investments listed in:			
Hong Kong — Held for trading	71	26.73	19
	71	(26.73)	(19)
2007			
Investments listed in:			
Hong Kong — Held for trading	227	59.54	135
	227	(59.54)	(135)

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

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 shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements.

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

	Group As at 31 December		
	2006 *HK$ million*	**2007** *HK$ million*	**2008** *HK$ million*
Interest-bearing bank and other borrowings	503	436	475
Total borrowings	503	436	475
Total capital	2,752	3,225	2,213
Total capital and borrowings	3,255	3,661	2,688
Gearing ratio	15.5%	11.9%	17.7%

III. SUBSEQUENT EVENTS

(a) On 6 January 2009, the board of directors of the Company announced that an offer would be made to repurchase, subject to conditions, up to 280,000,000 of the Company's shares at the offer price of HK$0.50 per share (the "Offer"). On 16 February 2009, all the conditions of the Offer have been fulfilled and the Offer has become unconditional. On 2 March 2009, acceptances in respect of 198,558,635 shares have been received by the Company. In accordance with the terms of the Offer, the Company repurchased a total of 198,558,635 shares in aggregate at the offer price of HK$0.50 per share. The Offer was completed and 198,558,635 shares of the Company were cancelled on 11 March 2009. The total consideration under the Offer of approximately HK$99.28 million was paid by the Company on 11 March 2009. Upon the completion of the Offer and cancellation of the repurchased 198,558,635 shares by the Company on 11 March 2009, the issued share capital of the Company was reduced to 655,056,191 shares.

(b) In January and February 2009, the MCL Convertible Bonds with a nominal value of HK$30,000,000 and HK$70,000,000 were converted into 300,000,000 shares and 700,000,000 shares of CCT Resources, respectively. After the conversion of the MCL Convertible Bonds in January and February 2009, the Group's shareholding in CCT Resources was diluted from approximately 63.43% to approximately 48.34% and there is no significant impact on the Group's financial results.

(c) In April 2009, the Company and CCT Tech entered into a conditional agreement (as amended subsequently in May 2009), pursuant to which the Company has agreed to sell the entire issued share capital of CCT Industrial Products Holdings Limited ("CCT Industrial") and a shareholder's loan of HK$394 million (due from CCT Industrial to the Company) to CCT Tech or its designated nominee(s) for a total consideration of HK$346 million (the "Transaction"). The total consideration shall be satisfied by the allotment and issue of an aggregate of 3,463,110,000 convertible preference shares (the "Convertible Preference Shares") by CCT Tech credited as fully paid at the subscription price of HK$0.10 each in favour of Expert Success International Limited and CCT Assets Management Limited, both of which are indirect wholly-owned subsidiaries of the Company. The Convertible Preference Shares are non-voting, non-redeemable and convertible into the ordinary shares of CCT Tech on a one to one basis. CCT Industrial is a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company. CCT Industrial and its subsidiaries (the "CCT Industrial Group") are principally engaged in the manufacture and sale of plastic casings, plastic components, linear mode power supplies, switching mode power supplies, transformers, adaptors, and other electronic components for supply to CCT Tech group and other third party manufacturers for the production of telecom and electronic products.

Details of the Transaction were set out in the joint announcement of the Company and CCT Tech dated 11 May 2009. The Transaction is subject to other conditions precedent including approval by the respective shareholders of the Company and CCT Tech.

The consolidated income statements, consolidated balance sheets, consolidated cash flow statements and consolidated statements of changes in equity of the CCT Industrial Group prepared under HKFRSs in respect of three years ended 31 December 2008 included in the Financial Information are set out as follows:

(i) Consolidated income statements of the CCT Industrial Group

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$ million	*HK$ million*	*HK$ million*
REVENUE	613	525	446
Cost of sales	(563)	(498)	(460)
Gross profit/(loss)	50	27	(14)
Other income	4	3	4
Selling and distribution costs	(4)	(1)	(1)
General and administrative expenses	(41)	(36)	(33)
Other expenses	(101)	—	—
Finance costs	(1)	(1)	(1)
	(93)	(8)	(45)
Costs in connection with the Discontinuation and restructuring	—	—	(65)
LOSS BEFORE TAX	(93)	(8)	(110)
Tax	(5)	(2)	—
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	(98)	(10)	(110)

(ii) Consolidated balance sheets of the CCT Industrial Group

	As at 31 December		
	2006	**2007**	**2008**
	HK$ million	*HK$ million*	*HK$ million*
NON-CURRENT ASSETS			
Property, plant and equipment	96	180	119
Prepaid land lease payments	149	145	142
Deferred tax assets	1	1	1
Prepayments for acquisition of property, plant and equipment	17	6	—
Total non-current assets	263	332	262
CURRENT ASSETS			
Inventories	34	27	17
Trade receivables	129	123	121
Prepayments, deposits and other receivables	4	6	7
Cash and cash equivalents	12	34	20
Total current assets	179	190	165
CURRENT LIABILITIES			
Trade payables	75	73	44
Tax payable	10	11	12
Other payables and accruals	18	36	21
Interest-bearing bank and other borrowings	6	3	3
Total current liabilities	109	123	80
NET CURRENT ASSETS	70	67	85
TOTAL ASSETS LESS CURRENT LIABILITIES	333	399	347
NON-CURRENT LIABILITIES			
Due to the ultimate holding company	178	241	394
Interest-bearing bank and other borrowings	—	4	1
Total non-current liabilities	178	245	395
Net assets/(liabilities)	155	154	(48)
EQUITY/(DEFICIENCY IN ASSETS)			
Equity attributable to equity holders of the parent			
Issued capital	—	—	—
Reserves	155	154	(48)
Total equity/(deficiency in assets)	155	154	(48)

(iii) Consolidated cash flow statements of the CCT Industrial Group

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$ million	*HK$ million*	*HK$ million*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax	(93)	(8)	(110)
Adjustments for:			
Depreciation	13	12	22
Finance costs	1	1	1
Recognition of prepaid land lease payments	4	4	3
Impairment of items of property, plant and equipment	—	—	65
Provision for slow-moving and obsolete inventories	2	4	3
Loss on disposal of subsidiaries	101	—	—
Gain on disposal of available-for-sale financial assets	(2)	—	—
	26	13	(16)
Decrease/(increase) in inventories	(13)	3	7
Decrease in trade receivables	62	6	2
Decrease/(increase) in prepayments, deposits and other receivables	1	(2)	(1)
Increase/(decrease) in trade payables, other payables and accruals	(23)	16	(44)
Cash generated from/(used in) operations	53	36	(52)
Interest paid	(1)	(1)	(1)
PRC profits tax refunded/(paid)	(1)	(1)	1
Net cash inflow/(outflow) from operating activities	51	34	(52)

	Year ended 31 December		
	2006	2007	2008
	HK$ million	*HK$ million*	*HK$ million*
Net cash inflow/(outflow) from operating activities	51	34	(52)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	(15)	(84)	(14)
Addition to prepaid land lease payments	(10)	—	—
Proceeds from disposal of items of property, plant and equipment	—	3	—
Proceeds from disposal of available-for-sale financial assets	7	—	—
Disposal of subsidiaries	(16)	—	—
Decrease/(increase) in prepayments for acquisition of property, plant and equipment	(7)	11	6
Net cash outflow from investing activities	(41)	(70)	(8)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in an amount due to the ultimate holding company	(20)	63	153
New bank loans	4	—	—
Repayment of bank loans	—	(4)	—
Capital element of finance lease rental payments	(3)	(5)	(3)
Dividends paid	—	—	(105)
Net cash inflow/(outflow) from financing activities	(19)	54	45
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(9)	18	(15)
Cash and cash equivalents at beginning of year	21	12	34
Effect of foreign exchange rate changes, net	—	4	1
CASH AND CASH EQUIVALENTS AT END OF YEAR	12	34	20
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	12	34	20

(iv) Consolidated statements of changes in equity of the CCT Industrial Group

	Issued capital *HK$ million*	Revaluation reserve *HK$ million*	Exchange fluctuation reserve *HK$ million*	Retained profits/ (accumulated losses) *HK$ million*	Total *HK$ million*
At 1 January 2006	—	4	2	246	252
Exchange realignment	—	—	3	—	3
Total income and expense recognised directly in equity	—	—	3	—	3
Loss for the year	—	—	—	(98)	(98)
Total income and expense for the year	—	—	3	(98)	(95)
Realisation of revaluation reserve upon disposal of an investment	—	(2)	—	2	—
Disposal of subsidiaries	—	(2)	—	—	(2)
At 31 December 2006 and 1 January 2007	—	—	5	150	155
Exchange realignment	—	—	9	—	9
Total income and expense recognised directly in equity	—	—	9	—	9
Loss for the year	—	—	—	(10)	(10)
Total income and expense for the year	—	—	9	(10)	(1)
At 31 December 2007 and 1 January 2008	—	—	14	140	154
Exchange realignment	—	—	13	—	13
Total income and expense recognised directly in equity	—	—	13	—	13
Loss for the year	—	—	—	(110)	(110)
Total income and expense for the year	—	—	13	(110)	(97)
Interim dividend	—	—	—	(105)	(105)
At 31 December 2008	—	—	27	(75)	(48)

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group and the Company in respect of any period subsequent to 31 December 2008.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

(3) MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

(a) Management discussion and analysis of the Group for the year ended 31 December 2006

During the year of 2006, the telecom and electronic product business which included the Components Business of the Group accounted for approximately 95.5% (2005: 96.6%) of the Group's total turnover. The remaining turnover was mainly contributed by the infant and child product business and the securities business which accounted for approximately 2.7% (2005: 3.1%) and 0.8% (2005: Nil), respectively, of the Group's turnover.

The telecom and electronic product business contributed HK$109 million in operating profit in 2006, representing a decrease of approximately 42.3% as compared to that in 2005. The decrease was due to reduction in selling prices of certain product models due to price competition and substantial increase in operating costs in 2006. The infant and child product business reported an operating profit of HK$8 million in 2006 despite a difficult operating environment due to successful efforts of the management to improve efficiency and control costs. The securities business segment reported an operating profit of HK$48 million in 2006 derived mainly from gain on listed shares. The net gain of HK$204 million contributed by the corporate and others segment represents the net total of (i) the realized gain of HK$316 million derived from disposal of the shares in Haier Electronics Group Co., Ltd, a company listed on the Main Board of the Stock Exchange; (ii) the results of the e-commerce business; and (iii) the head office income and administrative expenses.

Capital structure and gearing ratio

The Group's gearing ratio, calculated on the basis of the Group's total borrowings over total capital employed (equity plus total borrowings), was approximately 15.5% as at 31 December 2006 as compared to 14.6% as at 31 December 2005. The increase in gearing ratio was mainly due to the aggregate effect of (i) the borrowing of new mortgage loans for financing the acquisition of investment properties; (ii) issue of the convertible bonds due 2009; (iii) conversion of part of the convertible bonds due 2010; and (iv) net repayment of bank borrowings. After taking into account the cash on hand, the Group did not have any net borrowings but was in a net cash position.

Outstanding bank borrowings of the Group at 31 December 2006 amounted to HK$450 million (31 December 2005: HK$364 million). Approximately 45.1% of these bank borrowings were arranged on a short-term basis for the ordinary business of the Group and were repayable within one year. The remaining 54.9% of the bank borrowings were of long-term nature, principally comprising mortgage loans on properties held by the Group.

Acquisition of certain assets of the Group were financed by way of finance leases and the total outstanding finance lease payables of the Group as at 31 December 2006 amounted to approximately HK$4 million (31 December 2005: HK$10 million).

As at 31 December 2006, the maturity profile of the bank and other borrowings and convertible notes of the Group falling due within one year, in the second to the fifth year and in the sixth to the tenth year amounted to HK$207 million, HK$208 million and HK$88 million, respectively (31 December 2005: HK$158 million, HK$240 million and HK$53 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

Liquidity and financial resources

The current ratio of the Group as at 31 December 2006 was 177.1% (31 December 2005: 180%). The strong liquid position was attributable to strong cash flow from operations and effective financial management of the Group.

As at 31 December 2006, the cash and bank balances of the Group amounted to HK$953 million (31 December 2005: HK$599 million), of which HK$88 million (31 December 2005: HK$71 million) was pledged for general banking facilities.

Almost all of the Group's cash was placed on deposits with licensed banks in Hong Kong. The amble cash balance plus the cash generated from the Group's operations and funds available from the bank facilities provided sufficient cash resources to the Group to cover all cash requirements, including working capital and capital expenditure needs.

Capital commitments

The authorised and contracted capital commitments of the Group amounted to approximately HK$69 million (31 December 2005: HK$7 million) as at 31 December 2006, which was mainly related to capital expenditure for the manufacturing facilities of the Group in the PRC. The outstanding capital commitments would be financed partly by internal resources and partly by bank borrowings.

Treasury management

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

During the year, the Group's receipts were denominated mainly in US dollars, with some in Hong Kong dollars and the Euro. Payments were made mainly in Hong Kong dollars, US dollars and Renminbi and some made in Euros. Cash was generally placed in short-term deposits and medium-term deposits denominated in Hong Kong dollars and US dollars and some in European currencies. As at 31 December 2006, the Group's borrowings were denominated mainly in Hong Kong dollars and US dollars. As at 31 December 2006, other than the convertible bonds in the aggregate principal amount of approximately HK$59 million which were interest-free, the Group's borrowings were principally made on a floating rate basis.

The objective of the Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. The Group did not have any significant interest rate risk in 2006, as both the borrowings of the Group and the interest rates remained at low levels. In terms of foreign exchange exposures, the Group is principally exposed to two major currencies, namely the US dollar in terms of receipts and the Renminbi in terms of the production costs (including mainly wages and overhead) in the PRC. For US dollar exposure, since the Hong Kong dollar remains pegged to the US dollar, the exchange fluctuation is not expected to be significant. Above all, as most of the Group's purchases are also made in US dollars, which are to be paid out of the Group's sales receipts in US dollars, the management considers that the net foreign exchange exposure risk for the US dollar is not material.

To hedge against Renminbi exposure, the Group entered into forward exchange contracts with banks in China to cover a significant part of the Group's Renminbi exchange risk for the period up to mid 2006.

Acquisitions and disposals of material subsidiaries and associates

During 2006, the Group sold 13.8 billion ordinary shares in CCT Tech to Deutsche Bank and three other independent investors for a total consideration of approximately HK$303.6 million. Put options were granted to Deutsche Bank which gave Deutsche Bank the right to sell back the shares to the Company on the expiration date of the put options or upon occurrence of certain events. The proceeds for the sale of CCT Tech shares were paid to Deutsche Bank to effectively secure the put options. After the disposal, the Group's shareholding interests in CCT Tech were approximately 74.63%. Deutsche Bank and the three other independent investors together held in total approximately 21.44% of the then total issued share capital of CCT Tech.

In April 2006, the Group subscribed a total of 550,000,000 shares in CCT Resources for a total consideration of HK$22 million. Upon completion of the subscription, the Group's shareholding in CCT Resources increased from 22.18% to 66.26%. CCT Resources was engaged in provision of e-commerce services in 2006.

Significant investment

During 2006, the Group acquired two luxury residential properties for a total consideration of HK$177 million. Save as disclosed, there was no significant investment unrelated to the core manufacturing businesses of the Group.

Pledge of assets

As at 31 December 2006, certain of the Group's assets with a net book value of HK$1,004 million (31 December 2005: HK$821 million) and time deposits of HK$88 million (31 December 2005: HK$71 million) were pledged to secure general banking facilities granted to the Group.

Contingent liabilities

As at 31 December 2006, banking facilities granted to the subsidiaries subject to corporate guarantees given to the banks by the Company were utilized to the extent of approximately HK$247 million (31 December 2005: HK$154 million).

As at 31 December 2006, the Group had contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$1 million (31 December 2005: HK$1 million). Save as aforesaid, the Group did not have any other significant contingent liabilities as at 31 December 2006.

Employees and remuneration policy

The total number of employees of the Group as at 31 December 2006 was 17,820 (31 December 2005: 17,697). Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, there are other staff benefits including provident fund, medical insurance

and performance related bonus. Share options may also be granted to eligible employees and persons of the Group. At 31 December 2006, there were no outstanding share options issued by the Company.

(b) Management discussion and analysis of the Group for the year ended 31 December 2007

During 2007, the telecom and electronic product business which included the Components Business of the Group accounted for approximately 91.6% (2006: 95.5%) of the Group's total turnover. Turnover from the telecom and electronic products business dropped by approximately 13.1% from HK$3,882 million in 2006 to HK$3,374 million in 2007, due to adverse business environment. Turnover from the securities business, on the net income basis, amounted to HK$149 million in 2007, as compared with HK$34 million in 2006.

The infant and child products business remained small and accounted for approximately 3.1% (2006: 2.7%) of the Group's total turnover in 2007.

The performance of the Group's telecom and electronic products business was badly hurt by difficult business environment and reported an operating loss of approximately HK$201 million in 2007, as compared to an operating profit of HK$109 million in 2006. The unsatisfactory result was due mainly to fall in average selling prices of the Group's consumer telecom products and substantial increase in operating costs.

The infant and child product business reported an operating profit of HK$9 million due to successful efforts of the management to improve efficiency and control costs.

The securities business benefited from the buoyant Hong Kong stock market in 2007 and posted a significant profit of HK$130 million, representing an impressive growth of 170.8% from that of 2006, attributable to the gains and dividend income from listed shares and interest from equity-linked notes due to the booming stock market in 2007.

The gains of the property investment and development business was derived mainly from the disposal of an office investment property and rental income less related expenses.

The gains in the corporate and others segment represent mainly the gains derived from disposal of part of the Group's shareholding interests in a listed subsidiary during 2007 less the head office administrative expenses and the loss of the e-commerce business.

Capital structure and gearing ratio

The Group's gearing ratio, calculated on the basis of the Group's total borrowings over total capital employed (equity plus total borrowings), was approximately 11.9% as at 31 December 2007 (31 December 2006: 15.5%). The gearing ratio was maintained at low level which reflects a healthy financial position and the prudent financial policy of the Group. Taking into account the cash on hand, the Group did not have any net borrowings and the net cash balance (net of borrowings) of the Group amounted to HK$1,487 million (31 December 2006: HK$450 million).

Outstanding bank borrowings of the Group amounted to HK$385 million at 31 December 2007 (31 December 2006: HK$450 million). Approximately 54.3% of these bank borrowings were arranged on a short-term basis for the ordinary business of the Group and were repayable within one year. The remaining 45.7% of the bank borrowings were of long-term nature, principally comprised mortgage loans on investment properties and properties used by the Group.

Acquisition of certain assets of the Group was financed by way of finance leases which amounted to approximately HK$8 million as at 31 December 2007 (31 December 2006: HK$4 million).

As at 31 December 2007, the maturity profile of the bank and other borrowings and convertible bonds of the Group falling due within one year, in the second to the fifth year and in the sixth to the tenth year amounted to HK$212 million, HK$163 million and HK$61 million, respectively (31 December 2006: HK$207 million, HK$208 million and HK$88 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

Liquidity and financial resources

The current ratio of the Group as at 31 December 2007 was 243.0% (31 December 2006: 177.1%). The current ratio improved significantly, mainly due to the increase in cash balance during the year 2007 and effective financial management of the Group.

As at 31 December 2007, the Group's total cash balance amounted to HK$1,923 million (31 December 2006: HK$953 million), of which HK$250 million (31 December 2006: HK$88 million) was pledged for banking facilities granted to the Group.

Almost all of the Group's cash was placed on deposits with licensed banks in Hong Kong. The strong cash balance plus the funds available from the bank facilities provided sufficient cash resources to enable the Group to meet all cash requirements, including working capital and capital expenditure needs.

Capital commitments

The Group's capital commitments as at 31 December 2007 amounted to approximately HK$79 million (31 December 2006: HK$69 million), which was mainly related to capital expenditure for the manufacturing business of the Group and most of which would be financed by internal resources.

Treasure management

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

During 2007, the Group's receipts were denominated mainly in US dollars, with some in Hong Kong dollars and the Euro. Payments were made mainly in Hong Kong dollars, US dollars and Renminbi and some made in Euros. Cash was generally placed in short-term deposits and medium-term deposits denominated in Hong Kong dollars and US dollars. As at 31 December

2007, the Group's borrowings were denominated mainly in Hong Kong dollars and US dollars. As at 31 December 2007, other than the convertible bonds in the aggregate principal amount of approximately HK$48 million which was interest-free, the Group's borrowings were principally made on a floating rate basis.

The objective of the Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. The Group did not have any significant interest rate risk in 2007 as both the borrowings of the Group and the interest rates currently was maintained at low levels. In terms of foreign exchange exposures, the Group is principally exposed to two major currencies, namely the US dollar in terms of receipts and the Renminbi in terms of the production costs (including mainly wages and overheads) in the PRC. For US dollar exposure, since the Hong Kong dollar remains pegged to the US dollar, the exchange fluctuation is not expected to be significant. Above all, as most of the Group's purchases are also made in US dollars, which are to be paid out of the Group's sales receipts in US dollars, the management considers that the foreign exchange exposure risk for the US dollar is not material.

For Renminbi exposure, as the wages and overheads of the Group's factories in the PRC were paid in Renminbi, the Group's production costs in the PRC rose in 2007 due to appreciation of Renminbi. During 2007, the Group invested some of its surplus funds on listed shares that the Group believed would benefit from appreciation of Renminbi in order to derive gains from these listed shares to hedge partly against the appreciation of the Renminbi.

Acquisitions and disposals of material subsidiaries and associates

Save as the disposal of part of the Group's shareholding interest in a listed subsidiary, the Group did not acquire or dispose of any material subsidiaries and associates during 2007.

Significant investment

During 2007, the Group did not have any significant investment. Two investment properties were acquired in 2006 for a total consideration of HK$177 million.

Pledge of assets

As at 31 December 2007, certain assets of the Group with a net book value of HK$804 million (31 December 2006: HK$1,004 million) and time deposits of HK$250 million (31 December 2006: HK$88 million) were pledged to secure banking facilities granted to the Group.

Contingent liabilities

As at 31 December 2007, banking facilities granted to the subsidiaries subject to corporate guarantees given to banks by the Company were utilised to the extent of approximately HK$165 million (31 December 2006: HK$247 million).

Employees and remuneration policy

The total number of employees of the Group as at 31 December 2007 was 16,278 (31 December 2006: 17,820). Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. At 31 December 2007, there were no outstanding share options granted by the Company.

(c) Management discussion and analysis for the year ended 31 December 2008

During 2008, the telecom product business which included the Components Business of the Group accounted for 95.2% (2007: 91.6%) of the Group's total turnover. Turnover from the telecom product business declined by approximately 17.7% to HK$2,776 million in 2008, as compared to HK$3,374 million in 2007, due to contraction of global consumption as affected by the financial tsunami. The telecom product business posted an operating loss of approximately HK$623 million for the year ended 31 December 2008, as compared to an operating loss of approximately HK$201 million in the previous corresponding year. The unsatisfactory results of the telecom product business was due to the combined effect of the reduced sales volume, high material and labour costs which affected the gross margins of the business, and the exceptional items related to the Discontinuation. The telecom product business has shown encouraging improvement in its operating performance as the operating loss before exceptional items in the second half of 2008 has reduced by 29.7% from that in the first half, a positive sign of the Group's efforts in reviving its manufacturing business.

Despite the adverse business environment, the turnover of the Group's infant and child business segment reported an impressive growth from approximately HK$115 million in 2007 to approximately HK$140 million in 2008, up approximately 21.7%. Although the infant and child product business group remained small which accounted for only 4.8% (2007: 3.1%) of the Group's total turnover for the year ended 31 December 2008, the business reported an operating profit of approximately HK$8 million in 2008. The satisfactory performance of the infant and child business segment is due mainly to successful efforts of the management to improve efficiency and control costs.

The securities business accounted for a net realized loss of HK$149 million (a net realized gain of HK$149 million in 2007) as revenue in the consolidated income statement of the Group in 2008. The performance of the Group's securities business was seriously affected by the volatility and the downturn of the Hong Kong stock market in 2008 and as a result, the Group's securities business posted a substantial loss of HK$555 million, attributable to the net realized loss from trading of listed shares and the unrealized mark-to-market loss on the Group's investment in listed shares and financial instruments as at 31 December 2008. The securities business, however, posted a gain of approximately HK$130 million for 2007, attributable to gains and income from listed shares and equity-linked notes in the buoyant Hong Kong stock market in 2007.

The turnover of the property development and holding segment represent sale of property and rental income. This business segment incurred a loss of HK$26 million in 2008, mainly due to unrealized fair value loss on revaluation of investment properties. The profit of 2007 was mainly derived from disposal of a property.

The corporate and others segment represent head office income and administrative expenses. The gains in the corporate and others segment for 2007 included mainly the one-off investment gains made by the Group in 2007 but no investment gains were derived by the Group in 2008.

Capital structure and gearing ratio

The Group's gearing ratio, calculated on the basis of the Group's total borrowings over total capital employed (equity plus total borrowings), increased to approximately 17.7% as at 31 December 2008 from 11.9% as at 31 December 2007 as a result of new bank loans borrowed by the Group and the decrease in equity due to loss of the year. Although the gearing ratio increased, it is still maintained at a low level. After taking into account the cash on hand, the Group did not have any net borrowings and in fact had a positive net cash balance (net of borrowings) of approximately HK$400 million.

Outstanding bank borrowings of the Group as at 31 December 2008 amounted to HK$470 million (31 December 2007: HK$385 million). Approximately 73.8% of these bank borrowings were arranged on a short-term basis for the ordinary business of the Group and were repayable within one year. The remaining 26.2% of the bank borrowings were of long-term nature, principally comprised of mortgage loans on properties held by the Group.

Acquisition of certain assets of the Group was financed by way of finance leases and the total outstanding finance lease payable as at 31 December 2008 amounted to approximately HK$5 million (31 December 2007: HK$8 million).

As at 31 December 2008, the maturity profile of the bank and other borrowings of the Group falling due within one year, in the second to the fifth year and in the sixth to the tenth year amounted to HK$351 million, HK$85 million and HK$39 million respectively (31 December 2007: HK$212 million, HK$163 million and HK$61 million, respectively). All the Group's bank borrowings were borrowed for the ordinary business of the Group. There is no material effect of seasonality on the Group's borrowing requirements.

Liquidity and financial resources

The current ratio of the Group changed from 243.0% as at 31 December 2007 to 196.3% as at 31 December 2008, reflecting a very healthy liquidity position even during the financial turmoil. Due to funds used for businesses and operations of the Group, the Group's cash balance reduced from HK$1,923 million as at 31 December 2007 to HK$875 million as at 31 December 2008, of which HK$89 million (31 December 2007: HK$250 million) was pledged for general banking facilities. Almost all of the Group's cash was placed on deposits with licensed banks in Hong Kong.

Given the substantial level of the Group's cash and bank balances, funds generated internally from the Group's operations and the unutilized banking facilities available, the Group has sufficient resources to meet its debt repayment and finance its operations during the financial turmoil.

Capital commitments

As at 31 December 2008, the capital commitment of the Group was approximately HK$208 million (2007: HK$79 million). The capital commitment would be funded partly by internal resources and partly by bank borrowings.

Treasury management

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

During the financial year 2008, the Group's receipts were denominated mainly in US dollars, with some in Hong Kong dollars and the Euro. Payments were made mainly in Hong Kong dollars, US dollars and Renminbi and some made in Euros. Cash was generally placed in short-term deposits and medium-term deposits denominated in Hong Kong dollars and US dollars. As at 31 December 2008, the Group's borrowings were denominated mainly in Hong Kong dollars and US dollars. As at 31 December 2008, the Group's borrowings were principally made on a floating rate basis.

The objective of the Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. The Group did not have any significant interest rate risk in 2008, as both the borrowings of the Group and the interest rates remained at low levels. In terms of foreign exchange exposures, the Group is principally exposed to two major currencies, namely the US dollar in terms of receipts and the Renminbi in terms of the production costs (including mainly wages and overhead) in China. For US dollar exposure, since the Hong Kong dollar remains pegged to the US dollar, the exchange fluctuation is not expected to be significant. Above all, as most of the Group's purchases are also made in US dollars, which are to be paid out of the Group's sales receipts in US dollars, the management considers that the foreign exchange exposure risk for the US dollar is not material.

For Renminbi exposure, as the wages and overheads of the Group's factories in the PRC were paid in Renminbi, the Group's production costs in 2008 increased as a result of appreciation of Renminbi. The Group will continue to explore ways and methods to hedge future appreciation of Renminbi and will only consider to enter into any forward contracts at appropriate costs and pricing.

Acquisition and disposals of material subsidiaries and associates

The Group did not acquire or dispose of any material subsidiaries and associates during 2008.

Significant investment

Save as the investment in CCT Resources, the Group did not hold any significant investment as at 31 December 2008 (31 December 2007: Nil).

Pledge of assets

As at 31 December 2008, certain of the Group's assets with a net book value of HK$714 million (31 December 2007: HK$804 million) and time deposits of HK$89 million (31 December 2007: HK$250 million) were pledged to secure the general banking facilities granted to the Group.

Contingent liabilities

As at 31 December 2008, the Group did not have any significant contingent liabilities.

Employees and remuneration policy

The total number of employees of the Group as at 31 December 2008 was 10,943 (31 December 2007: 16,278). Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. At 31 December 2008, there were no outstanding share options issued by the Company.

(4) STATEMENT OF INDEBTEDNESS

As at the close of business on 30 April 2009 (being the latest practicable date for ascertaining information regarding this indebtedness statement), the Enlarged Group had outstanding borrowings of approximately HK$399 million. The borrowings comprised secured bank loans of approximately HK$280 million, unsecured bank loans of approximately HK$115 million and obligations under finance lease contracts of approximately HK$4 million. The Enlarged Group's borrowings were secured by (i) the fixed charges over certain leasehold land and buildings and investment properties held by the Enlarged Group with aggregate net book values of approximately HK$698 million as at 30 April 2009; and (ii) certain fixed deposits of the Enlarged Group of approximately HK$95 million as at 30 April 2009.

Save as aforesaid, and apart from intra-group liabilities, the Enlarged 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 30 April 2009.

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 30 April 2009.

(5) WORKING CAPITAL

The Directors are of the opinion that the Enlarged Group will, following the Completion and taking into account of the present internal financial resources available to the Enlarged Group including internally generated cash flows and other credit facilities available, have sufficient working capital for its present requirements in next 12 months from the date of this circular.

(6) MATERIAL ADVERSE CHANGE

The Directors have confirmed that there has been no material adverse change in the financial or trading position or prospects of the Enlarged Group since 31 December 2008, being the date to which the latest published audited financial statements of the Group were made up, up to the Latest Practicable Date.

The Transaction will not have any adverse effect on the operation, liquidity and financial resources, and capital structure of the Enlarged Group.

(1) FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2008

Set out below is extracted from the audited financial statements of the CCT Tech Group as contained in the annual report of CCT Tech for the year ended 31 December 2008.

Consolidated Income Statement
Year ended 31 December 2008

	Notes	2008 HK$ million	2007 HK$ million
REVENUE	5	2,758	3,343
Cost of sales		(2,781)	(3,306)
Gross profit/(loss)		(23)	37
Other income and gains		36	25
Selling and distribution costs		(36)	(44)
Administrative expenses		(149)	(153)
Other expenses		(8)	(40)
Finance costs	8	(9)	(14)
		(189)	(189)
Costs in connection with the Discontinuation and restructuring, net	6	(126)	—
LOSS BEFORE TAX	7	(315)	(189)
Tax	11	(2)	(12)
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	12	(317)	(201)
DIVIDENDS	13	—	—
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic		(HK0.48 cents)	(HK0.31 cents)
Diluted		N/A	N/A

Consolidated Balance Sheet

31 December 2008

	Notes	2008 HK$ million	2007 HK$ million
NON-CURRENT ASSETS			
Property, plant and equipment	15	449	569
Investment properties	16	178	178
Prepaid land lease payments	17	47	48
Goodwill	18	22	22
Other intangible assets	19	—	25
Total non-current assets		696	842
CURRENT ASSETS			
Inventories	21	106	186
Trade and bills receivables	22	402	689
Prepayments, deposits and other receivables	23	32	24
Financial assets at fair value through profit or loss	24	—	28
Pledged time deposits	25	86	85
Cash and cash equivalents	25	455	476
Total current assets		1,081	1,488
CURRENT LIABILITIES			
Trade and bills payables	26	610	875
Tax payable		9	12
Other payables and accruals	27	156	168
Interest-bearing bank and other borrowings	28	265	189
Total current liabilities		1,040	1,244
NET CURRENT ASSETS		41	244
TOTAL ASSETS LESS CURRENT LIABILITIES		737	1,086

	Notes	2008 HK$ million	2007 HK$ million
NON-CURRENT LIABILITIES			
Interest-bearing bank loans, secured	28	—	31
Deferred tax liabilities	30	2	4
Total non-current liabilities		2	35
Net assets		735	1,051
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	31	654	654
Reserves	33(a)	81	397
Total equity		735	1,051

Consolidated Statement of Changes in Equity

Year ended 31 December 2008

		Attributable to equity holders of the parent						
		Issued capital	**Share premium account**	**Capital reserve**	**Share option reserve**	**Exchange fluctuation reserve**	**Accumulated losses**	**Total**
	Note	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
At 1 January 2007		644	182	733	—	—	(377)	1,182
Equity-settled share option arrangement	32	—	—	—	12	—	—	12
Issue of new shares upon exercise of share options	32	10	56	—	(8)	—	—	58
Loss for the year		—	—	—	—	—	(201)	(201)
At 31 December 2007 and 1 January 2008		654	238*	733*	4*	—	(578)*	1,051
Exchange realignment		—	—	—	—	1	—	1
Loss for the year		—	—	—	—	—	(317)	(317)
At 31 December 2008		654	238*	733*	4*	1*	(895)*	735

* These reserve accounts comprise the consolidated reserves of HK$81 million (2007: HK$397 million) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 HK$ million	2007 HK$ million
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(315)	(189)
Adjustments for:			
Interest on bank and other borrowings	8	9	14
Bank interest income	5	(6)	(15)
Depreciation	7	92	96
Equity-settled share option expense		—	12
Recognition of prepaid land lease payments	7	1	2
Amortisation of other intangible assets	7	24	35
Impairment of items of property, plant and equipment	6	60	—
Impairment of deferred development costs	6	22	—
Net impairment of trade receivables	7	48	22
Write-off of other receivables	7	—	6
Write-off of deferred development costs	7	6	12
Write-off of items of property, plant and equipment	7	2	—
Provision for slow-moving and obsolete inventories	7	17	14
Fair value gain on financial assets at fair value through profit or loss	7	—	(1)
Gain on disposal of financial assets at fair value through profit or loss	7	(1)	—
Loss on disposal of items of property, plant and equipment	7	1	—
		(40)	8
Decrease/(increase) in inventories		63	(9)
Decrease in trade and bills receivables		239	111
Increase in prepayments, deposits and other receivables		(8)	(5)
Increase/(decrease) in trade and bills payables, other payables and accruals		(277)	4
Cash generated from/(used in) operations		(23)	109
Interest received		6	15
Interest paid		(9)	(14)
Hong Kong profits tax paid		(3)	(2)
PRC tax paid		(4)	(5)
Net cash inflow/(outflow) from operating activities		(33)	103

	Notes	2008 HK$ million	2007 HK$ million
Net cash inflow/(outflow) from operating activities		(33)	103
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(35)	(110)
Additions to other intangible assets		(27)	(35)
Purchases of financial assets at fair value through profit or loss		—	(27)
Proceeds from disposal of financial assets at fair value through profit or loss		29	—
Increase in pledged time deposits		(1)	(2)
Net cash outflow from investing activities		(34)	(174)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares upon exercise of share options	32	—	58
New bank loans		112	116
New trust receipts loans, net		50	19
Repayment of bank loans		(117)	(115)
Capital element of finance lease rental payments		—	(1)
Net cash inflow from financing activities		45	77
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(22)	6
Cash and cash equivalents at beginning of year		476	470
Effect of foreign exchange rate changes, net		1	—
CASH AND CASH EQUIVALENTS AT END OF YEAR		455	476
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	297	383
Non-pledged time deposits with original maturity of less than three months when acquired	25	158	93
		455	476

Balance Sheet
31 December 2008

	Notes	2008 HK$ million	2007 HK$ million
NON-CURRENT ASSETS			
Interests in subsidiaries	20	683	636
CURRENT ASSETS			
Prepayments	23	1	1
Financial assets at fair value through profit or loss	24	—	28
Cash and cash equivalents	25	16	67
Total current assets		17	96
CURRENT LIABILITIES			
Other payables and accruals	27	1	29
Total current liabilities		1	29
NET CURRENT ASSETS		16	67
Net assets		699	703
EQUITY			
Issued capital	31	654	654
Reserves	33(b)	45	49
Total equity		699	703

Notes to Financial Statements

31 December 2008

1. CORPORATE INFORMATION

During the year, the Group was principally involved in the manufacture and sale of telecom and electronic products, accessories and components.

In the opinion of the directors, the parent of the Company is Jade Assets Company Limited, which is incorporated in the British Virgin Islands with limited liability. The ultimate holding company of the Company is CCT Telecom Holdings Limited ("CCT Telecom"), which is incorporated in the Cayman Islands and continued in Bermuda with limited liability and is listed on The Stock Exchange of Hong Kong Limited.

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 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 for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to 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 interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures — Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 — Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

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

(a) Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures — Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) HK(IFRIC)-Int 11 *HKFRS 2 — Group and Treasury Share Transactions*

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 buys 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 currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

(c) HK(IFRIC)-Int 12 *Service Concession Arrangements*

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for the obligations undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(d) HK(IFRIC)-Int 14 *HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

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, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

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.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*[1]
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*[2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*[2]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement — Embedded Derivatives*[3]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*[1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*[4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*[2]
HK(IFRIC)-Int 18	*Transfer of Assets from Customers*[5]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

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

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

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

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

[5] Effective for transfers of assets received on or after 1 July 2009

* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

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 7 Amendments, HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HKAS 23 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

HKFRS 3 (Revised) introduces 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.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control 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 revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The Group expects to adopt HKFRS 3 (Revised) and HKAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect future acquisitions, loss of control and transactions with minority interests.

The HKFRS 7 Amendments require enhanced disclosure about fair value measurement and liquidity risk. The Group expects to adopt the HKFRS 7 Amendments from 1 January 2009.

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 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group expects to adopt HKAS 1 (Revised) from 1 January 2009.

HKAS 23 been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional provisions in the revised standard, the Group shall apply the revised standard on a prospective basis to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009.

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.

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 an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

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	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 least 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 or loans and receivables, 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.

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.

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.

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.

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, 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 32 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 dates 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; and

(c) 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.

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, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

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

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

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

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 2008 was HK$22 million (2007: HK$22 million). More details are given in note 18.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

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. An impairment loss of HK$22 million (2007: Nil) was recognised during the year because management determines that it is uncertain whether the deferred development costs capitalised could generate future economic benefit for the Group.

An impairment loss of HK$60 million (2007: Nil) was recognised for items of property, plant and equipment during the year because management determines that certain items of property, plant and equipment could not generate future economic benefit for the Group. Further details are given in note 15 to the financial statements.

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. There are no deferred tax assets relating to recognised tax losses at 31 December 2008 (2007: Nil). The amount of unrecognised tax losses at 31 December 2008 was HK$77 million (2007: HK$40 million). Further details are contained in note 30 to the financial statements.

Costs in connection with the Discontinuation and restructuring

Costs in connection with the Discontinuation and restructuring are recognised for all cost, provision and impairment losses in connection with the Discontinuation and restructuring. Determining the amount to be recognised requires significant management judgement and requires management to make assumptions regarding the expected future cash generation of the Group's assets. Total costs of HK$126 million (2007: Nil), was recognised during the year. Further details are contained in note 6 to the financial statements.

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 and accessories; and

(b) the corporate and others segment comprises corporate income and expense items.

In determining the Group's geographical segments, revenues are attributed to the segments based on the final locations where the Group's products were sold to customers, and assets are attributed to the segments based on the location of the assets.

(a) Business segments

The following table presents revenue and loss for the Group's business segments for the years ended 31 December 2008 and 2007.

Group

	Telecom and electronic products		Corporate and others		Total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Segment revenue:						
Sales to external customers	2,752	3,328	—	—	2,752	3,328
Other revenue	35	24	1	1	36	25
Total	2,787	3,352	1	1	2,788	3,353
Segment results	(308)	(168)	(4)	(22)	(312)	(190)
Interest income					6	15
Finance costs					(9)	(14)
Loss before tax					(315)	(189)
Tax					(2)	(12)
Loss for the year					(317)	(201)

No analysis of the assets and liabilities and other segment information regarding the Group's business segments for the two years ended 31 December 2008 has been presented as over 90% of the Group's revenue is derived from the telecom and electronic products segment.

(b) Geographical segments

The following table presents revenue for the Group's geographical segments. Over 90% of the Group's assets are located in the People's Republic of China (the "PRC"), including Hong Kong. Accordingly, no analysis of the assets and capital expenditure by geographical segment is presented.

Group

	North America		Asia Pacific		Europe		Consolidated	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Segment revenue:								
Sales to external customers	1,234	1,802	388	412	1,130	1,114	2,752	3,328
Other revenue	—	—	36	25	—	—	36	25
Total	1,234	1,802	424	437	1,130	1,114	2,788	3,353

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 interest income.

Revenue from the following activities has been included in turnover:

	Group	
	2008	**2007**
	HK$ million	*HK$ million*
Manufacture and sale of telecom and electronic products	2,752	3,328
Bank interest income	6	15
	2,758	3,343

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

During the year, the holding company of a distribution company in the United States of America (the "U.S. Customer") announced its decision to exit with immediate effect its retail telephony activities in North America which were then carried on by the U.S. Customer ("the Discontinuation"). The U.S. Customer is the largest single customer of the Group for the year. As a result of the Discontinuation, certain production facilities of the Group become under utilised. In order to improve its competitiveness, the Group had implemented measures to streamline and restructure its operations. Details of the Discontinuation and restructuring are set out in the announcements of the Company dated 6 November 2008 and 15 January 2009.

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

	Notes	**2008**
		HK$ million
Impairment of items of property, plant and equipment	15	60
Impairment of deferred development costs	19	22
Redundancy costs and severance payments		27
Other related losses		17
		126

7. LOSS BEFORE TAX

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

		Group	
		2008	**2007**
	Notes	*HK$ million*	*HK$ million*
Cost of inventories sold		2,781	3,306
Depreciation	15	92	97
Less: Amount capitalised in deferred development costs		—	(1)
		92	96
Recognition of prepaid land lease payments	17	1	2
Minimum lease payments under operating leases in respect of land and buildings		14	15
Research and development costs:			
Deferred expenditure amortised*	19	24	35
Current year expenditure		87	76
		111	111
Auditors' remuneration		2	3
Employee benefits expense (excluding directors' remuneration — note 9):			
Wages and salaries		353	376
Equity-settled share option expense		—	8
Pension scheme contributions*****		1	4
Less: Amount capitalised in deferred development costs		(9)	(21)
		345	367
Provision for slow-moving and obsolete inventories*		17	14
Loss on disposal of items of property, plant and equipment**		1	—
Net impairment of trade receivables**	22	48	22
Write-off of items of property, plant and equipment**	15	2	—
Impairment of items of property, plant and equipment****	15	60	—
Write-off of other receivables**		—	6
Write-off of deferred development costs**	19	6	12
Impairment of deferred development costs****	19	22	—
Foreign exchange differences, net		10	3
Gain on disposal of financial assets at fair value through profit or loss***		(1)	—
Fair value gain on financial assets at fair value through profit or loss***		—	(1)
Gross rental income***	38(a)(ii)	(6)	(6)

* 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.

**** Included in "Costs in connection with the Discontinuation and restructuring, net" on the face of the income statement.

***** The effect of forfeited contributions on the Group's contributions to the pension schemes for the year, and the amounts of forfeited contributions available to reduce contributions in future years, were not material.

8. FINANCE COSTS

	Group	
	2008	**2007**
	HK$ million	*HK$ million*
Interest on bank and other borrowings wholly repayable within five years	9	14

9. DIRECTORS' REMUNERATION

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

	Group	
	2008	**2007**
	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	7	7
Performance related bonuses*	4	9
Equity-settled share option expense	—	4
Pension scheme contributions	—	—
	11	20
	12	21

* 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 prior year, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. 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 is included in the above directors' remuneration disclosures. As at 31 December 2007, all the share options have been either exercised or have lapsed.

During the year, no share options were granted to the directors in respect of their services to the Group.

(a) Independent non-executive directors

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

	2008	**2007**
	HK$'000	*HK$'000*
Chow Siu Ngor	240	240
Lau Ho Kit, Ivan	240	240
Chen Li	240	240
	720	720

There were no other emoluments payable to the independent non-executive directors during the year (2007: 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*
2008					
Mak Shiu Tong, Clement ("Mr. Mak") *(Note 1)*	3	4	—	—	7
Tam Ngai Hung, Terry	1	—	—	—	1
Cheng Yuk Ching, Flora	1	—	—	—	1
William Donald Putt	—	—	—	—	—
Li Man To, Feynman*	2	—	—	—	2
	7	4	—	—	11

* Mr. Li Man To, Feynman resigned as an executive director on 3 December 2008 but he continues to serve as managing director of the operating subsidiaries of the Company.

	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") *(Note 1)*	3	4	1	—	8
Tam Ngai Hung, Terry *(Note 2)*	1	2	1	—	4
Cheng Yuk Ching, Flora *(Note 2)*	1	2	1	—	4
William Donald Putt	—	—	—	—	—
Li Man To, Feynman *(Note 2)*	2	1	1	—	4
	7	9	4	—	20

Notes:

(1) The performance related bonuses paid to Mr. Mak during the years ended 31 December 2007 and 31 December 2008 were determined based on the Group's operating performance for the prior financial years ended 31 December 2006 and 31 December 2007, respectively.

(2) The performance related bonuses paid to Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and Mr. Li Man To, Feynman during the year ended 31 December 2007 were determined based on the Group's operating performance for the financial year ended 31 December 2006.

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2007: four) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining one (2007: one) non-director, highest paid employee for the year are as follows:

	Group	
	2008	**2007**
	HK$ million	*HK$ million*
Salaries, allowances and benefits in kind	1	2

The remuneration of the non-director, highest paid employee for the year fell within the band of HK$1,000,001 to HK$1,500,000 (2007: the band of HK$1,500,001 to HK$2,000,000).

In the prior year, the non-director, highest paid employee was granted share options, in respect of his services to the Group under the share option scheme of the Company. 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 is included in the above five highest paid employees' disclosures. As at 31 December 2007, all the share options lapsed.

No share options were granted to the non-director, highest paid employee in respect of his services to the Group during the current year.

11. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. Prior year's Hong Kong profits tax had been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during that 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.

	2008	**2007**
	HK$ million	*HK$ million*
Group:		
Current — Hong Kong:		
Charge for the year	—	4
Underprovision/(overprovision) in prior years	1	(1)
Current — Elsewhere:		
Charge for the year	1	7
Underprovision in prior years	2	—
Deferred (note 30)	(2)	2
Total tax charge for the year	2	12

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the locations 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 — 2008

	Hong Kong		PRC, excluding Hong Kong		Total	
	HK$ million	*%*	*HK$ million*	*%*	*HK$ million*	*%*
Loss before tax	(76.1)		(239.3)		(315.4)	
Tax at the statutory tax rate	(12.5)	16.5	(59.7)	25.0	(72.2)	22.9
Adjustments in respect of current tax of previous periods	0.8	(1.1)	2.1	(0.9)	2.9	(0.9)
Income not subject to tax	(1.0)	1.3	—	—	(1.0)	0.3
Expenses not deductible for tax	3.1	(4.1)	33.8	(14.1)	36.9	(11.7)
Tax losses utilised from previous periods	(0.3)	0.4	—	—	(0.3)	0.1
Tax losses not recognised	8.8	(11.6)	26.5	(11.1)	35.3	(11.2)
Tax charge at the Group's effective rate	(1.1)	1.4	2.7	(1.1)	1.6	(0.5)

Group — 2007

	Hong Kong		PRC, excluding Hong Kong		Total	
	HK$ million	*%*	*HK$ million*	*%*	*HK$ million*	*%*
Profit/(Loss) before tax	18.8		(207.7)		(188.9)	
Tax at the statutory tax rate	3.3	17.5	(68.5)	33.0	(65.2)	34.5
Lower tax rate for specific provinces or local authority	—	—	3.6	(1.7)	3.6	(1.9)
Adjustments in respect of current tax of previous periods	(0.8)	(4.2)	—	—	(0.8)	0.4
Tax exemption	—	—	(3.3)	1.6	(3.3)	1.7
Income not subject to tax	(2.1)	(11.2)	(1.4)	0.7	(3.5)	1.9
Expenses not deductible for tax	3.7	19.7	11.9	(5.8)	15.6	(8.3)
Tax losses utilised from previous periods	(3.4)	(18.1)	—	—	(3.4)	1.8
Tax losses not recognised	4.2	22.4	65.2	(31.4)	69.4	(36.7)
Tax charge at the Group's effective rate	4.9	26.1	7.5	(3.6)	12.4	(6.6)

In late February 2008, CCT Telecom received a letter from the Hong Kong Inland Revenue Department (the "IRD") in respect of a review on the tax affairs of CCT Telecom and its subsidiaries, including the Group, for the past years, and protective tax assessments in the aggregate amount of HK$30 million for the year of assessment 2001/2002 were issued by the IRD to certain subsidiaries of the Company. Subsequent to the balance sheet date, in March 2009, protective tax assessments in the aggregate amount of HK$45 million for the year of assessment 2002/2003 were 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.

12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated loss attributable to equity holders of the parent for the year ended 31 December 2008 included a loss of HK$4 million (2007: HK$18 million) which has been dealt with in the financial statements of the Company (note 33(b)).

13. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2008 (2007: Nil).

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

The calculation of the basic loss per share amount for the year is based on the loss for the year attributable to ordinary equity holders of the parent of HK$317 million (2007: HK$201 million) and the weighted average number of 65,413,993,990 (2007: 64,946,100,839) ordinary shares in issue during the year.

A diluted loss per share amount for the year ended 31 December 2008 has not been disclosed as no diluting events existed during the year.

As the exercise price of the outstanding share options during the prior year was higher than the average market price of the Company's shares during the prior year, the outstanding share options during the prior year had no dilutive effect on the basic loss per share for the prior year.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
31 December 2008							
At 31 December 2007 and at 1 January 2008:							
Cost	392	343	186	94	19	53	1,087
Accumulated depreciation	(105)	(199)	(130)	(71)	(13)	—	(518)
Net carrying amount	287	144	56	23	6	53	569
At 1 January 2008, net of accumulated depreciation	287	144	56	23	6	53	569
Additions	11	14	3	4	1	2	35
Disposal	—	—	(1)	—	—	—	(1)
Write-off	—	(2)	—	—	—	—	(2)
Impairment	(16)	(27)	(12)	(4)	(1)	—	(60)
Depreciation provided during the year	(25)	(36)	(21)	(7)	(3)	—	(92)
Transfer	50	—	—	—	—	(50)	—
At 31 December 2008, net of accumulated depreciation and impairment	307	93	25	16	3	5	449
At 31 December 2008:							
Cost	453	340	188	97	14	5	1,097
Accumulated depreciation and impairment	(146)	(247)	(163)	(81)	(11)	—	(648)
Net carrying amount	307	93	25	16	3	5	449

	Buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
31 December 2007							
At 31 December 2006 and at 1 January 2007:							
Cost	379	310	167	87	17	17	977
Accumulated depreciation	(81)	(162)	(106)	(62)	(10)	—	(421)
Net carrying amount	298	148	61	25	7	17	556
At 1 January 2007, net of accumulated depreciation	298	148	61	25	7	17	556
Additions	6	33	19	7	2	43	110
Depreciation provided during the year	(24)	(37)	(24)	(9)	(3)	—	(97)
Transfer	7	—	—	—	—	(7)	—
At 31 December 2007, net of accumulated depreciation	287	144	56	23	6	53	569
At 31 December 2007:							
Cost	392	343	186	94	19	53	1,087
Accumulated depreciation	(105)	(199)	(130)	(71)	(13)	—	(518)
Net carrying amount	287	144	56	23	6	53	569

As at 31 December 2008, no fixed assets of the Group was held under finance lease contract. The net book value of fixed assets of the Group held under finance leases included in the total amounts of motor vehicles as at 31 December 2007, amounted to approximately HK$2 million.

At 31 December 2008, certain of the Group's buildings with a net book value of approximately HK$249 million (2007: HK$270 million) were pledged to secure certain bank loans granted to the Group (note 28(a)(i)).

An impairment of HK$60 million (2007: Nil) was recognised for certain items of property, plant and equipment because certain production facilities and fixed assets of the Group were under-utilised as a result of the Discontinuation (note 6).

16. INVESTMENT PROPERTIES

	Group	
	2008	**2007**
	HK$ million	*HK$ million*
Carrying amount at 1 January and 31 December	178	178

The Group's investment properties are situated in the PRC and are held under medium term leases.

The Group's investment properties were revalued on 31 December 2008 by Grant Sherman Appraisal Limited, independent professionally qualified valuers, using a depreciated replacement cost approach. The investment properties are leased to an indirectly wholly-owned subsidiary of CCT Telecom under operating leases, further summary details of which are included in note 36(a) and note 38(a)(ii) to the financial statements.

At 31 December 2008, the Group's investment properties were pledged to secure certain bank loans granted to the Group (note 28(a)(ii)).

Further particulars of the Group's investment properties are as follows:

Location	Use	Tenure	Attributable interest of the Group
A factory complex with a total gross floor area of approximately 67,000 square metres located at Sanhan Development District, Danshui Town, Huiyang City, Guangdong Province, PRC	Industrial	Medium term lease	100%

17. PREPAID LAND LEASE PAYMENTS

	Group	
	2008	**2007**
	HK$ million	*HK$ million*
Carrying amount at 1 January	49	51
Recognised during the year	(1)	(2)
Carrying amount at 31 December	48	49
Current portion included in prepayments, deposits and other receivables	(1)	(1)
Non-current portion	47	48

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

At 31 December 2008 and 2007, the entire leasehold land was pledged as security for the bank loans granted to the Group (note 28(a)(iii)).

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 2008	
At 1 January 2008 and 31 December 2008:	
Cost	23
Accumulated impairment	(1)
Net carrying amount	22
31 December 2007	
At 1 January 2007 and 31 December 2007:	
Cost	23
Accumulated impairment	(1)
Net carrying amount	22

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the telecom products cash-generating unit. For the purpose of impairment testing, the recoverable amount of goodwill is determined based on a value-in-use calculation. The value-in-use calculation uses cash flow projections based on financial budgets covering a period of five years approved by management. There are a number of assumptions and estimates involved in the preparation

of cash flow projections for the period covered by the approved budget. Key assumptions include the expected growth in revenues and gross margins, timing of future capital expenditures, long term growth rates and selection of discount rates. Management prepares the financial budgets reflecting actual and prior year performance and market development expectations. Judgement is required to determine the key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections. The discount rate applied to the cash flow projections is 11.7%.

19. OTHER INTANGIBLE ASSETS

Group

	Deferred development costs *HK$ million*
31 December 2008	
Cost at 1 January 2008, net of accumulated amortisation	25
Additions — internal development	27
Impairment during the year *(note 6 and note 7)*	(22)
Write-off *(note 7)*	(6)
Amortisation provided during the year *(note 7)*	(24)
At 31 December 2008	—
At 31 December 2008:	
Cost	52
Accumulated amortisation and impairment	(52)
Net carrying amount	—

	Deferred development costs *HK$ million*
31 December 2007	
Cost at 1 January 2007, net of accumulated amortisation	36
Additions — internal development	36
Write-off *(note 7)*	(12)
Amortisation provided during the year *(note 7)*	(35)
At 31 December 2007	25
At 31 December 2007:	
Cost	82
Accumulated amortisation	(57)
Net carrying amount	25

An impairment loss of HK$22 million (2007: Nil) was recognised during the year because management determines that it is uncertain whether the deferred development costs could generate further economic benefits for the Group.

20. INTERESTS IN SUBSIDIARIES

	Company	
	2008	**2007**
	HK$ million	*HK$ million*
Unlisted shares, at cost	256	256
Loans to subsidiaries	427	380
	683	636

The amounts advanced to the subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these 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 share capital**	**Percentage of equity attributable to the Company**		**Principal activities**
			Direct	**Indirect**	
CCT Marketing Limited	British Virgin Islands/Hong Kong	US$1 Ordinary	—	100	Trading of telecom products
CCT Tech (HK) Limited (formerly known as CCT Telecom (HK) Limited)	Hong Kong	HK$2,600,000 Ordinary	—	100	Sourcing of telecom products, raw materials and components
CCT Tech Advanced Products Limited	Hong Kong	HK$2 Ordinary	—	100	Research and development on telecom and electronic products
Huiyang CCT Telecommunications Products Co., Ltd.	People's Republic of China	HK$120,000,000 Registered^	—	100	Manufacture of telecom products
Dongguan Eswire Electronics Co., Ltd.	People's Republic of China	HK$68,000,000 Registered^	—	100	Manufacture of telecom products
Dongguan CCT Digital Products Company Limited	People's Republic of China	HK$7,000,000 Registered^	—	100	Manufacture of electronic products
CCT Tech (Chao Yang) Company Limited	People's Republic of China	US$6,950,000 Registered^	—	100	Manufacture of telecom and electronic products

^ 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.

21. INVENTORIES

	Group	
	2008	**2007**
	HK$ million	*HK$ million*
Raw materials	27	40
Work in progress	28	47
Finished goods	51	99
	106	186

22. TRADE AND BILLS RECEIVABLES

	Group	
	2008	**2007**
	HK$ million	*HK$ million*
Trade and bills receivables	457	717
Impairment	(55)	(28)
	402	689

The Group's trading terms with its customers are mainly on credit with an average credit period of 30 to 90 days, 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 34% (2007: 60%) and 88% (2007: 88%) 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			
	2008		**2007**	
	Balance	**Percentage**	**Balance**	**Percentage**
	HK$ million		*HK$ million*	
Current to 30 days	136	34	203	29
31 to 60 days	112	28	210	30
61 to 90 days	139	34	198	29
Over 90 days	15	4	78	12
	402	100	689	100

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

	Group	
	2008	**2007**
	HK$ million	*HK$ million*
At 1 January	28	14
Net impairment losses recognised *(note 7)*	48	22
Amount written off as uncollectible	(21)	(8)
At 31 December	55	28

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$55 million (2007: HK$28 million) with a carrying amount of HK$290 million (2007: HK$586 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.

Included in the Group's trade receivables is an amount due from a subsidiary of CCT Telecom of HK$21 million (2007: HK$15 million), which is repayable on similar credit terms to those offered to the major customers of the Group.

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

	Group	
	2008	**2007**
	HK$ million	*HK$ million*
Neither past due nor impaired	345	524
Past due but not impaired		
— within 6 months	57	158
— 7 to 12 months	—	7
	402	689

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

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

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008	**2007**	**2008**	**2007**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Prepayments	3	3	1	1
Deposits and other receivables	29	21	—	—
	32	24	1	1

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2008	2007	2008	2007
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Equity-linked notes	—	28	—	28

The above equity-linked notes at 31 December 2007 were classified as held for trading.

25. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
	2008	2007	2008	2007
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Cash and bank balances	297	383	3	30
Time deposits	244	178	13	37
	541	561	16	67
Less: Time deposits pledged for bank borrowings *(note 28(a)(iv))*	(86)	(85)	—	—
Cash and cash equivalents	455	476	16	67

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$19 million (2007: HK$8 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

26. 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			
	2008		2007	
	Balance	Percentage	Balance	Percentage
	HK$ million		*HK$ million*	
Current to 30 days	111	18	191	22
31 to 60 days	82	14	237	27
61 to 90 days	159	26	182	21
Over 90 days	258	42	265	30
	610	100	875	100

Included in the trade and bills payables are trade payables of HK$108 million (2007: HK$111 million) due to Neptune Holding Limited ("Neptune") and Electronic Sales Limited ("ESL"), being wholly-owned subsidiaries of CCT Telecom, which are unsecured, interest-free and are repayable within 90 days from the invoice date.

The trade payables are non-interest-bearing and have an average term of 90 to 120 days.

27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008	2007	2008	2007
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Other payables	24	57	—	27
Accruals	132	111	1	2
	156	168	1	29

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

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2008			2007		
	Effective interest rate	Maturity		Effective interest rate	Maturity	
	(%)		*HK$ million*	*(%)*		*HK$ million*
Current						
Finance lease payables *(note 29)*			—	2.50–2.75	2008	—
Bank loans — unsecured	1.69–6.25	2009	104	6.00–7.00	2008	26
Bank loans — secured	1.25–6.97	2009	161	4.85–7.25	2008	163
			265			189
Non-current						
Bank loans — secured			—	5.25–6.25	2010	31
			265			220

	Group	
	2008	2007
	HK$ million	*HK$ million*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	265	189
In the second year	—	19
In the third to fifth years, inclusive	—	12
	265	220

Notes:

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

(i) the pledge of the Group's buildings situated in the PRC, which had an aggregate carrying value at the balance sheet date of approximately HK$249 million (2007: HK$270 million) (note 15);

(ii) the pledge of the Group's investment properties situated in the PRC, which had an aggregate carrying value at the balance sheet date of approximately HK$178 million (2007: HK$178 million) (note 16);

(iii) the pledge of the Group's leasehold land situated in the PRC, which had an aggregate carrying value at the balance sheet date of approximately HK$48 million (2007: HK$49 million) (note 17); and

(iv) the pledge of certain of the Group's time deposits amounting to HK$86 million (2007: HK$85 million) (note 25).

(b) The Group's bank and other borrowings with carrying amounts of HK$94 million (2007: Nil), and HK$171 million (2007: HK$213 million) are denominated in Hong Kong dollars, and United States dollars ("US$"), respectively. At 31 December 2008, no bank borrowing of the Group is denominated in RMB (2007: HK$7 million).

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

As at 31 December 2008, approximately HK$81 million bank borrowings repayable over one year were classified as current liabilities in accordance with the relevant accounting standards. The classification was resulted from an insignificant non-compliance of a financial covenant related to the amount of shareholders' fund under certain facilities agreements entered into by the Group with one of its bankers, which has been made known to the banker by the Group.

29. FINANCE LEASE PAYABLES

The Group leased certain of its motor vehicles for business use in prior years. These leases were classified as finance leases and have remaining lease terms of one year as at 31 December 2007.

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		Present value of minimum lease payments	
	2008	**2007**	**2008**	**2007**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Amounts payable:				
Within one year	—	—	—	—
Total minimum finance lease payments	—	—	—	—
Future finance charges	—	—		
Total net finance lease payables	—	—		
Portion classified as current liabilities *(note 28)*	—	—		
Non-current portion	—	—		

30. DEFERRED TAX

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

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation	
	2008	**2007**
	HK$ million	*HK$ million*
Gross deferred tax liabilities at 1 January	4	4
Deferred tax credited to the income statement during the year *(note 11)*	(2)	—
Gross deferred tax liabilities at 31 December	2	4

Deferred tax assets

Group

	Losses available for offsetting against future taxable profit	
	2008	**2007**
	HK$ million	*HK$ million*
Gross deferred tax assets at 1 January	—	2
Deferred tax charged to the income statement during the year *(note 11)*	—	(2)
Gross deferred tax assets at 31 December	—	—

The Group has tax losses arising in Hong Kong of HK$77 million (2007: HK$40 million) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$114 million (2007: HK$9 million) that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

At 31 December 2008, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China as these subsidies incurred losses during the year.

31. SHARE CAPITAL

Shares

	Company	
	2008	**2007**
	HK$ million	*HK$ million*
Authorised:		
120,000,000,000 (2007: 120,000,000,000) ordinary shares of HK$0.01 each	1,200	1,200
Issued and fully paid:		
65,413,993,990 (2007: 65,413,993,990) ordinary shares of HK$0.01 each	654	654

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

	Number of ordinary shares of HK$0.01 each in issue	**Issued capital** *HK$ million*
At 1 January 2007	64,366,993,990	644
Issue of new shares upon exercise of share options	1,047,000,000	10
At 31 December 2007, 1 January 2008 and 31 December 2008	65,413,993,990	654

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 32 to the financial statements.

32. SHARE OPTION SCHEME

The current Share Option Scheme was effective on 7 November 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 2008, there were no share options outstanding under the Share Option Scheme. No share options has been granted, exercised, cancelled and has lapsed under the Share Option Scheme during the year.

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

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

The maximum number of Shares issuable upon exercise of the share options granted under the Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period is limited to 1% of the Shares in issue as at the date of grant. Any further grant of the share options in excess of this 1% limit shall be subject to the issue of a circular by the Company (and if required, the holding company) and the Shareholders' approval (and if required, the approval of the shareholders of the holding company) 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 (and if required, the approval of the INEDs of the holding company), excluding the INED(s) of the Company and the holding company who is/are the grantee(s) of the share options. In addition, any share option granted to a substantial Shareholder or an INED of the Company, or to any of their respective associates, in excess of 0.1% of the 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 if required, the holding company) and the Shareholders' approval (and if required, the approval of the shareholders of the holding company) in advance at a general meeting.

The offer of a grant of the share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than 10 years from the date of grant of the share options 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.

	2007	
	Weighted average exercise price HK$ per share	**Number of options** *'000*
At 1 January	—	—
Granted during the year	0.055	1,550,000
Exercised during the year	0.055	(1,047,000)
Expired during the year	0.055	(503,000)
At 31 December	—	—

The weighted average share price at the date of exercise for share options exercised during the prior year was HK$0.073.

The fair value of the share options granted during the prior year was HK$12 million (HK$0.0077 each) of which the Group recognised a share option expense of HK$12 million during the year ended 31 December 2007.

The fair value of equity-settled share options granted during the prior year was estimated as at the date of grant, using the Black-Scholes model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

	2007
Dividend yield *(%)*	—
Expected volatility *(%)*	74.83
Historical volatility *(%)*	74.83
Risk-free interest rate *(%)*	3.89
Expected life of share options *(year)*	0.25
Weighted average share price *(HK$)*	0.055

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

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

The 1,047,000,000 share options exercised during the prior year resulted in the issue of 1,047,000,000 ordinary shares of the Company and new share capital of HK$10 million and share premium of HK$48 million (before issue expenses), as further detailed in note 31 to the financial statements.

All the remaining share options expired and no share options were outstanding as at 31 December 2007.

33. 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 41 of the financial statements.

(b) Company

	Notes	Special reserve HK$ million	Share premium account HK$ million	Share option reserve HK$ million	Accumulated losses HK$ million	Total HK$ million
At 1 January 2007		(56)	182	—	(119)	7
Equity-settled share option arrangement	32	—	—	12	—	12
Issue of new shares upon exercise of share options	32	—	56	(8)	—	48
Loss for the year	12	—	—	—	(18)	(18)
At 31 December 2007 and 1 January 2008		(56)	238	4	(137)	49
Loss for the year	12	—	—	—	(4)	(4)
At 31 December 2008		(56)	238	4	(141)	45

34. CONTINGENT LIABILITIES

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

	Company	
	2008	2007
	HK$ million	HK$ million
Corporate guarantees given to banks in connection with facilities granted to subsidiaries	960	892

As at 31 December 2008, the banking facilities granted to the subsidiaries subject to corporate guarantees given to the banks by the Company were utilised to the extent of approximately HK$305 million (2007: HK$322 million).

35. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group, are included in note 28(a) to the financial statements.

36. OPERATING LEASE COMMITMENTS

(a) As lessor

The Group leases its investment properties (note 16 to the financial statements) under operating lease arrangements with leases negotiated for terms of three years.

At 31 December 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2008	**2007**
	HK$ million	*HK$ million*
Within one year	6	6
In the second to fifth years, inclusive	12	—
	18	6

(b) As lessee

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

At 31 December 2008, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Within one year	7	3	3	—
In the second to fifth years, inclusive	9	1	6	—
	16	4	9	—

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2008	**2007**
	HK$ million	*HK$ million*
Contracted, but not provided for:		
Construction in progress	2	13
Purchases of plant and machinery and equipment	—	3
	2	16

At the balance sheet date, the Company had no significant commitments.

38. RELATED PARTY TRANSACTIONS

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

	Notes	**2008** *HK$ million*	**2007** *HK$ million*
Fellow subsidiaries:			
Purchase of components	(i)	420	484
Factory rental income	(ii)	6	6
Factory rental expenses	(iii)	6	6
Office rental expenses	(iv)	3	3
Sale of consumer electronic products	(v)	40	60
Ultimate holding company:			
Management information system service fee	(vi)	4	4

Notes:

(i) The Company and CCT Telecom entered into a manufacturing agreement dated 9 November 2006, pursuant to which CCT Telecom agree to manufacture through the CCT Telecom Remaining Group certain power supply components, transformers, plastic casings and components and toolings for the production of telecom and electronics products for the Group.

The purchase prices were determined based on the direct material costs plus a mark-up of no more than 150%.

(ii) The factory rental income was charged to Shine Best Developments Limited ("Shine Best"), an indirectly wholly-owned subsidiary of CCT Telecom, by CCT Enterprise Limited ("CCT Ent"), an indirectly wholly-owned subsidiary of the Company, for the provision of a factory space in Huiyang, the PRC, at a rate determined in accordance with the terms and conditions set out in a tenancy agreement entered into between Shine Best and CCT Ent on 5 December 2005.

(iii) The factory rental expenses were charged to the Group by the CCT Telecom Remaining Group, for the provision of factory spaces in Dongguan, the PRC, at rates determined in accordance with the terms and conditions set out in a tenancy agreement entered into between the Company and CCT Telecom on 9 November 2006.

(iv) The office rental expenses were charged to CCT Tech (HK) Limited ("CCT HK") and CCT R&D Limited ("CCT R&D"), all being indirectly wholly-owned subsidiaries of the Company, by Goldbay Investments Limited ("Goldbay"), an indirectly wholly-owned subsidiary of CCT Telecom, for the provision of office spaces in Hong Kong, at rates determined in accordance with the terms and conditions set out in the tenancy agreements entered into between CCT HK and Goldbay on 12 October 2006 and between CCT R&D and Goldbay on 12 October 2006.

(v) The consumer electronic products were sold to the CCT Telecom Remaining Group by the Group and the selling prices were determined based on the direct material costs of the products plus a mark-up of up to 120% of such direct material costs pursuant to a consumer electronic products manufacturing agreement entered into between the Company and CCT Telecom on 14 July 2006.

(vi) The management information system service fee was charged to CCT Telecom by CCT HK for the provision of general management information system support, network and software consultation and hardware maintenance services. The rate was determined in accordance with the terms and conditions set out in an agreement entered into between CCT Telecom and CCT HK on 5 December 2005.

The above related party transactions also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Outstanding balances with related parties:

Details of Group's balances with its fellow subsidiaries at the balance sheet date are disclosed in notes 22 and 26 to the financial statements.

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

	2008 *HK$ million*	2007 *HK$ million*
Short term employee benefits	18	28
Post-employment benefits	—	—
Total compensation paid to key management personnel	18	28

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

39. FINANCIAL INSTRUMENTS BY CATEGORY

Other than the financial assets at fair value through profit or loss as disclosed in note 24 to the financial statements, all financial assets and liabilities of the Group and the Company as at 31 December 2007 and 2008, are loans and receivables, and financial liabilities at amortised cost, respectively.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. 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 market rates are stable and are maintained at 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 loss before tax (through the impact on floating rate borrowings).

	Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in loss before tax** *HK$ million*
2008		
US$	100	2
US$	(100)	(2)
HK$	100	1
HK$	(100)	(1)
2007		
US$	100	2
US$	(100)	(2)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by or expenditure of operating units in currencies other than the units' functional 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 Euro, US$ and RMB exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities).

	Group	
	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in loss before tax**
	%	*HK$ million*
2008		
If US$ strengthens against RMB	3.90	1
If US$ weakens against RMB	(3.90)	(1)
If Euro strengthens against HKD	20.17	(3)
If Euro weakens against HKD	(20.17)	3
2007		
If US$ strengthens against RMB	6.222	4
If US$ weakens against RMB	(6.222)	(4)

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 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 22 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 loans, other interest-bearing loans and finance leases. In addition, banking facilities have been put in place for contingency purposes.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments as at the balance sheet date.

As at 31 December 2008

	Group		
	Within one year or on demand	**In the second year**	**Total**
	HK$ million	*HK$ million*	*HK$ million*
Trade and bills payables	610	—	610
Other payables	24	—	24
Interest-bearing bank and other borrowings	270	—	270
	904	—	904

As at 31 December 2007

	Group		
	Within one year or on demand	**In the second year**	**Total**
	HK$ million	*HK$ million*	*HK$ million*
Trade and bills payables	875	—	875
Other payables	57	—	57
Interest-bearing bank and other borrowings	201	32	233
	1,133	32	1,165

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 shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2008 and 31 December 2007.

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

	Group	
	2008	**2007**
	HK$ million	*HK$ million*
Interest-bearing bank and other borrowings	265	220
Total borrowings	265	220
Total capital	735	1,051
Total capital and borrowings	1,000	1,271
Gearing ratio	26.5%	17.3%

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 April 2009.

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

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

Consolidated Income Statement
Year ended 31 December 2007

	Notes	2007 HK$ million	2006 HK$ million
REVENUE	5	3,343	3,858
Cost of sales		(3,306)	(3,579)
Gross profit		37	279
Other income and gains		25	83
Selling and distribution costs		(44)	(53)
Administrative expenses		(153)	(138)
Other expenses		(40)	(22)
Finance costs	7	(14)	(33)
PROFIT/(LOSS) BEFORE TAX	6	(189)	116
Tax	10	(12)	(16)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	11	(201)	100
DIVIDENDS	12	—	—
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		(0.31 cents)	0.21 cents
Diluted		N/A	0.16 cents

Consolidated Balance Sheet

31 December 2007

	Notes	2007 HK$ million	2006 HK$ million
NON-CURRENT ASSETS			
Property, plant and equipment	14	569	556
Investment properties	15	178	178
Prepaid land lease payments	16	48	50
Goodwill	17	22	22
Other intangible assets	18	25	36
Deferred tax assets	30	—	2
Total non-current assets		842	844
CURRENT ASSETS			
Inventories	20	186	191
Trade and bills receivables	21	689	822
Prepayments, deposits and other receivables	22	24	25
Financial assets at fair value through profit or loss	23	28	—
Pledged time deposits	24	85	83
Cash and cash equivalents	24	476	470
Total current assets		1,488	1,591
CURRENT LIABILITIES			
Trade and bills payables	25	875	929
Tax payable		12	9
Other payables and accruals	26	168	110
Interest-bearing bank and other borrowings	27	189	172
Total current liabilities		1,244	1,220
NET CURRENT ASSETS		244	371
TOTAL ASSETS LESS CURRENT LIABILITIES		1,086	1,215

	Notes	2007 HK$ million	2006 HK$ million
NON-CURRENT LIABILITIES			
Interest-bearing bank loans, secured	27	31	29
Deferred tax liabilities	30	4	4
Total non-current liabilities		35	33
Net assets		1,051	1,182
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	31	654	644
Reserves	33(a)	397	538
Total equity		1,051	1,182

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	Share option reserve HK$ million	Equity component of convertible notes HK$ million	Accumulated losses HK$ million	Total HK$ million
At 1 January 2006		159	4	733	—	7	(477)	426
Issue of new shares upon conversion of convertible notes	29, 31	485	178	—	—	(7)	—	656
Profit for the year		—	—	—	—	—	100	100
At 31 December 2006 and 1 January 2007		644	182*	733*	—	—	(377)*	1,182
Equity-settled share option arrangement	32	—	—	—	12	—	—	12
Issue of new shares upon exercise of share options	31	10	56	—	(8)	—	—	58
Loss for the year		—	—	—	—	—	(201)	(201)
At 31 December 2007		654	238*	733*	4*	—	(578)*	1,051

* These reserve accounts comprise the consolidated reserves of HK$397 million (2006: HK$538 million) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Note	2007 HK$ million	2006 HK$ million
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(189)	116
Adjustments for:			
Interest on bank loans and other borrowings	7	14	12
Interest on convertible notes	7	—	21
Interest income	5	(15)	(10)
Depreciation	6	96	91
Equity-settled share option expense		12	—
Recognition of prepaid land lease payments	6	2	1
Amortisation of intangible assets	6	35	46
Impairment of trade receivables	6	22	8
Write-off of other receivables	6	6	—
Write-off of deferred development costs	6	12	14
Provision for slow-moving and obsolete inventories	6	14	30
Fair value gain on financial assets at fair value through profit or loss	6	(1)	—
Waiver of interest on the 2008 Convertible Note	6	—	(20)
		8	309
(Increase)/decrease in inventories		(9)	46
Decrease/(increase) in trade and bills receivables		111	(25)
(Increase)/decrease in prepayments, deposits and other receivables		(5)	21
Increase/(decrease) in trade and bills payables, other payables and accruals		4	(115)
Cash generated from operations		109	236
Interest received		15	10
Interest paid		(14)	(12)
Hong Kong profits tax paid		(7)	(20)
Net cash inflow from operating activities		103	214

	Note	2007 HK$ million	2006 HK$ million
Net cash inflow from operating activities		103	214
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(110)	(91)
Proceeds from disposal of items of property, plant and equipment		—	1
Additions to other intangible assets		(35)	(50)
Purchase of financial assets at fair value through profit or loss		(27)	—
Increase in pledged time deposits		(2)	(12)
Net cash outflow from investing activities		(174)	(152)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares		58	—
New bank loans		116	118
New/(repayment of) trust receipts loans, net		19	(40)
Repayment of bank loans		(115)	(87)
Capital element of finance lease rental payments		(1)	(2)
Net cash inflow/(outflow) from financing activities		77	(11)
NET INCREASE IN CASH AND CASH EQUIVALENTS		6	51
Cash and cash equivalents at beginning of year		470	419
CASH AND CASH EQUIVALENTS AT END OF YEAR		476	470
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	383	368
Non-pledged time deposits with original maturity of less than three months when acquired	24	93	102
		476	470

Balance Sheet
31 December 2007

	Notes	2007 HK$ million	2006 HK$ million
NON-CURRENT ASSETS			
Interests in subsidiaries	19	636	644
CURRENT ASSETS			
Prepayments	22	1	1
Financial assets at fair value through profit or loss	23	28	—
Cash and cash equivalents	24	67	7
Total current assets		96	8
CURRENT LIABILITIES			
Other payables and accruals	26	29	1
Total current liabilities		29	1
NET CURRENT ASSETS		67	7
Net assets		703	651
EQUITY			
Issued capital	31	654	644
Reserves	33(b)	49	7
Total equity		703	651

Notes to Financial Statements

31 December 2007

1. CORPORATE INFORMATION

During the year, the Group was involved in the principal activities of the manufacture and sale of telecom and electronic products, accessories and components.

In the opinion of the directors, the parent of the Company is Jade Assets Company Limited, which is incorporated in the British Virgin Islands with limited liability. The ultimate holding company of the Company is CCT Telecom Holdings Limited ("CCT Telecom"), which is incorporated in the Cayman Islands and continued in Bermuda with limited liability and is listed on The Stock Exchange of Hong Kong Limited.

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 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.

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 40 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 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.

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	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 noncurrent 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 or loans and receivables, 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, reevaluates 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.

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.

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 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 notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible notes, 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 forward currency contracts to manage its risks associated with foreign currency fluctuations. 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 that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The fair value of forward currency contracts as at balance sheet date had no significant impact on the Group's financial statements.

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 32 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; and

(c) 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.

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$22 million (2006: HK$22 million). More details are given in note 17.

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 nil (2006: HK$2 million). The amount of unrecognised tax losses at 31 December 2007 was HK$40 million (2006: HK$42 million). Further details are contained in note 30 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$25 million (2006: HK$36 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 and accessories; and

(b) the corporate and others segment comprises 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 table presents revenue and profit/(loss) for the Group's business segments for the years ended 31 December 2007 and 2006.

Group

	Telecom and electronic products		Corporate and others		Total	
	2007	2006	2007	2006	2007	2006
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Segment revenue:						
Sales to external customers	3,328	3,848	—	—	3,328	3,848
Other revenue	24	59	1	—	25	59
Total	3,352	3,907	1	—	3,353	3,907
Segment results	(168)	128	(22)	(13)	(190)	115
Interest income					15	10
Unallocated gains					—	24
Finance costs					(14)	(33)
Profit/(loss) before tax					(189)	116
Tax					(12)	(16)
Profit/(loss) for the year					(201)	100

No analysis of the assets and liabilities and other segment information regarding the Group's business segments for the two years ended 31 December 2007 has been presented as over 90% of the Group's revenue is derived from the telecom and electronic products segment.

(b) Geographical segments

The following table presents revenue for the Group's geographical segments. Over 90% of the Group's assets are located in the People's Republic of China (the "PRC") including Hong Kong. Accordingly, no analysis of the assets and capital expenditure by geographical segment is presented.

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	1,688	2,040	1,215	1,187	425	621	3,328	3,848
Other revenue	—	—	25	59	—	—	25	59
Total	1,688	2,040	1,240	1,246	425	621	3,353	3,907

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 interest income.

Revenue from the following activities has been included in turnover:

	Group	
	2007	**2006**
	HK$ million	*HK$ million*
Manufacture and sale of telecom and electronic products	3,328	3,848
Bank interest income	15	10
	3,343	3,858

6. PROFIT/(LOSS) BEFORE TAX

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

		Group	
		2007	**2006**
	Notes	*HK$ million*	*HK$ million*
Cost of inventories sold		3,306	3,579
Depreciation	14	97	93
Less: Amount capitalised in deferred development costs		(1)	(2)
		96	91
Recognition of prepaid land lease payments	16	2	1
Minimum lease payments under operating leases in respect of land and buildings		15	14
Research and development costs:			
Deferred expenditure amortised*	18	35	46
Current year expenditure		76	58
		111	104
Auditors' remuneration		3	3
Employee benefits expense (excluding directors' remuneration — note 8):			
Wages and salaries		376	341
Equity-settled share option expense		8	—
Pension scheme contributions****		4	4
Less: Amount capitalised in deferred development costs		(21)	(20)
		367	325
Provision for slow-moving and obsolete inventories*		14	30
Impairment of trade receivables**	21	22	8
Write-off of other receivables**		6	—
Write-off of deferred development costs**	18	12	14
Foreign exchange differences, net		3	(7)
Fair value gain on financial assets at fair value profit or loss***		(1)	—
Waiver of interest on the 2008 Convertible Note***	38(b)(i)	—	(20)
Compensation income received from a supplier***	38(b)(ii)	—	(19)
Gross rental income***	38(a)(ii)	(6)	(6)

* 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 other borrowings wholly repayable within five years	14	12
Interest on convertible notes	—	21
Total interest expense on financial liabilities not at fair value through profit or loss	14	33

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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	7	10
Performance related bonuses*	9	8
Employee share option benefits	4	—
Pension scheme contributions	—	—
	20	18
	21	19

* 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. 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. As at 31 December 2007, all the share options have been either exercised or have lapsed.

No share options were granted to the directors in respect of their services to the Group for the prior year.

(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*
Chow Siu Ngor	240	240
Lau Ho Kit, Ivan	240	240
Chen Li	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	Performance related bonuses	Employee share option benefits	Pension scheme contributions	Total remuneration
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
2007					
Mak Shiu Tong, Clement ("Mr. Mak") *(Note 1)*	3	4	1	—	8
Tam Ngai Hung, Terry *(Note 2)*	1	2	1	—	4
Cheng Yuk Ching, Flora *(Note 2)*	1	2	1	—	4
William Donald Putt	—	—	—	—	—
Li Man To, Feynman *(Note 2)*	2	1	1	—	4
	7	9	4	—	20

	Salaries, allowances and benefits in kind	Performance related bonuses	Employee share option benefits	Pension scheme contributions	Total remuneration
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
2006					
Mak Shiu Tong, Clement *(Note 1)*	3	3	—	—	6
Tam Ngai Hung, Terry *(Note 2)*	1	2	—	—	3
Cheng Yuk Ching, Flora *(Note 2)*	1	2	—	—	3
William Donald Putt	—	—	—	—	—
Li Man To, Feynman* *(Note 2)*	1	—	—	—	1
Tong Chi Hoi**	4	1	—	—	5
	10	8	—	—	18

* appointed on 1 June 2006, the remuneration paid to Mr. Li Man To, Feynman for the period from 1 January 2006 to 31 May 2006 (not included in the above directors' remuneration disclosure) was approximately HK$1 million.

** resigned on 11 November 2006

Notes:

(1) The performance related bonuses paid to Mr. Mak during the years ended 31 December 2006 and 31 December 2007 were determined based on the Group's operating performance for the financial years ended 31 December 2004 and 31 December 2005, respectively.

(2) The performance related bonuses paid to Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and Mr. Li Man To, Feynman during the years ended 31 December 2006 and 31 December 2007 were determined based on the Group's operating performance for the financial years ended 31 December 2005 and 31 December 2006, respectively.

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 four (2006: five) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2006: Nil) non-director, highest paid employee for the year are as follows:

	Group **2007** *HK$ million*
Salaries, allowances and benefits in kind	2

The remuneration of the non-director, highest paid employee for the year fell within the band of HK$1,500,001 to HK$2,000,000.

During the year, the non-director, highest paid employee was granted share options, in respect of his services to the Group under the share option scheme of the Company. 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. As at 31 December 2007, all the share options have lapsed.

No share options were granted to the non-director, highest paid employee in respect of his 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.

	2007	2006
	HK$ million	*HK$ million*
Group:		
Current — Hong Kong:		
Charge for the year	4	7
Overprovision in prior years	(1)	—
Current — Elsewhere:		
Charge for the year	7	8
Deferred *(note 30)*	2	1
Total tax charge for the year	12	16

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the locations 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		PRC, excluding Hong Kong		Total	
	HK$ million	*%*	*HK$ million*	*%*	*HK$ million*	*%*
Profit/(Loss) before tax	18.8		(207.7)		(188.9)	
Tax at the statutory or appropriate tax rate	3.3	17.5	(68.5)	33.0	(65.2)	34.5
Lower tax rate for specific provinces or local authority	—	—	3.6	(1.7)	3.6	(1.9)
Adjustments in respect of current tax of previous periods	(0.8)	(4.2)	—	—	(0.8)	0.4
Tax exemption	—	—	(3.3)	1.6	(3.3)	1.7
Income not subject to tax	(2.1)	(11.2)	(1.4)	0.7	(3.5)	1.9
Expenses not deductible for tax	3.7	19.7	11.9	(5.8)	15.6	(8.3)
Tax losses utilised from previous periods	(3.4)	(18.1)	—	—	(3.4)	1.8
Tax losses not recognised	4.2	22.4	65.2	(31.4)	69.4	(36.7)
Tax charge at the Group's effective rate	4.9	26.1	7.5	(3.6)	12.4	(6.6)

Group — 2006

	Hong Kong		PRC, excluding Hong Kong		Total	
	HK$ million	*%*	*HK$ million*	*%*	*HK$ million*	*%*
Profit before tax	41		75		116	
Tax at the statutory or appropriate tax rate	7.2	17.5	24.7	33.0	31.9	27.5
Lower tax rate for specific provinces or local authority	—	—	(3.3)	(4.4)	(3.3)	(2.8)
Tax exemption	—	—	(33.7)	(44.9)	(33.7)	(29.1)
Income not subject to tax	(5.1)	(12.4)	(1.6)	(2.1)	(6.7)	(5.8)
Expenses not deductible for tax	4.2	10.2	14.4	19.2	18.6	16.0
Tax losses utilised from previous periods	(0.1)	(0.2)	—	—	(0.1)	—
Tax losses not recognised	1.7	4.1	7.2	9.6	8.9	7.7
Tax charge at the Group's effective rate	7.9	19.2	7.7	10.4	15.6	13.5

Subsequent to the balance sheet date, CCT Telecom 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 CCT Telecom and its subsidiaries, including the Group, for the past years. Protective tax assessments in the aggregate amount of HK$30 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/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit/(loss) attributable to equity holders of the parent for the year ended 31 December 2007 included a loss of HK$18 million (2006: HK$11 million) which has been dealt with in the financial statements of the Company (note 33(b)).

12. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2007 (2006: Nil).

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

The calculation of basic earnings/(loss) per share amount for the year is based on the loss for the year attributable to ordinary equity holders of the parent of HK$201 million (2006: profit of HK$100 million) and the weighted average number of 64,946,100,839 (2006: 47,383,823,736) ordinary shares in issue during the year.

As the exercise price of the outstanding share options during the year was higher than the average market price of the Company's shares during the year, the outstanding share options during the year has no dilution effect on the basic loss per share for the year. Therefore, no diluted loss per share amount for the year has been disclosed. The calculation of diluted earnings per share amount for the prior year is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on convertible notes and waiver of interest on the 2008 Convertible Note, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the prior 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 calculation of the diluted earnings per share for the prior year is based on:

	2006 *HK$ million*
Earnings	
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	100
Interest on convertible notes *(note 7)*	21
Waiver of interest on the 2008 Convertible Note *(note 38(b)(i))*	(20)
Profit attributable to ordinary equity holders of the parent before interest on convertible notes and waiver of interest on the 2008 Convertible Note	101

	Number of shares
Shares	
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	47,383,823,736
Effect of dilution — weighted average number of ordinary shares: Convertible notes	16,983,170,254
	64,366,993,990

14. PROPERTY, PLANT AND EQUIPMENT

Group

	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 at 1 January 2007:							
Cost	379	310	167	87	17	17	977
Accumulated depreciation	(81)	(162)	(106)	(62)	(10)	—	(421)
Net carrying amount	298	148	61	25	7	17	556
At 1 January 2007, net of accumulated depreciation	298	148	61	25	7	17	556
Additions	6	33	19	7	2	43	110
Depreciation provided during the year	(24)	(37)	(24)	(9)	(3)	—	(97)
Transfer	7	—	—	—	—	(7)	—
At 31 December 2007, net of accumulated depreciation	287	144	56	23	6	53	569
At 31 December 2007:							
Cost	392	343	186	94	19	53	1,087
Accumulated depreciation	(105)	(199)	(130)	(71)	(13)	—	(518)
Net carrying amount	287	144	56	23	6	53	569

	Buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
31 December 2006							
At 31 December 2005 and at 1 January 2006:							
Cost	378	278	141	79	18	1	895
Accumulated depreciation	(60)	(130)	(85)	(53)	(8)	—	(336)
Net carrying amount	318	148	56	26	10	1	559
At 1 January 2006, net of accumulated depreciation	318	148	56	26	10	1	559
Additions	3	36	27	8	1	16	91
Disposals	—	—	—	—	(1)	—	(1)
Depreciation provided during the year	(23)	(36)	(22)	(9)	(3)	—	(93)
At 31 December 2006, net of accumulated depreciation	298	148	61	25	7	17	556
At 31 December 2006:							
Cost	379	310	167	87	17	17	977
Accumulated depreciation	(81)	(162)	(106)	(62)	(10)	—	(421)
Net carrying amount	298	148	61	25	7	17	556

The net book value of fixed assets of the Group held under finance leases included in the total amounts of motor vehicles as at 31 December 2007, amounted to approximately HK$2 million (2006: HK$4 million).

At 31 December 2007, certain of the Group's buildings with a net book value of approximately HK$270 million (2006: HK$287 million) were pledged to secure certain bank loans granted to the Group (note 27).

15. INVESTMENT PROPERTIES

	Group	
	2007	2006
	HK$ million	*HK$ million*
Carrying amount at 1 January and 31 December	178	178

The Group's investment properties are situated in the PRC and are held under medium term leases.

The Group's investment properties were revalued on 31 December 2007 by Grant Sherman Appraisal Limited, independent professionally qualified valuers, using a depreciated replacement cost approach. The investment properties are leased to an indirectly wholly-owned subsidiary of CCT Telecom under operating leases, further summary details of which are included in note 36(a) to the financial statements.

At 31 December 2007, the Group's investment properties with an amount of HK$178 million (2006: HK$178 million) were pledged to secure certain bank loans granted to the Group (note 27).

Further particulars of the Group's investment properties are as follows:

Location	Use	Tenure	Attributable interest of the Group
A factory complex with a total gross floor area of approximately 67,000 square metres located at Sanhan Development District, Danshui Town, Huiyang City, Guangdong Province, PRC	Industrial	Medium term lease	100%

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2007	2006
	HK$ million	*HK$ million*
Carrying amount at 1 January	51	52
Recognised during the year	(2)	(1)
Carrying amount at 31 December	49	51
Current portion included in prepayments, deposits and other receivables	(1)	(1)
Non-current portion	48	50

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

At 31 December 2007 and 2006, the entire leasehold land was pledged as security for the bank loans granted to the Group (note 27).

17. 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 and 31 December 2007:	
Cost	23
Accumulated impairment	(1)
Net carrying amount	22
31 December 2006	
At 1 January 2006 and 31 December 2006:	
Cost	23
Accumulated impairment	(1)
Net carrying amount	22

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the telecom products cash-generating unit. For the purpose of impairment testing, the recoverable amount of goodwill is determined based on a value-in-use calculation. The value-in-use calculation uses cash flow projections based on financial budgets covering a period of five years approved by management. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures, long term growth rates and selection of discount rates. Management prepares the financial budgets reflecting actual and prior year performance and market development expectations. Judgement is required to determine the key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections. The discount rate applied to the cash flow projections is 18%.

18. OTHER INTANGIBLE ASSETS

Group

	Deferred development costs *HK$ million*
31 December 2007	
Cost at 1 January 2007, net of accumulated amortisation	36
Additions — internal development	36
Write-off	(12)
Amortisation provided during the year *(note 6)*	(35)
At 31 December 2007	25
At 31 December 2007:	
Cost	82
Accumulated amortisation	(57)
Net carrying amount	25

	Deferred development costs *HK$ million*
31 December 2006	
Cost at 1 January 2006, net of accumulated amortisation	44
Additions — internal development	52
Write-off	(14)
Amortisation provided during the year *(note 6)*	(46)
At 31 December 2006	36
At 31 December 2006:	
Cost	89
Accumulated amortisation	(53)
Net carrying amount	36

19. INTERESTS IN SUBSIDIARIES

	Company	
	2007	**2006**
	HK$ million	*HK$ million*
Unlisted shares, at cost	256	308
Loans to subsidiaries	380	389
	636	697
Impairment	—	(53)
	636	644

The amounts advanced to the subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these 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 share capital**	**Percentage of equity attributable to the Company**		**Principal activities**
			Direct	**Indirect**	
Empire Success Holdings Limited	British Virgin Islands	US$16,501 Ordinary	100	—	Investment holding
CCT Marketing Limited	British Virgin Islands/Hong Kong	US$1 Ordinary	—	100	Trading of telecom products
CCT Telecom (HK) Limited	Hong Kong	HK$2,600,000 Ordinary	—	100	Sourcing of telecom products, raw materials and components
CCT Tech Advanced Products Limited	Hong Kong	HK$2 Ordinary	—	100	Research and development on telecom and electronic products
Huiyang CCT Telecommunications Products Co., Ltd.	People's Republic of China	HK$120,000,000 Registered[^]	—	100	Manufacture of telecom products
Dongguan Eswire Electronics Co., Ltd.	People's Republic of China	HK$68,000,000 Registered[^]	—	100	Manufacture of telecom products
Dongguan CCT Digital Products Company Limited	People's Republic of China	HK$7,000,000 Registered[^]	—	100	Manufacture of electronic products
CCT Tech (Chao Yang) Company Limited	People's Republic of China	US$6,950,000 Registered[^]	—	100	Manufacture of telecom and electronic products

[^] 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. INVENTORIES

	Group	
	2007	**2006**
	HK$ million	*HK$ million*
Raw materials	40	44
Work in progress	47	52
Finished goods	99	95
	186	191

21. TRADE AND BILLS RECEIVABLES

	Group	
	2007	**2006**
	HK$ million	*HK$ million*
Trade and bills receivables	717	836
Impairment	(28)	(14)
	689	822

The Group's trading terms with its customers are mainly on credit with an average credit period of 30 to 90 days, 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 60% (2006: 46%) and 88% (2006: 85%) 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*	*HK$ million*	*HK$ million*
Current to 30 days	203	29	303	37
31 to 60 days	210	30	234	28
61 to 90 days	198	29	239	29
Over 90 days	78	12	46	6
	689	100	822	100

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.

Included in the Group's trade receivables is an amount due from a subsidiary of CCT Telecom of HK$15 million (2006: HK$8 million), which is repayable on similar credit terms to those offered to the major customers of the Group.

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	524	608
Past due but not impaired		
— within 6 months	158	197
— 7 to 12 months	7	16
— over 1 year	—	1
	689	822

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

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

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Prepayments	3	3	1	1
Deposits and other receivables	21	22	—	—
	24	25	1	1

Included in the Group's other receivables at 31 December 2006 is an amount due from a subsidiary of CCT Telecom of HK$7 million.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2007	2006	2007	2006
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Equity-linked notes	28	—	28	—

The above equity-linked notes at 31 December 2007 were classified as held for trading.

24. 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	383	368	30	4
Time deposits	178	185	37	3
	561	553	67	7
Less: Time deposits pledged for bank borrowings *(note 27)*	(85)	(83)	—	—
Cash and cash equivalents	476	470	67	7

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi (''RMB'') amounted to HK$8 million (2006: HK$5 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

25. 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*	*HK$ million*	*HK$ million*
Current to 30 days	191	22	245	26
31 to 60 days	237	27	234	25
61 to 90 days	182	21	186	20
Over 90 days	265	30	264	29
	875	100	929	100

Included in the trade and bills payables are trade payables of HK$111 million (2006: HK$127 million) due to Neptune Holding Limited ("Neptune") and Electronic Sales Limited ("ESL"), being wholly-owned subsidiaries of CCT Telecom, which are unsecured, interest-free and are repayable within 90 days from the invoice date.

The trade payables are non-interest-bearing and have an average term of 90 to 120 days.

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2007	2006	2007	2006
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Other payables	57	21	27	—
Accruals	111	89	2	1
	168	110	29	1

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

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2007			2006		
	Effective interest rate	Maturity		Effective interest rate	Maturity	
	(%)		*HK$ million*	*(%)*		*HK$ million*
Current						
Finance lease payables *(note 28)*	2.50–2.75	2008	—	2.50–3.00	2007	1
Bank loans — unsecured	6.00–7.00	2008	26	6.60–7.00	2007	22
Bank loans — secured	4.85–7.25	2008	163	5.508–7.25	2007	149
			189			172
Non-current						
Bank loans — secured	5.25–6.25	2010	31	5.508–6.25	2008	29
			220			201

	Group	
	2007	2006
	HK$ million	*HK$ million*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	189	171
In the second year	19	29
In the third to fifth years, inclusive	12	—
	220	200
Other borrowings repayable within one year or on demand	—	1
	220	201

Notes:

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

(i) the pledge of the Group's buildings situated in the PRC, which had an aggregate carrying value at the balance sheet date of approximately HK$270 million (2006: HK$287 million) (note 14);

(ii) the pledge of the Group's investment properties situated in the PRC, which had an aggregate carrying value at the balance sheet date of approximately HK$178 million (2006: HK$178 million) (note 15);

(iii) the pledge of the Group's leasehold land situated in the PRC, which had an aggregate carrying value at the balance sheet date of approximately HK$49 million (2006: HK$51 million) (note 16); and

(iv) the pledge of certain of the Group's time deposits amounting to HK$85 million (2006: HK$83 million) (note 24).

(b) The Group's bank and other borrowings with carrying amounts of nil (2006: HK$1 million), HK$7 million (2006: HK$23 million) and HK$213 million (2006: HK$177 million) are denominated in Hong Kong dollars, RMB and United States dollars, respectively.

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

28. FINANCE LEASE PAYABLES

The Group leased certain of its motor vehicles for business use. These leases were classified as finance leases and have remaining lease terms ranging of one year.

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		Present value of minimum lease payments	
	2007	**2006**	**2007**	**2006**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Amounts payable:				
Within one year	—	1	—	1
Total minimum finance lease payments	—	1	—	1
Future finance charges	—	—		
Total net finance lease payables	—	1		
Portion classified as current liabilities *(note 27)*	—	(1)		
Non-current portion	—	—		

29. CONVERTIBLE NOTES

(a) On 17 May 2002, a directly wholly-owned subsidiary of the Company, issued a convertible note with a principal amount of HK$45 million to an indirectly wholly-owned subsidiary of CCT Telecom with the original due date on 17 May 2005. The convertible note was subsequently extended to 31 December 2007 and the convertible note was replaced by the convertible note (the "2007 Convertible Note") issued by the Company. The 2007 Convertible Note provided the holder an option right to convert the principal amount into

ordinary shares of HK$0.01 each of the Company on any business day prior to the fifth business day prior to the maturity of the 2007 Convertible Note at a conversion price of HK$0.01 per share (subject to adjustment according to the terms of the 2007 Convertible Note).

The 2007 Convertible Note with a principal amount of HK$45 million was fully converted into 4,500,000,000 shares in the Company in the prior year.

(b) On 30 June 2003, the Company issued a convertible note due 2008 (the "2008 Convertible Note") with a principal amount of HK$768 million to an indirectly wholly-owned subsidiary of CCT Telecom, as the consideration for the acquisition of the entire interest in Empire Success Holdings Limited from an indirectly wholly-owned subsidiary of CCT Telecom. The 2008 Convertible Note provided the holder with the right to convert the principal amount into the Company's ordinary shares of HK$0.01 each on any business day prior to the fifth business day prior to the maturity of the convertible note at a conversion price of HK$0.014 per share (subject to adjustment according to the terms of the 2008 Convertible Note). The 2008 Convertible Note bears interest at the prime or best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited for Hong Kong dollar loans plus 2% per annum and will mature on the fifth anniversary of the date of its issue.

The 2008 Convertible Note with a principal amount of HK$615 million was fully converted into 43,928,571,428 shares in the Company in the prior year.

30. 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 and at 31 December 2007	4

Deferred tax assets

Group

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

Deferred tax liabilities

Group

	2006 Depreciation allowance in excess of related depreciation *HK$ million*
At 1 January 2006	3
Deferred tax charged to the income statement during the year *(note 10)*	1
Gross deferred tax liabilities at 31 December 2006	4

Deferred tax assets

Group

	2006 Losses available for offsetting against future taxable profit *HK$ million*
Gross deferred tax assets at 1 January 2006 and 31 December 2006	2

The Group has tax losses arising in Hong Kong of HK$40 million (2006: HK$42 million) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

31. SHARE CAPITAL

Shares

	Company	
	2007 *HK$ million*	2006 *HK$ million*
Authorised:		
120,000,000,000 (2006: 120,000,000,000) ordinary shares of HK$0.01 each	1,200	1,200
Issued and fully paid:		
65,413,993,990 (2006: 64,366,993,990) ordinary shares of HK$0.01 each	654	644

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$0.01 each in issue	Issued capital *HK$ million*
At 1 January 2006	15,938,422,562	159
Conversion of convertible notes	48,428,571,428	485
At 31 December 2006 and 1 January 2007	64,366,993,990	644
Issue of new shares upon exercise of share options	1,047,000,000	10
At 31 December 2007	65,413,993,990	654

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 32 to the financial statements.

32. SHARE OPTION SCHEME

The current Share Option Scheme was effective on 7 November 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.

The purpose of the Share Option Scheme is to provide incentives and rewards to the eligible participants who contribute to the success of the operation of the Group. Eligible participants of the Share Option Scheme include any employee, executive or officer of the Group (including executive and non-executive directors of the Group) and any supplier, consultant, agent, adviser, shareholder, customer, partner or business associate who, at the sole discretion 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 upon the listing of the Shares on the Stock Exchange or 30% of the issued share capital of the Company from time to time. The general limit on 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 and the shareholders of CCT Telecom, the ultimate holding company of the Company, on 23 May 2007. As at the date of this Annual Report, the total number of Shares available for issue in respect thereof is 6,231,582,011 which represents approximately 9.53% 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 if required, the holding company) and the Shareholders' approval (and if required, the approval of the shareholders of the holding company) 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 (and if required, the approval of the INEDs of the holding company), excluding the INED(s) of the Company and the holding company who is/are the grantee(s) of the share options. In addition, any share option granted to a substantial Shareholder or an INED of the Company, or to any of their respective associates, in excess of 0.1% of the 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 if required, the holding company) and the Shareholders' approval (and if required, the approval of the shareholders of the holding company) in advance at a general meeting.

The offer of a grant of the share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than 10 years from the date of grant of the share options 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.

	2007	
	Weighted average exercise price HK$ per share	**Number of options** *'000*
At 1 January	—	—
Granted during the year	0.055	1,550,000
Exercised during the year	0.055	(1,047,000)
Expired during the year	0.055	(503,000)
At 31 December	—	—

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.073.

The fair value of the share options granted during the year was HK$12 million (HK$0.0077 each) of which the Group recognised a share option expense of HK$12 million during the year ended 31 December 2007.

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

	2007
Dividend yield (%)	—
Expected volatility (%)	74.83
Historical volatility (%)	74.83
Risk-free interest rate (%)	3.89
Expected life of share options (year)	0.25
Weighted average share price (HK$)	0.055

The expected life of the share options is based on the director's estimation and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

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

The 1,047,000,000 share options exercised during the year resulted in the issue of 1,047,000,000 ordinary shares of the Company and new share capital of HK$10 million and share premium of HK$48 million (before issue expenses), as further detailed in note 31 to the financial statements.

During the year, all the remaining share options expired and no share options were outstanding as at 31 December 2007.

33. 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 52 of the financial statements.

(b) Company

	Notes	Special reserve HK$ million	Share premium account HK$ million	Share option reserve HK$ million	Equity component of convertible notes HK$ million	Accumulated losses HK$ million	Total HK$ million
Balance at 1 January 2006		(56)	4	—	7	(108)	(153)
Issue of new shares upon conversion of convertible notes	29, 31	—	178	—	(7)	—	171
Loss for the year	11	—	—	—	—	(11)	(11)
At 31 December 2006 and 1 January 2007		(56)	182	—	—	(119)	7
Equity-settled share option arrangement	32	—	—	12	—	—	12
Issue of new shares upon exercise of share options	32	—	56	(8)	—	—	48
Loss for the year	11	—	—	—	—	(18)	(18)
At 31 December 2007		(56)	238	4	—	(137)	49

34. 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	892	754
	892	754

As at 31 December 2007, the banking facilities granted to the subsidiaries subject to corporate guarantees given to the banks by the Company were utilised to the extent of approximately HK$322 million (2006: HK$327 million).

35. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group, are included in note 27(a) to the financial statements.

36. OPERATING LEASE COMMITMENTS

(a) As Lessor

The Group leases its investment properties (note 15 to the financial statements) under operating lease arrangements with leases negotiated for terms of three years.

At 31 December 2007, 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	6	6
In the second to fifth years, inclusive	—	6
	6	12

(b) As Lessee

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

At 31 December 2007, 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	3	3
In the second to fifth years, inclusive	1	2
	4	5

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2007	**2006**
	HK$ million	*HK$ million*
Contracted, but not provided for:		
Construction in progress	13	1
Purchases of plant and machinery and equipment	3	32
	16	33

At the balance sheet date, the Company had no significant commitments.

38. RELATED PARTY TRANSACTIONS

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

	Notes	**2007** *HK$ million*	**2006** *HK$ million*
Fellow subsidiaries:			
Purchase of components	(i)	484	466
Factory rental income	(ii)	6	6
Factory rental expenses	(iii)	6	6
Office rental expenses	(iv)	3	3
Sale of consumer electronic products	(v)	60	26
Ultimate holding company:			
Management information system service fee	(vi)	4	4

Notes:

(i) On 9 November 2006, the Company and CCT Telecom entered into a new manufacturing agreement (the "New Components Manufacturing Agreement"), pursuant to which the Group agreed to manufacture through the CCT Telecom Remaining Group certain power supply components, transformers, plastic casings and components and toolings for the production of telecom and electronic products for the Group.

The purchase prices were determined based on the direct material costs plus a mark-up of no more than 150%.

(ii) The factory rental income was charged to Shine Best Developments Limited ("Shine Best"), an indirectly wholly-owned subsidiary of CCT Telecom, by CCT Enterprise Limited ("CCT Ent"), an indirectly wholly-owned subsidiary of the Company, for the provision of factory space in Huiyang, the PRC, at a rate determined in accordance with the terms and conditions set out in a tenancy agreement entered into between Shine Best and CCT Ent on 5 December 2005.

(iii) The factory rental expenses were charged to the Group by the CCT Telecom Remaining Group, for the provision of factory spaces in Dongguan, the PRC, at rates determined in accordance with the terms and conditions set out in a tenancy agreement entered into between the Company and CCT Telecom on 9 November 2006.

(iv) The office rental expenses were charged to CCT Telecom (HK) Limited ("CCT HK") and CCT R&D Limited ("CCT R&D"), both being indirectly wholly-owned subsidiaries of the Company, by Goldbay Investments Limited ("Goldbay"), an indirectly wholly-owned subsidiary of CCT Telecom, for the provision of office spaces in Hong Kong, at rates determined in accordance with the terms and conditions set out in the tenancy agreements entered into between CCT HK and Goldbay on 12 October 2006, and between CCT R&D and Goldbay on 12 October 2006.

(v) The selling prices of the consumer electronic products were determined based on the direct material costs of the products plus a mark-up of up to 120% of such direct material costs pursuant to a consumer electronic products manufacturing agreement entered into between the Company and CCT Telecom on 14 July 2006.

(vi) The management information system service fee was charged to CCT Telecom by CCT HK for the provision of general management information system support, network and software consultation and hardware maintenance services. The rate was determined in accordance with the terms and conditions set out in an agreement entered into between CCT Telecom and CCT HK on 5 December 2005.

The above related party transactions also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Other transactions with related parties:

(i) In the prior year, CCT Telecom waived the interest on the 2008 Convertible Note in the amount of approximately HK$20 million for the period from 1 January 2006 to 9 May 2006 (the date of conversion of the 2008 Convertible Note).

(ii) In the prior year, the Group received a compensation from Neptune amounting to HK$19 million for the substandard plastic materials supplied to the Group by Neptune.

(c) Outstanding balances with related parties:

Details of Group's balances with its fellow subsidiaries at the balance sheet date are disclosed in notes 21, 22 and 25 to the financial statements.

(d) Compensation of Key Management Personnel of The Group

	2007 *HK$ million*	**2006** *HK$ million*
Short term employee benefits	28	28
Post-employment benefits	—	—
Total compensation paid to key management personnel	28	28

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

39. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

2007

Financial Assets

	Financial assets at fair value through profit or loss — held for trading *HK$ million*	**Loans and receivables** *HK$ million*	**Total** *HK$ million*
Trade and bills receivables	—	689	689
Financial assets included in prepayments, deposits and other receivables	—	21	21
Financial assets at fair value through profit or loss	28	—	28
Pledged time deposits	—	85	85
Cash and cash equivalents	—	476	476
	28	1,271	1,299

Financial Liabilities

	Financial liabilities at amortised cost *HK$ million*
Trade and bills payables	875
Financial liabilities included in other payables and accruals	57
Interest-bearing bank and other borrowings	220
	1,152

2006

Financial Assets

	Loans and receivables *HK$ million*
Trade and bills receivables	822
Financial assets included in prepayments, deposits and other receivables	22
Pledged time deposits	83
Cash and cash equivalents	470
	1,397

Financial Liabilities

	Financial liabilities at amortised cost *HK$ million*
Trade and bills payables	929
Financial liabilities included in other payables and accruals	21
Interest-bearing bank and other borrowings	201
	1,151

Company

2007

Financial Assets

	Financial assets at fair value through profit or loss — held for trading *HK$ million*	**Loans and receivables** *HK$ million*	**Total** *HK$ million*
Financial assets included in interests in subsidiaries *(note 19)*	—	380	380
Financial assets at fair value through profit or loss	28	—	28
Cash and cash equivalents	—	67	67
	28	447	475

2007

Financial Liabilities

	Financial liabilities at amortised cost *HK$ million*
Financial liabilities included in other payables and accruals	27

2006

Financial Assets

	Loans and receivables *HK$ million*
Financial assets included in interests in subsidiaries *(note 19)*	389
Cash and cash equivalents	7
	396

Financial Liabilities

	Financial liabilities at amortised cost *HK$ million*
Financial liabilities included in other payables and accruals	—

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. 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 market rates are stable and are maintained at low level, the Group's interest rate risk is not significant.

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

	Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit/ (loss) before tax** *HK$ million*
2007		
United States dollars ("US$")	100	(2)
US$	(100)	2
2006		
US$	100	(2)
US$	(100)	2

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by or expenditure of operating units in currencies other than the units' functional 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 US$ and RMB exchange rates, with all other variables held constant, of the Group's profit/(loss) before tax (due to changes in the fair value of monetary assets and liabilities).

	Group	
	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in profit/ (loss) before tax**
	%	*HK$ million*
2007		
If US$ strengthens against RMB	6.222	4
If US$ weakens against RMB	(6.222)	(4)
2006		
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 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 21 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 loans, convertible notes, 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**	**Total**
	HK$ million	*HK$ million*	*HK$ million*
Trade and bills payables	875	—	875
Other payables	57	—	57
Interest-bearing bank and other borrowings	189	31	220
	1,121	31	1,152

As at 31 December 2006

	Group		
	Within one year or on demand	**In the second year**	**Total**
	HK$ million	*HK$ million*	*HK$ million*
Trade and bills payables	929	—	929
Other payables	21	—	21
Interest-bearing bank and other borrowings	172	29	201
	1,122	29	1,151

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	220	201
Total borrowings	220	201
Total capital	1,051	1,182
Total capital and borrowings	1,271	1,383
Gearing ratio	17.3%	14.5%

41. APPROVAL OF THE FINANCIAL STATEMENTS

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

(3) MANAGEMENT DISCUSSION AND ANALYSIS OF THE CCT TECH GROUP

(a) Management discussion and analysis of the CCT Tech Group for the year ended 31 December 2006

During the year under review, the CCT Tech Group was principally engaged in the manufacturing and sale of telecom and hi-tech electronic products which accounted for 100% of the turnover of the CCT Tech Group.

During the year under review, the CCT Tech Group faced various adverse factors including: (i) reduction in average selling price of certain products due to market competition; (ii) increase in the cost of certain materials and components; (iii) rising costs of salaries and wages due to shortage of labor in its PRC factories; and (iv) appreciation of the Renminbi. The net profit of the CCT Tech Group decreased by 11.5% from HK$113 million in the financial year of 2005 to HK$100 million in the financial year of 2006.

Capital structure and gearing ratio

The CCT Tech Group's gearing ratio, calculated on the basis of the CCT Tech Group's total borrowings over total capital employed (equity plus total borrowings), substantially improved from 67% in 2005 to 15% as at 31 December 2006 as a result of the increase in shareholders' equity due to the full conversion of all the convertible notes and the carried forward of the net profit during the year. After taking into account the cash on hand, the CCT Tech Group did not have any net borrowings and in fact had a positive net cash balance.

The CCT Tech Group's outstanding bank borrowings amounted to approximately HK$200 million as at 31 December 2006. Among the total outstanding bank borrowings of HK$200 million, HK$29 million was repayable within the second year. The balance of HK$171 million was arranged on a short-term basis for ordinary business operations and was repayable within one year.

Following the full conversion of all the outstanding convertible notes of CCT Tech by CCT Telecom in May 2006, there were no more convertible notes outstanding as at 31 December 2006.

Acquisition of certain assets of the CCT Tech Group was financed by way of finance leases and the total outstanding finance lease payable of the CCT Tech Group amounted to approximately HK$1 million as at 31 December 2006.

As at 31 December 2006, the maturity profile of the bank and other borrowings of the CCT Tech Group falling due within one year and in the second year amounted to HK$172 million and HK$29 million, respectively. There is no material effect of seasonality on the CCT Tech Group's borrowing requirements.

Liquidity and financial resources

The current ratio of the CCT Tech Group as at 31 December 2006 was maintained at a healthy level of 130%. As at 31 December 2006, the CCT Tech Group's cash balance was HK$553 million, of which HK$83 million was pledged for general banking facilities. Almost all of the CCT Tech Group's cash was placed on deposits with licensed banks in Hong Kong. The strong cash balance plus the strong cash flow generated from the CCT Tech Group's operations and funds available from the bank facilities provided sufficient cash resources to the CCT Tech Group to cover all cash requirements, including working capital and capital expenditure needs.

Capital commitments

As at 31 December 2006, the outstanding capital commitment contracted by the CCT Tech Group but not yet provided for in the accounts amounted to approximately HK$33 million, which was mainly related to the capital expenditure for the CCT Tech Group's production facilities in the PRC. The capital commitment would be funded by internal resources.

Treasury management

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

During the year, the CCT Tech Group's receipts were denominated mainly in US dollars, with some in Hong Kong dollars and the Euro. Payments were made mainly in Hong Kong dollars, US dollars and Renminbi and some made in Euros. Cash was generally placed in short-term deposits denominated in Hong Kong dollars and US dollars. The CCT Tech Group's borrowings were principally made on a floating rate basis.

The objective of the CCT Tech Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. The CCT Tech Group did not have any significant interest rate risk in 2006, as both the borrowings of the CCT Tech Group and the interest rates remained at low levels. In terms of foreign exchange exposures, the CCT Tech Group is principally exposed to two major currencies, namely the US dollar in terms of receipts and the Renminbi in terms of the production costs (including mainly wages and overhead) in the PRC. For US dollar exposure, since the Hong Kong dollar remains pegged to the US dollar, the exchange fluctuation is not expected to be significant. In addition, as most of the CCT Tech Group's purchases are also made in US dollars, which are to be paid out of the CCT Tech Group's sales receipts in US dollars, the management considers that the foreign exchange exposure risk for the US dollar is not material.

To hedge against Renminbi exposure, the CCT Tech Group entered into forward exchange contracts with banks in China to cover a significant part of our Renminbi expenses for the period up to mid 2006. CCT Tech also entered into non-deliverable forward contracts with CCT Telecom for the six months ended 31 December 2006, which partially hedged the

CCT Tech Group's exposure to Renminbi appreciation during the second half of year 2006. The CCT Tech Group does not speculate in currencies and forward contracts were only entered, where appropriate, to hedge some of the CCT Tech Group's foreign currency exposure.

Acquisitions and disposals of material subsidiaries and associates

The CCT Tech Group did not acquire or dispose of any material subsidiaries and associates during the year ended 31 December 2006.

Significant investment

The CCT Tech Group did not hold any significant investment as at 31 December 2006.

Pledge of assets

As at 31 December 2006, certain of the CCT Tech Group's assets with net book value of HK$516 million and time deposits of approximately HK$83 million were pledged to secure general banking facilities granted to the CCT Tech Group.

Contingent liabilities

As at 31 December 2006, corporate guarantees of HK$754 million were given by CCT Tech to banks in connection with facilities granted to subsidiaries of CCT Tech, of which approximately HK$327 million were utilised.

As at 31 December 2006, the CCT Tech Group had contingent liability in respect of possible future long service payments to employees amounted to approximately HK$0.3 million. Save as aforesaid, the CCT Tech Group did not have any other significant contingent liabilities as at 31 December 2006.

Employees and remuneration policy

The total number of employees of the CCT Tech Group as at 31 December 2006 was 14,380. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees and persons of the CCT Tech Group. During the year, there were no outstanding share options (31 December 2005: Nil) issued by CCT Tech as at 31 December 2006.

(b) Management discussion and analysis of the CCT Tech Group for the year ended 31 December 2007

During the year under review, the CCT Tech Group was principally in the manufacturing and sale of telecom and hi-tech electronic products which accounted for 100% of the turnover of the CCT Tech Group.

Turnover of the CCT Tech Group for the year ended 31 December 2007 amounted to HK$3,343 million which represents a decrease of approximately 13.3% as compared to the corresponding financial year of 2006. The decrease in turnover was caused mainly by slowdown of the US economy, reduction of average selling prices of products and delay of certain shipments due to shortage of labour in the CCT Tech Group's Guangdong factories.

The CCT Tech Group reported a loss of HK$201 million for the year ended 31 December 2007, as compared to a profit of HK$100 million in 2006. The loss for the year ended 31 December 2007 was mainly due to the decrease of turnover and gross margin attributable to a combination of factors including the weakening of the US economy, reduction of average selling prices, high material prices, shortage of labour and rise in wages for workers in the CCT Tech Group's Guangdong factories, and appreciation of Renminbi.

Capital structure and gearing ratio

The CCT Tech Group's gearing ratio, calculated on the basis of the CCT Tech Group's total borrowings over total capital employed (equity plus total borrowings), increased from 14.5% as at 31 December 2006 to approximately 17.3% as at 31 December 2007 as a result of additional bank loans raised to finance capital expenditure and working capital of the CCT Tech Group's manufacturing operations. After taking into account the cash on hand, the CCT Tech Group did not have any net borrowings and in fact had a positive net cash balance (net of borrowings) of approximately HK$341 million.

The CCT Tech Group's outstanding bank borrowings amounted to approximately HK$220 million as at 31 December 2007, of which HK$31 million was repayable within the second year. The balance of HK$189 million was arranged on a short-term basis for ordinary business operations and was repayable within one year. As at 31 December 2007, there was no finance lease payable as the finance lease payable brought forward from 2006 had been repaid.

As at 31 December 2007, the maturity profile of the bank and other borrowings of the CCT Tech Group falling due within one year and in the second to the fifth year amounted to HK$189 million and HK$31 million, respectively. There is no material effect of seasonality on the CCT Tech Group's borrowing requirements.

Liquidity and financial resources

The current ratio of the CCT Tech Group as at 31 December 2007 was maintained at a healthy level of 119.6%. Although the CCT Tech Group incurred a loss in 2007, the CCT Tech Group's cash balance increased from HK$553 million as at 31 December 2006 to HK$561 million as at 31 December 2007, of which HK$85 million was pledged for general banking facilities. Almost all of the CCT Tech Group's cash was placed on deposits with licensed banks in Hong Kong. The amble cash balance plus the strong cash flow generated from the CCT Tech Group's operations and funds available from the bank facilities provided sufficient cash resources to the CCT Tech Group to cover all its cash requirements, including working capital and capital expenditure needs.

Capital commitments

As at 31 December 2007, the outstanding capital commitment contracted by the CCT Tech Group but not yet provided for in the accounts amounted to approximately HK$16 million, which was mainly related to the capital expenditure in relation to the CCT Tech Group's production facilities in the PRC. The capital commitment would be funded partly by internal resources and partly by bank borrowings.

Treasure management

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

During 2007, the CCT Tech Group's receipts were mainly denominated in US dollars, with some in Hong Kong dollars and the Euro. Payments were mainly made in Hong Kong dollars, US dollars and Renminbi and some made in Euros. Cash was generally placed in short-term deposits denominated in Hong Kong dollars and US dollars. The CCT Tech Group's borrowings were principally made on a floating rate basis.

The objective of the CCT Tech Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. The CCT Tech Group did not have any significant interest rate risk in 2007 as both the borrowings of the CCT Tech Group and the interest rates remained at low level. In terms of foreign exchange exposures, the CCT Tech Group is principally exposed to two major currencies, namely the US dollar in terms of receipts and the Renminbi in terms of the production costs (including mainly wages and overheads) in the PRC. For US dollar exposure, since the Hong Kong dollar remains pegged to the US dollar, the exchange fluctuation is not expected to be significant. In addition, as most of the CCT Tech Group's purchases are also made in US dollars, which are to be paid out of the CCT Tech Group's sales receipts in US dollars, the management considers that the foreign exchange exposure risk for the US dollar is not material.

For Renminbi exposure, as the wages and overheads of the CCT Tech Group's factories in the PRC were paid in Renminbi, the CCT Tech Group's production costs in the PRC rose in 2007 due to appreciation of Renminbi. The CCT Tech Group had explored ways and methods to hedge appreciation of Renminbi but the CCT Tech Group could not find any effective way to hedge RMB appreciation in 2007.

Acquisitions and disposals of material subsidiaries and associates

The CCT Tech Group did not acquire or dispose of any material subsidiaries and associates during the year ended 31 December 2007.

Significant investment

The CCT Tech Group did not hold any significant investment as at 31 December 2007.

Pledge of assets

As at 31 December 2007, certain of the CCT Tech Group's assets with net book value of HK$497 million and time deposits of approximately HK$85 million were pledged to secure general banking facilities ranted to the Group.

Contingent liabilities

As at 31 December 2007, corporate guarantees of HK$892 million were given by CCT Tech to banks in connection with facilities granted to subsidiaries of CCT Tech, of which approximately HK$322 million were utilised.

Employees and remuneration policy

The total number of employees of the CCT Tech Group as at 31 December 2007 was 12,919. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees and persons of the CCT Tech Group. During the year, there were no outstanding share options granted by CCT Tech as at 31 December 2007.

(c) Management discussion and analysis of the CCT Tech Group for the year ended 31 December 2008

During the year under review, the CCT Tech Group continued to focus on the manufacturing and sale of telecom and hi-tech electronic products as its core business which accounted for 100% of the turnover of the Group.

Turnover of the CCT Tech Group for the year ended 31 December 2008 amounted to HK$2,758 million which represents a decrease of approximately 17.5% as compared to the corresponding period in 2007. The drop in the turnover of the CCT Tech Group is primarily due to the contraction of global consumption as affected by the financial tsunami.

The loss of the CCT Tech Group for the year ended 31 December 2008, including the exceptional items of HK$126 million associated with the Discontinuation, was approximately HK$317 million, represented an increase of 57.7% as compared to a loss of HK$201 million in the previous financial year of 2007. The exceptional items mainly represent impairment loss on certain under-utilized fixed assets and intangible assets due to the Discontinuation and the restructuring costs relating to the business with the US Customer. Excluding the exceptional items associated with the Discontinuation, the CCT Tech Group reported an operation loss before taxation of approximately HK$189 million for the year ended 31 December 2008, same as 2007. The operating loss (excluding the exceptional items) of the CCT Tech Group's business was due to the decrease in sales volume and high production costs especially in the first half of 2008.

The loss of the CCT Tech Group before the exceptional items in the second half of 2008 was approximately HK$68 million, representing a decrease in loss of approximately HK$55 million or 44.7% as compared to the loss of HK$123 million in the first half of 2008. The significant improvement in the operating result in the second half signals a positive sign of the CCT Tech Group's efforts in reviving its manufacturing business.

Capital structure and gearing ratio

The CCT Tech Group's gearing ratio, calculated on the basis of the CCT Tech Group's total borrowings over total capital employed (equity plus total borrowings), increased from 17.3% as at 31 December 2007 to approximately 26.5% as at 31 December 2008 as a result of new bank loans raised by the CCT Tech Group and the decrease in equity due to the loss of 2008. Although the gearing ratio increased, it is still maintained at a low level.

After taking into account the cash on hand, the CCT Tech Group did not have any net borrowings and in fact had a positive net cash balance (net of borrowings) of approximately HK$276 million. As at 31 December 2008, the maturity profile of the bank and other borrowings of the CCT Tech Group falling due within one year and in the second to the fifth year amounted to HK$184 million and HK$81 million respectively (31 December 2007: HK$189 million and HK$31 million respectively). All the CCT Tech Group's bank borrowings were borrowed to finance the ordinary business of the CCT Tech Group. There is no material effect of seasonality on the CCT Tech Group's borrowing requirements.

Liquidity and financial resources

The current ratio of the CCT Tech Group changed from 119.6% as at 31 December 2007 to 103.9% as at 31 December 2008, reflecting a healthy liquidity position during the financial turmoil. The slight decrease in the current ratio is partly due to the re-classification of certain bank borrowings to current liability.

Although the CCT Tech Group incurred substantial loss in 2008 (most of which was attributable to non-cash loss), the CCT Tech Group's cash balance was only slightly reduced from HK$561 million as at 31 December 2007 to HK$541 million as at 31 December 2008, of which HK$86 million was pledged for general banking facilities. Almost all of the CCT Tech Group's cash was placed on deposits with licensed banks in Hong Kong.

In view of the CCT Tech Group's current level of cash and bank balances, funds generated internally from operations and the unutilized banking facilities available, the board of CCT Tech is confident that the CCT Tech Group will have sufficient resources to meet its debt repayment and finance its operations during the financial turmoil.

Capital commitments

As at 31 December 2008, the capital commitment of the CCT Tech Group was approximately HK$2 million. The capital commitment will be funded partly by internal resources and partly by bank borrowings.

Treasury management

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

During the year, the CCT Tech Group's receipts were denominated mainly in US dollars, with some in Hong Kong dollars and the Euro. Payments were made mainly in Hong Kong dollars, US dollars and Renminbi and some made in Euros. Cash was generally placed in short-term deposits denominated in Hong Kong dollars and US dollars. The CCT Tech Group's borrowings were principally made on a floating rate basis.

The objective of the CCT Tech Group's treasury policies is to minimize risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. The CCT Tech Group did not have any significant interest rate risk in 2008 as both the borrowings of the CCT Tech Group and the interest rates remained at low levels. In terms of foreign exchange exposures, the CCT Tech Group is principally exposed to two major currencies, namely the US dollar in terms of receipts and the Renminbi in terms of the production costs (including mainly wages and overheads) in the PRC. For US dollar exposure, since the Hong Kong dollar remains pegged to the US dollar, the exchange fluctuation is not expected to be significant. In addition, as most of the CCT Tech Group's purchases are also made in US dollars, which are to be paid out of the CCT Tech Group's sales receipts in US dollars, the management considers that the foreign exchange exposure risk for the US dollar is not material.

For Renminbi exposure, the CCT Tech Group's production costs in the PRC increased in 2008 due to appreciation of Renminbi. The CCT Tech Group will continue to explore ways and methods to hedge future appreciation of Renminbi and will only consider entering into any forward contracts at appropriate costs and pricing.

Acquisition and disposals of material subsidiaries and associates

The CCT Tech Group did not acquire or dispose of any material subsidiaries and associates during the year of 2008.

Significant investment

The CCT Tech Group did not hold any significant investment as at 31 December 2008.

Pledge of assets

As at 31 December 2008, certain of the CCT Tech Group's assets with net book value of HK$475 million and time deposits of approximately HK$86 million were pledged to secure general banking facilities granted to the CCT Tech Group.

Contingent liabilities

As at 31 December 2008, corporate guarantees of HK$960 million were given by CCT Tech to banks in connection with facilities granted to subsidiaries of CCT Tech, of which approximately HK$305 million (31 December 2007: HK$322 million) were utilised.

Employees and remuneration policy

The total number of employees of the CCT Tech Group as at 31 December 2008 was 7,892. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees and persons of the CCT Tech Group. During the year, there were no outstanding share options issued by CCT Tech as at 31 December 2008.

Set out below is the letter from Ernst & Young, the auditors of CCT Telecom, on the unaudited pro forma financial information of the Group and the Enlarged Group together with the unaudited pro forma financial information of the Group and the Enlarged Group in connection with the Transaction of the Company.

安永 ERNST & YOUNG

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

1 June 2009

The Directors
CCT Telecom Holdings Limited

Dear Sirs,

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

We report on the unaudited pro forma financial information of the Group (the "Unaudited Pro Forma Financial Information") set out on pages 230 to 243 in Appendix III to the circular of the Company dated 1 June 2009 (the "Circular") in connection with the very substantial disposal and the possible very substantial acquisition of the Company, 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 Transaction (as defined in the Circular) and the Possible Maximum Increase (as defined in the Circular) 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 230 to 243 to the Circular.

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.

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 Hong Kong Institute of Certified Public Accountants. 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 Transaction and the Possible Maximum Increase actually occurred as at the dates indicated therein or at any future dates; or
- the results and cash flows of the Group for the year ended 31 December 2008 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 2008; 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

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

(1) Unaudited pro forma consolidated balance sheet of the Group

The following is an illustrative and unaudited pro forma consolidated balance sheet of the Group which is prepared based on the audited consolidated balance sheet of the Group as at 31 December 2008, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Transaction on the financial position of the Group as if the Transaction had taken place and the Capital Reorganisation had become effective on 31 December 2008 and assuming no conversion of the Convertible Preference Shares.

The unaudited pro forma consolidated balance sheet has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give true picture of the financial position of the Group had the Transaction been completed and the Capital Reorganisation become effective as at 31 December 2008 or at any future dates.

	The Group as at 31 December 2008 *HK$ million Note (a)*	**Pro forma adjustment**	*Note*	**Unaudited pro forma Group** *HK$ million*
NON-CURRENT ASSETS				
Property, plant and equipment	886			886
Investment properties	171			171
Prepaid land lease payments	213			213
Goodwill	55			55
Interest in an associate	229			229
Available-for-sale financial assets	4			4
Deferred tax assets	1			1
Total non-current assets	1,559			1,559
CURRENT ASSETS				
Inventories	135			135
Property for development	113			113
Property held for sale	87			87
Trade and bills receivables	422			422
Prepayments, deposits and other receivables	256			256
Financial assets at fair value through profit or loss	446			446
Pledged time deposits	89			89
Cash and cash equivalents	786			786
Total current assets	2,334			2,334

	The Group as at 31 December 2008 *HK$ million* *Note (a)*	Pro forma adjustment	*Note*	Unaudited pro forma Group *HK$ million*
CURRENT LIABILITIES				
Trade and bills payables	551			551
Tax payable	29			29
Other payables and accruals	211			211
Derivative financial instruments	47			47
Interest-bearing bank and other borrowings	351			351
Total current liabilities	1,189			1,189
NET CURRENT ASSETS	1,145			1,145
TOTAL ASSETS LESS CURRENT LIABILITIES	2,704			2,704
NON-CURRENT LIABILITIES				
Interest-bearing bank loans an other borrowings	124			124
Deferred tax liabilities	3			3
Total non-current liabilities	127			127
Net assets	2,577			2,577
EQUITY				
Equity attributable to equity holders of the parent				
Issued share capital	85			85
Reserves	2,108			2,108
Proposed final dividend	20			20
Reserves	2,213			2,213
Minority interests	364			364
Total equity	2,577			2,577

Notes to unaudited pro forma consolidated balance sheet of the Group:

(a) The audited consolidated balance sheet of the Group as at 31 December 2008 was extracted from the accountants' report on the Group, which is set out in Appendix I(2) to the Circular.

(b) As the Transaction is regarded as an intra-group transaction, no adjustment is considered necessary to adjust the consolidated balance sheet of the Group as at 31 December 2008 as a result of the Transaction.

(2) Unaudited pro forma consolidated income statement of the Group

The following is an illustrative and unaudited pro forma consolidated income statement of the Group which is prepared based on the audited consolidated income statement of Group for the year ended 31 December 2008, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Transaction on the results of the Group as if the Transaction had taken place and the Capital Reorganisation become effective on 1 January 2008 and assuming no conversion of the Convertible Preference Shares.

The illustrative pro forma consolidated income statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the results of the Group for the year ended 31 December 2008 or any future periods had the Transaction been completed and the Capital Reorganisation become effective on 1 January 2008 or at any future dates.

	The Group Year ended 31 December 2008 *HK$ million Note (a)*	**Pro forma adjustment**	*Note*	**Unaudited pro forma Group** *HK$ million*
REVENUE	2,935			2,935
Cost of sales	(3,066)			(3,066)
Gross loss	(131)			(131)
Other income and gains	42			42
Selling and distribution costs	(45)			(45)
Administrative expenses	(303)			(303)
Other expenses	(432)			(432)
Finance costs	(24)			(24)
Share of loss of an associate	(15)			(15)
	(908)			(908)
Costs in connection with the Discontinuation and restructuring, net	(376)			(376)
LOSS BEFORE TAX	(1,284)			(1,284)
Tax	(5)			(5)
LOSS FOR THE YEAR	(1,289)			(1,289)
Loss attributable to:				
Equity holders of the parent	(1,123)	54	(b)	(1,069)
Minority interests	(166)	(54)	(b)	(220)
	(1,289)			(1,289)

Notes to unaudited pro forma consolidated income statement of the Group:

(a) The audited consolidated income statement of the Group for the year ended 31 December 2008 was extracted from the accountants' report of the Group, which is set out in Appendix I(2) to the Circular.

(b) The adjustment represents the share of the minority shareholders of CCT Tech in the results of the CCT Industrial Group for the year ended 31 December 2008 after Completion.

	HK$ million
Unaudited consolidated loss of the CCT Industrial Group for the year ended 31 December 2008	110
Share of loss of the results of the CCT Industrial Group for the year ended 31 December 2008 by the minority shareholders of CCT Tech after Completion (i.e. HK$110 million x 49.51%)	54

This unaudited pro forma adjustment will have continuing effect on the consolidated income statement of the Group.

(c) The Transaction is considered to be an intra-group transaction of the Group and any gain or loss arising from the Transaction is eliminated in full in the consolidated financial statements of the Group.

(d) No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2008.

(3) Unaudited pro forma consolidated cash flow statement of the Group

The following is an illustrative and unaudited pro forma consolidated cash flow statement of the Group which is prepared based on the audited consolidated cash flow statement of Group for the year ended 31 December 2008, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Transaction on the cash flows of the Group as if the Transaction had taken place on 1 January 2008 and the Capital Reorganisation become effective and assuming no conversion of the Convertible Preference Shares.

The illustrative pro forma consolidated cash flow statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the cash flows of the Group for the year ended 31 December 2008 or any future periods had the Transaction been completed and the Capital Reorganisation become effective on 1 January 2008 or at any future dates.

	The Group Year ended 31 December 2008 *HK$ million Note (a)*	**Pro forma adjustment**	*Note*	**Unaudited pro forma Group** *HK$ million*
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(1,284)			(1,284)
Adjustments for:				
Finance costs	24			24
Share of loss of an associate	15			15
Interest income	(21)			(21)
Depreciation	140			140
Amortisation of prepaid land lease payments	6			6
Amortisation of deferred development costs	24			24
Net impairment of trade receivables	48			48
Write off of other receivable	1			1
Write off and impairment of deferred development costs	35			35
Write off and impairment of items of property, plant and equipment	320			320
Gain on disposal of available-for-sale financial assets	(3)			(3)
Loss on disposal of items of property, plants and equipment	1			1
Fair value loss on investment properties	20			20
Write-down of inventories to net realisable value	17			17
Fair value loss on financial assets at fair value through profit or loss	402			402
Fair value gain on derivative financial instruments	(6)			(6)
	(261)			(261)
Decrease in inventories	71			71
Decrease in trade and bills receivables	247			247
Increase in prepayments, deposits and other receivables	(97)			(97)
Decrease in trade and bills payables, other payables and accruals	(300)			(300)
Cash used in operations	(340)			(340)

	The Group Year ended 31 December 2008 *HK$ million Note (a)*	Pro forma adjustment	*Note*	Unaudited pro forma Group *HK$ million*
Cash used in operations	(340)			(340)
Interest received	21			21
Interest paid	(24)			(24)
Hong Kong profits tax paid	(3)			(3)
PRC tax paid	(4)			(4)
Net cash outflow from operating activities	(350)			(350)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of items of property, plant and equipment	(78)			(78)
Proceeds from disposal of items of property, plants and equipment	14			14
Proceeds from disposal of investment property	37			37
Proceeds from disposal of available-for-sale financial assets	10			10
Additions to intangible assets	(27)			(27)
Net purchase of financial assets at fair value through profit or loss	(532)			(532)
Decrease in derivative financial instruments	(9)			(9)
Deemed disposal of subsidiaries	(31)			(31)
Subscription of convertible bonds issued by an associate	(139)			(139)
Decrease in pledged time deposits	161			161
Net cash outflow from investing activities	(594)			(594)
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank loans	173			173
New trust receipts loans, net	50			50
Repayment of bank loans	(138)			(138)
Capital element of finance lease rental payments	(3)			(3)
Dividend paid	(45)			(45)
Net cash inflow from financing activities	37			37
NET DECREASE IN CASH AND CASH EQUIVALENT	(907)			(907)
Cash and cash equivalents at beginning of year	1,673			1,673
Effect of foreign exchange rate changes, net	20			20
CASH AND CASH EQUIVALENTS AT END OF YEAR	786			786

Notes to unaudited pro forma consolidated cash flow statement of the Group:

(a) The audited consolidated cash flow statement of the Group for the year ended 31 December 2008 was extracted from the accountants' report of the Group, which is set out in Appendix I(2) to the Circular.

(b) The Transaction has no significant impact on the consolidated cash flow statement of the Group.

(B) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) Unaudited pro forma consolidated balance sheet of the Enlarged Group

The following is an illustrative and unaudited pro forma consolidated balance sheet of the Enlarged Group which is prepared based on the audited consolidated balance sheet of the Group as at 31 December 2008, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the possible very substantial acquisition arising from the Possible Maximum Increase on the financial position of the Enlarged Group assuming that the Capital Reorganisation had become effective and the Transaction and the full conversion of the Convertible Preference Shares had taken place on 31 December 2008.

The unaudited pro forma consolidated balance sheet has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give true picture of the financial position of the Enlarged Group had the Transaction and the full conversion of the Convertible Preference Shares taken place and the Capital Reorganisation become effective as at 31 December 2008 or at any future dates.

	Unaudited pro forma Group as at 31 December 2008 *HK$ million Note (a)*	**Pro forma adjustment**	*Note*	**Unaudited pro forma Enlarged Group** *HK$ million*
NON-CURRENT ASSETS				
Property, plant and equipment	886			886
Investment properties	171			171
Prepaid land lease payments	213			213
Goodwill	55			55
Interest in an associate	229			229
Available-for-sale financial assets	4			4
Deferred tax assets	1			1
Total non-current assets	1,559			1,559
CURRENT ASSETS				
Inventories	135			135
Property for development	113			113
Property held for sale	87			87
Trade and bills receivables	422			422
Prepayments, deposits and other receivables	256			256
Financial assets at fair value through profit or loss	446			446
Pledged time deposits	89			89
Cash and cash equivalents	786			786
Total current assets	2,334			2,334

	Unaudited pro forma Group as at 31 December 2008 *HK$ million Note (a)*	Pro forma adjustment	*Note*	Unaudited pro forma Enlarged Group *HK$ million*
CURRENT LIABILITIES				
Trade and bills payables	551			551
Tax payable	29			29
Other payables and accruals	211			211
Derivative financial instruments	47			47
Interest-bearing bank and other borrowings	351			351
Total current liabilities	1,189			1,189
NET CURRENT ASSETS	1,145			1,145
TOTAL ASSETS LESS CURRENT LIABILITIES	2,704			2,704
NON-CURRENT LIABILITIES				
Interest-bearing bank loans an other borrowings	124			124
Deferred tax liabilities	3			3
Total non-current liabilities	127			127
Net assets	2,577			2,577
EQUITY				
Equity attributable to equity holders of the parent				
Issued share capital	85			85
Reserves	2,108	14	(b)	2,122
Proposed final dividend	20			20
Reserves	2,213			2,227
Minority interests	364	(14)	(b)	350
Total equity	2,577			2,577

Notes to unaudited pro forma consolidated balance sheet of the Enlarged Group:

(a) The unaudited pro forma consolidated balance sheet of the Group as at 31 December 2008 was extracted from the unaudited pro forma financial information of the Group under the section headed **"(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP"** in Appendix III to the Circular.

(b) The adjustment represents the unaudited dilution gain arising from the Possible Maximum Increase as if the Transaction and the full conversion of the Convertible Preference Shares had taken place on 31 December 2008. The unaudited dilution gain arising from the Possible Maximum Increase is calculated as below:

	HK$ million
Net assets value of the CCT Tech Group as at 31 December 2008 before Completion	735
Add: net assets value (before deduction of the amount due to CCT Telecom) of the CCT Industrial Group as at 31 December 2008	346
Adjusted net assets value of the CCT Tech Group upon Completion	1,081
Equity interest of CCT Telecom in CCT Tech before the Possible Maximum Increase	50.49%
Equity interest of CCT Telecom in CCT Tech after the Possible Maximum Increase	67.63%

Unaudited gain arising from the Possible Maximum Increase:

	HK$ million
Equity (represented by the adjusted net assets value) of the CCT Tech Group attributable to CCT Telecom after the Possible Maximum Increase (i.e. HK$1,081 million x 67.63%)	731
Less:	
Equity (represented by the net assets value) of the CCT Tech Group attributable to CCT Telecom before the Possible Maximum Increase (i.e. HK$735 million x 50.49%)	(371)
Increase in share of equity (represented by the net assets value) of the CCT Tech Group attributable to the equity holders of CCT Telecom as a result of the Possible Maximum Increase	360
Net assets value (before deduction of the amount due to CCT Telecom) of the CCT Industrial Group as at 31 December 2008	(346)
Dilution gain arising from the Possible Maximum Increase	14

The unaudited dilution gain arising from the Possible Maximum Increase also represents the decrease in the net assets value of the CCT Tech Group attributable to the minority shareholders of CCT Tech after the Possible Maximum Increase.

(2) Unaudited pro forma consolidated income statement of the Enlarged Group

The following is an illustrative and unaudited pro forma consolidated income statement of the Enlarged Group which is prepared based on the audited consolidated income statement of Group for the year ended 31 December 2008, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Transaction on the results of the Enlarged Group due to the Possible Maximum Increase arising from the full conversion of the Convertible Preference Shares, assuming the Transaction and the full conversion of the Convertible Preference Shares had taken place and the Capital Reorganisation become effective on 1 January 2008.

The illustrative pro forma consolidated income statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the results of the Enlarged Group for the year ended 31 December 2008 or any future periods had the Transaction and the full conversion of the Convertible Preference Shares been completed and the Capital Reorganisation become effective on 1 January 2008 or at any future dates.

	Unaudited pro forma Group Year ended 31 December 2008 *HK$ million Note (a)*	**Pro forma adjustments**	*Notes*	**Unaudited pro forma Enlarged Group** *HK$ million*
REVENUE	2,935			2,935
Cost of sales	(3,066)			(3,066)
Gross loss	(131)			(131)
Other income and gains	42	52	(b)	94
Selling and distribution costs	(45)			(45)
Administrative expenses	(303)			(303)
Other expenses	(432)			(432)
Finance costs	(24)			(24)
Share of loss of an associate	(15)			(15)
	(908)			(856)
Costs in connection with the Discontinuation and restructuring, net	(376)			(376)
LOSS BEFORE TAX	(1,284)			(1,232)
Tax	(5)			(5)
LOSS FOR THE YEAR	(1,289)			(1,237)
Loss attributable to:				
Equity holders of the parent	(1,069)	34	(b), (c)	(1,035)
Minority interests	(220)	18	(c)	(202)
	(1,289)			(1,237)

Notes to unaudited pro forma consolidated income statement of the Enlarged Group:

(a) The unaudited pro forma consolidated income statement of the Group for the year ended 31 December 2008 was extracted from the unaudited pro forma financial information of the Group under the section headed **"(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP"** in Appendix III to the Circular.

(b) The adjustment represents the unaudited gain arising from the Possible Maximum Increase as if the Transaction and the full conversion of the Convertible Preference Shares had taken place on 1 January 2008. The unaudited gain on the Possible Maximum Increase is calculated as below:

	HK$ million
Net assets value of the CCT Tech Group as at 1 January 2008 before Completion	1,051
Add: net assets value (before deduction of the amount due to CCT Telecom) of the CCT Industrial Group as at 1 January 2008	395
Adjusted net assets value of the CCT Tech Group upon Completion	1,446
Equity interest of CCT Telecom in CCT Tech before the Possible Maximum Increase	50.49%
Equity interest of CCT Telecom in CCT Tech after the Possible Maximum Increase	67.63%
Unaudited gain arising from the Possible Maximum Increase:	
Equity (represented by the adjusted net assets value) of the CCT Tech Group attributable to equity holders of CCT Telecom after the Possible Maximum Increase (i.e. HK$1,446 million x 67.63%)	978
Less:	
Equity (represented by the net assets value) of the CCT Tech Group attributable to the equity holders of CCT Telecom before the Possible Maximum Increase (i.e. HK$1,051 million x 50.49%)	(531)
Net assets value (before deduction of the amount due to CCT Telecom) of the CCT Industrial Group as at 1 January 2008	(395)
Dilution gain arising from the Possible Maximum Increase	52

This unaudited pro forma adjustment will not have continuing effect on the consolidated income statement of the Enlarged Group.

(c) The adjustment represents the share of result of the minority interests in the CCT Industrial Group for the year ended 31 December 2008 as if the Transaction and the full conversion of the Convertible Preference Shares had taken place at 1 January 2008:

	HK$ million
Unaudited consolidated loss of the CCT Industrial Group for the year ended 31 December 2008	110
Decrease in share of loss of the CCT Industrial Group for the year ended 31 December 2008 by the minority shareholders of CCT Tech (i.e. HK$110 million x (49.51% – 32.37%))	18

This unaudited pro forma adjustment will have continuing effect on the consolidated income statement of the Enlarged Group.

(d) No adjustments have been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2008.

(3) Unaudited pro forma consolidated cash flow statement of the Enlarged Group

The following is an illustrative and unaudited pro forma consolidated cash flow statement of the Enlarged Group which is prepared based on the audited consolidated cash flow statement of Group for the year ended 31 December 2008, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Transaction on the cash flows of the Group due to the Possible Maximum Increase arising from the full conversion of the Convertible Preference Shares, assuming that the Transaction and the full conversion of the Convertible Preference Shares had taken place and the Capital Reorganisation become effective on 1 January 2008.

The illustrative pro forma consolidated cash flow statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the cash flows of the Enlarged Group for the year ended 31 December 2008 or any future periods had the Transaction and the full conversion of the Convertible Preference Shares been completed and the Capital Reorganisation become effective on 1 January 2008 or at any future dates.

	Unaudited pro forma Group Year ended 31 December 2008 *HK$ million Note (a)*	**Pro forma adjustment**	*Note*	**Unaudited pro forma Enlarged Group** *HK$ million*
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(1,284)	52	(b)	(1,232)
Adjustments for:				
Finance costs	24			24
Share of loss of an associate	15			15
Interest income	(21)			(21)
Depreciation	140			140
Amortisation of prepaid land lease payments	6			6
Amortisation of deferred development costs	24			24
Net impairment of trade receivables	48			48
Write off of other receivable	1			1
Write off and impairment of deferred development costs	35			35
Write off and impairment of items of property, plant and equipment	320			320
Gain on disposal of available-for-sale financial assets	(3)			(3)
Loss on disposal of items of property, plants and equipment	1			1
Fair value loss on investment properties	20			20
Write-down of inventories to net realisable value	17			17
Fair value loss on financial assets at fair value through profit or loss	402			402
Dilution gain on disposal arising from the Possible Maximum Increase	—	(52)	(b)	(52)
Fair value gain on derivative financial instruments	(6)			(6)

	Unaudited pro forma Group Year ended 31 December 2008 *HK$ million Note (a)*	Pro forma adjustment	*Note*	Unaudited pro forma Enlarged Group *HK$ million*
	(261)			(261)
Decrease in inventories	71			71
Decrease in trade and bills receivables	247			247
Increase in prepayments, deposits and other receivables	(97)			(97)
Decrease in trade and bills payables, other payables and accruals	(300)			(300)
Cash used in operations	(340)			(340)
Cash used in operations	(340)			(340)
Interest received	21			21
Interest paid	(24)			(24)
Hong Kong profits tax paid	(3)			(3)
PRC tax paid	(4)			(4)
Net cash outflow from operating activities	(350)			(350)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of items of property, plant and equipment	(78)			(78)
Proceeds from disposal of items of property, plants and equipment	14			14
Proceeds from disposal of investment property	37			37
Proceeds from disposal of available-for-sale financial assets	10			10
Additions to intangible assets	(27)			(27)
Net purchase of financial assets at fair value through profit or loss	(532)			(532)
Decrease in derivative financial instruments	(9)			(9)
Deemed disposal of subsidiaries	(31)			(31)
Subscription of convertible bonds issued by an associate	(139)			(139)
Decrease in pledged time deposits	161			161
Net cash outflow from investing activities	(594)			(594)

	Unaudited pro forma Group Year ended 31 December 2008 *HK$ million*	Pro forma adjustment	*Note*	Unaudited pro forma Enlarged Group *HK$ million*
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank loans	173			173
New trust receipts loans, net	50			50
Repayment of bank loans	(138)			(138)
Capital element of finance lease rental payments	(3)			(3)
Dividend paid	(45)			(45)
Net cash inflow from financing activities	37			37
NET DECREASE IN CASH AND CASH EQUIVALENT	(907)			(907)
Cash and cash equivalents at beginning of year	1,673			1,673
Effect of foreign exchange rate changes, net	20			20
CASH AND CASH EQUIVALENTS AT END OF YEAR	786			786

Notes to unaudited pro forma consolidated cash flow statement of the Enlarged Group:

(a) The unaudited pro forma consolidated cash flow statement of the Group for the year ended 31 December 2008 was extracted from the unaudited pro forma financial information of the Group under the section headed **"(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP"** in Appendix III to the Circular.

(b) The adjustment represents the effect on gain arising from the Possible Maximum Increase. For detailed calculation of the gain, please refer to the pro forma adjustment (b) on the unaudited pro forma income statement of the Enlarged Group, which is set out in Appendix III (B)(2). This unaudited pro forma adjustment will not have continuing effect on the consolidated cash flow statement of the Enlarged Group.

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company as at 31 December 2008 (being the date of the latest published audited accounts of the Company) and as at the Latest Practicable Date were as follows:

Authorised:

	Number of the Shares	**Nominal value** *HK$*
As at 31 December 2008 and as at the Latest Practicable Date		
— Shares of par value of HK$0.10 each	2,000,000,000	200,000,000.00

Issued and fully paid:

	Number of the Shares	**Nominal value** *HK$*
Shares in issue as at 31 December 2008	853,614,826	85,361,482.60
Cancellation of the Shares on 11 March 2009 repurchased by the Company by way of an offer as set out in the offer document of the Company dated 23 January 2009	(198,558,635)	(19,855,863.50)
Shares in issue as at the Latest Practicable Date	655,056,191	65,505,619.10

All existing Shares rank equally in all respects, including capital, dividends and voting rights. The Shares in issue are listed on the Stock Exchange. As at the Latest Practicable Date, the Company has no share options outstanding under the share option scheme adopted by the Company on 28 February 2002, warrants, conversion rights or other similar rights giving rights to subscribe for the Shares.

Save as disclosed above, since 31 December 2008 (being the date of the latest published audited accounts of the Company), no Shares or loan capital of the Company has been issued or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms has been granted in connection with the issue or sale of any such capital.

3. SHARE CAPITAL OF CCT TECH

The authorised and issued share capital of CCT Tech as at 31 December 2008 (being the date of the latest published audited accounts of CCT Tech), the Latest Practicable Date, immediately after the Capital Reorganisation becoming effective, immediately after Completion (assuming there will be no change of the shareholding structure between the Latest Practicable Date and the Completion) but before any conversion of the Convertible Preference Shares, and immediately after the issue of the Conversion Shares upon full conversion of the Convertible Preference Shares into the Conversion Shares at the Conversion Ratio, were and will be as follows:

Authorised:

	Number of shares	**Nominal value** *HK$*
As at 31 December 2008 and as at the Latest Practicable Date:		
— shares of CCT Tech of par value of HK$0.01 each	120,000,000,000	1,200,000,000.00
Immediately after the Capital Reorganisation becoming effective:		
— CCT Tech Ordinary Shares of par value of HK$0.01 each	20,536,890,000	205,368,900.00
— Convertible Preference Shares of par value of HK$0.01 each	3,463,110,000	34,631,100.00
Total authorised capital	24,000,000,000	240,000,000.00

Issued and fully paid and to be issued and fully paid or credited as fully paid:

	Number of shares	Nominal value *HK$*
As at 31 December 2008 and as at the Latest Practicable Date:		
— shares in issue of CCT Tech of par value of HK$0.01 each	65,413,993,990	654,139,939.90
Immediately after the Capital Reorganisation becoming effective:		
— CCT Tech Ordinary Shares in issue	6,541,399,399	65,413,993.99
— Convertible Preference Shares in issue	—	—
Total issued capital	6,541,399,399	65,413,993.99
Immediately after Completion:		
— CCT Tech Ordinary Shares in issue	6,541,399,399	65,413,993.99
— Convertible Preference Shares in issue	3,463,110,000	34,631,100.00
Total issued capital	10,004,509,399	100,045,093.99
Immediately after the issue of the Conversion Shares upon full conversion of the Convertible Preference Shares:		
CCT Tech Ordinary Shares in issue before conversion of the Convertible Preference Shares	6,541,399,399	65,413,993.99
Issue of the CCT Tech Ordinary Shares upon full conversion of the Convertible Preference Shares	3,463,110,000	34,631,100.00
CCT Tech Ordinary Shares in issue after full conversion of the Convertible Preference Shares	10,004,509,399	100,045,093.99
Convertible Preference Shares in issue before conversion of the Convertible Preference Shares	3,463,110,000	34,631,100.00
Full conversion of the Convertible Preference Shares	(3,463,110,000)	(34,631,100.00)
Convertible Preference Shares in issue after full conversion of the Convertible Preference Shares	—	—

All shares of CCT Tech, the CCT Tech Existing Shares, the CCT Tech Ordinary Shares and the Conversion Shares to be issued rank equally in all respects, including capital, dividends and voting rights. The CCT Tech Existing Shares in issue are currently listed on the Stock Exchange. As at the

Latest Practicable Date, there are no outstanding share options under the share option scheme of CCT Tech adopted on 17 September 2002 and took effect on 7 November 2002, warrants, conversion rights or other similar rights giving rights to subscribe for the unissued existing shares of CCT Tech.

Save as disclosed above, since 31 December 2008 (being the date of the latest published audited accounts of CCT Tech), no shares or loan capital of CCT Tech has been issued or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms has been granted in connection with the issue or sale of any such capital.

4. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the shares and the underlying shares of the convertible preference shares and/or the share options 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:

(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 interested and nature of interest				Approximate percentage of the total issued share capital *(%)*
	Personal	**Family**	**Corporate**	**Total**	
Mak Shiu Tong, Clement *(Note 1)*	715,652	—	294,775,079	295,490,731	45.11
Tam Ngai Hung, Terry	500,000	—	—	500,000	0.08
Cheng Yuk Ching, Flora *(Note 2)*	14,076,713	160,000	—	14,236,713	2.17
William Donald Putt	591,500	—	—	591,500	0.09

Notes:

1. *Included in the shareholdings in which Mr. Mak Shiu Tong, Clement 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 Shiu Tong, Clement 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 the convertible preference shares of an associated corporation — CCT Tech as at the Latest Practicable Date

(i) Long positions in the CCT Tech Existing Shares:

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

Note: Included in the shareholdings in which Mr. Mak Shiu Tong, Clement was interested, 33,026,391,124 CCT Tech Existing Shares were held by the Company through its indirect wholly-owned subsidiaries. Mr. Mak Shiu Tong, Clement is deemed to be interested in such CCT Tech Existing 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 the Company.

(ii) Long positions in the underlying shares of the Convertible Preference Shares:

Name of the Director	Description of equity derivatives	Number of the total underlying shares	Approximate percentage of the total issued share capital *(%)*
Mak Shiu Tong, Clement *(Note 1)*	Convertible Preference Shares	34,631,100,000 *(Note 2)*	52.94

Notes:

1. *The underlying shares of the Convertible Preference Shares in which Mr. Mak Shiu Tong, Clement was interested will be held by the Company through its indirect wholly-owned subsidiaries upon Completion. Mr. Mak Shiu Tong, Clement is deemed to be interested in such interest of the underlying shares of the Convertible Preference 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 the Company.*

2. *Being number of the underlying shares of the Convertible Preference Shares before the proposed Share Consolidation becoming effective.*

(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	
Mak Shiu Tong, Clement *(Note)*	19,344,000	2,031,764,070	2,051,108,070	48.80
Tam Ngai Hung, Terry	7,500,000	—	7,500,000	0.18

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

(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 *(%)*
Mak Shiu Tong, Clement	14/8/2006	14/8/2006 – 13/8/2011	0.038	22,500,000	22,500,000	0.54
Tam Ngai Hung, Terry	14/8/2006	14/8/2006 – 13/8/2011	0.038	18,000,000	18,000,000	0.43
Cheng Yuk Ching, Flora	14/8/2006	14/8/2006 – 13/8/2011	0.038	5,000,000	5,000,000	0.12
William Donald Putt	14/8/2006	14/8/2006 – 13/8/2011	0.038	5,000,000	5,000,000	0.12

(b) Particulars of the Directors' other interests

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with the Company or any other member of the Enlarged Group (excluding contracts expiring or determinable by the Company or any member of the Enlarged Group within one year without payment of compensation, other than statutory compensation).

(c) Save as disclosed above, as at the Latest Practicable Date

(i) none of the Directors and the chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO

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

(ii) none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2008, being the date of the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group; and

(iii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group which contract or arrangement was subsisting and which was significant in relation to the business of the Enlarged Group taken as a whole.

(d) 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, or directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any other member of the Enlarged Group:

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	14.79
New Capital Industrial Limited *(Note)*	171,357,615	26.16

Note: Capital Force International Limited and New Capital Industrial Limited are corporations controlled by Mr. Mak Shiu Tong, Clement, whose interests in such Shares has also been disclosed under the sub-section headed "Directors' interests and short positions in the shares and the underlying shares of the convertible preference shares and/or the share options 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, or directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any other member of the Enlarged Group.

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration 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 Enlarged Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group.

7. EXPERT AND CONSENT

(i) The following is the qualification of the expert who has given opinions and advice which are contained in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants

(ii) Ernst & Young does not have any shareholding, directly or indirectly, in the Company or any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any member of the Enlarged Group;

(iii) Ernst & Young has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or reference to its name in the form and context in which it appears; and

(iv) Ernst & Young does not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to the Company or any member of the Enlarged Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group since 31 December 2008, the date to which the latest published audited financial statements of the Group were made up.

8. MATERIAL ADVERSE CHANGE

The Directors have confirmed that there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2008, being the date to which the latest published audited financial statements of the Group were made up, up to the Latest Practicable Date.

The Transaction and the Possible Maximum Increase will not have any adverse effect on the operation, liquidity and financial resources, and capital structure of the Enlarged Group.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Enlarged Group) have been entered into by the Enlarged 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 Agreement (including the agreement dated 29 April 2009, the supplemental agreement dated 7 May 2009 and the second supplemental agreement dated 27 May 2009 entered into between the Company and CCT Tech in relation to the Transaction);

(ii) the placing and subscription agreement dated 13 November 2007 entered into between the vendors including Manistar Enterprises Limited (''Manistar'', a wholly-owned subsidiary of the Company) and three employees of a subsidiary of 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;

(iii) 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;

(iv) 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

(v) 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 subscription of convertible bonds by Manistar and the issue of convertible bonds by CCT Resources to Manistar (the "Manistar CB").

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

(c) 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.

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

11. DOCUMENTS AVAILABLE FOR INSPECTION

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

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

(b) the memorandum and articles of association of CCT Industrial;

(c) the letter from the Board, the text of which is set out on pages 7 to 23 of this circular;

(d) the accountants' report on the Group, the text of which is set out in Appendix I to this circular, and the related statement of adjustments;

(e) the unaudited pro forma financial information of the Group and the Enlarged Group, the text of which is set out in Appendix III to this circular;

(f) the letter of consent from Ernst & Young referred to under the section headed "Expert and Consent" in this appendix;

(g) the annual reports of the Company for the two financial years ended 31 December 2007 and 2008;

(h) the material contracts referred to in the section headed "Material Contracts" in this appendix; and

(i) this circular.

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 the shareholders of CCT Telecom Holdings Limited (the "**Company**") will be held at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong on Monday, 29 June 2009 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(A) the agreement dated 29 April 2009 (the "**Agreement**") as amended by the supplemental agreement dated 7 May 2009 (the "**First Supplemental Agreement**") and the second supplemental agreement dated 27 May 2009 (the "**Second Supplemental Agreement**") between (1) the Company; and (2) CCT Tech International Limited ("**CCT Tech**") (a copy of which is tabled at the meeting and marked "A", "B" and "C" respectively and initialled by the chairman of the meeting for identification purpose), pursuant to which the Company conditionally agreed to sell and CCT Tech conditionally agreed to acquire the entire issued share capital of CCT Industrial Products Holdings Limited ("**CCT Industrial**") (a direct wholly-owned subsidiary of the Company) and the interest-free shareholder's loan due from CCT Industrial to the Company (the "**Disposal**"), at a total consideration of HK$346,311,000 which is to be satisfied by the allotment and issue of an aggregate of 3,463,110,000 convertible preference shares of par value of HK$0.01 each of CCT Tech (the "**Convertible Preference Share(s)**") (having the rights and benefits and subject to the restrictions as set out in item (B) below of this resolution as set out in this notice) as to 1,731,555,000 Convertible Preference Shares in favour of Expert Success International Limited (an indirect wholly-owned subsidiary of the Company) and as to 1,731,555,000 Convertible Preference Shares in favour of CCT Assets Management Limited (an indirect wholly-owned subsidiary of the Company), credited as fully paid at the subscription price of HK$0.10 each which shall be convertible into the ordinary shares of par value of HK$0.01 each of CCT Tech (the "**CCT Tech Ordinary Share(s)**") on a one to one basis, subject to the adjustment to conversion as set out in item (B) below of this resolution as set out in this notice, subject to the terms and conditions of the Agreement as amended by the First Supplemental Agreement and the Second Supplemental Agreement, the execution of the Agreement, the First Supplemental Agreement and the Second Supplemental Agreement, be and is hereby approved, ratified and confirmed; and that all transactions contemplated under the Agreement as amended by the First Supplemental Agreement and the Second Supplemental Agreement, including the Disposal, which constitute a very substantial disposal for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), be and are hereby approved;

(B) the Convertible Preference Shares shall carry equal rights and rank pari passu with one another and each Convertible Preference Share shall have the rights and benefits and subject to the restrictions as follows:

1. Dividend, bonus issue and distribution

   Holders of the Convertible Preference Shares shall not be entitled to any dividend payment or any distribution (including bonus issue) of CCT Tech.

2. Transferrability

   The Convertible Preference Shares are freely transferrable. Any transfer shall be in compliance with the bye-laws of CCT Tech (the "**CCT Tech Bye-laws**"), applicable laws and regulatory requirements, including the rules of any stock exchange on which the securities of CCT Tech are listed.

3. Conversion

   3.1 Subject to paragraph 3.2 below, holders of the Convertible Preference Shares shall have the right (the "**Conversion Right**") to convert the Convertible Preference Shares into the CCT Tech Ordinary Shares at the conversion ratio of one Convertible Preference Share convertible into one CCT Tech Ordinary Share (the "**Conversion Ratio**"), subject to adjustment in the manner provided in paragraph 4 below, on a day other than a Saturday, Sunday or a public holiday during which banks are regularly open for business in Hong Kong (the "**Business Day**") at any time after the issue of the Convertible Preference Shares.

   3.2 If the issue of the CCT Tech Ordinary Shares following the exercise of the Conversion Right by a holder of the Convertible Preference Shares would result in CCT Tech not meeting the requirement under the Listing Rules applicable to CCT Tech that not less than 25% or the minimum percentage as set out in the Listing Rules from time to time shall be held by the public (the "**Public Float Requirement**") immediately after the conversion, then the number of CCT Tech Ordinary Shares to be issued pursuant to such conversion shall be limited to the maximum number of CCT Tech Ordinary Shares issuable by CCT Tech which would not result in a breach of the Public Float Requirement and the balance of the Conversion Right attached to the Convertible Preference Shares which the holder of the Convertible Preference Shares sought to convert shall be suspended until such time when CCT Tech is able to issue new CCT Tech Ordinary Shares in satisfaction of the exercise of the said balance of the Conversion Right in compliance with the Public Float Requirement.

   3.3 The Conversion Right may, subject as provided herein, be exercised by a holder of the Convertible Preference Shares delivering, at its own expense, during normal business hours on a Business Day to the principal place of business of CCT Tech in Hong Kong a notice (the "**Conversion Notice**") duly completed and signed stating the intention of such holder to convert and the address in Hong Kong for the delivery of the certificate(s) for the CCT Tech Ordinary Shares arising from such conversion together with the original certificate(s) of the Convertible Preference Shares. CCT Tech shall be

responsible for payment of all taxes and stamp, issue and registration fees and duties (if any), and the levies and charges (if any) of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") arising on any such conversion. A Conversion Notice once delivered shall be irrevocable.

3.4 The CCT Tech Ordinary Shares arising from the conversion shall be allotted and issued by CCT Tech, credited as fully paid, to the holder of the relevant Convertible Preference Shares or its nominee(s) as it may in writing direct on the day on which the Conversion Notice is given to CCT Tech, and CCT Tech shall within 21 Business Days thereafter issue certificate(s) for the relevant CCT Tech Ordinary Shares to which the holder of the relevant Convertible Preference Shares or such person as it may direct shall become entitled on exercise of its Conversion Right in board lots with one certificate for any odd lot of CCT Tech Ordinary Shares arising from the conversion (unless otherwise directed by the relevant holder) and shall deliver such certificate(s) to the relevant holder at the address in Hong Kong set out in the Conversion Notice (or, in the absence of such address in the Conversion Notice, the registered address of such holder) and, if applicable, a new certificate for any unconverted Convertible Preference Shares.

3.5 Conversion of the Convertible Preference Shares shall be effected in such manner as the directors of CCT Tech shall subject to the CCT Tech Bye-laws and to any other applicable laws and regulations, from time to time determine provided that no conversion shall take place if to do so would result in the CCT Tech Ordinary Shares arising from the conversion being issued at a price below their nominal value as at the date of the conversion.

3.6 CCT Tech Ordinary Shares arising on conversion shall carry the right to receive all dividends and other distributions declared, made or paid upon the CCT Tech Ordinary Shares by reference to any record date on or after the date of surrender of the certificate(s) for the Convertible Preference Shares and the delivery of the Conversion Notice and shall rank pari passu in all other respects and form one class with the CCT Tech Ordinary Shares then in issue and fully paid.

3.7 Until such time as all Convertible Preference Shares have been converted to CCT Tech Ordinary Shares, CCT Tech shall:

(a) at all times keep available for issue and free of all liens, charges, options, mortgages, pledges, claims, equities, encumbrances and other third-party rights of any nature, and not subject to any pre-emptive rights out of its authorised but unissued share capital such number of authorised but unissued CCT Tech Ordinary Shares as would enable all Convertible Preference Shares to be converted to CCT Tech Ordinary Shares and any other rights of conversion into, subscription for or exchange into CCT Tech Ordinary Shares to be satisfied in full; and

(b) use its best endeavours to maintain the listing of the CCT Tech Ordinary Shares on the Main Board of the Stock Exchange.

4. Adjustment to conversion

4.1 If while any of the Convertible Preference Shares remain outstanding, CCT Tech shall subdivide or consolidate the CCT Tech Ordinary Shares, the Conversion Ratio applicable to any subsequent conversion shall in the case of a subdivision be increased or in the case of a consolidation be reduced proportionately.

4.2 Save as provided in paragraph 4.1, no adjustment will be made to the Conversion Ratio as a result of any other changes to the share capital of CCT Tech, including without limitation, to the generality of the foregoing, any bonus issue, scrip dividend or other distribution and any rights issue or other issue of shares, options to subscribe for or any other securities convertible into CCT Tech Ordinary Shares.

4.3 Any adjustment to the Conversion Ratio shall be made to the nearest whole number such that in the event of any fraction of a whole number of CCT Tech Ordinary Shares in the case of a conversion, such fraction shall be rounded down to the nearest whole number of CCT Tech Ordinary Shares.

4.4 Whenever the Conversion Ratio is adjusted as herein provided, CCT Tech shall as soon as possible but no later than 28 days of the event giving rise to such adjustment give written notice to the holders of the Convertible Preference Shares that the Conversion Ratio has been adjusted (setting out brief particulars of the event giving rise to the adjustment, the Conversion Ratio in effect prior to such adjustment, the adjusted Conversion Ratio and the effective date thereof) and such notice shall be conclusive and binding.

5. Non-redemption

Without prejudice to the power of CCT Tech to purchase its shares in accordance with the CCT Tech Bye-laws, the Convertible Preference Shares are non-redeemable once issued.

6. Voting rights

Without prejudice to the sub-paragraph below, holders of the Convertible Preference Shares shall be entitled to receive notices of and attend any general meetings of CCT Tech but shall not be entitled to vote at such general meetings of CCT Tech unless:

6.1 the resolution in question, which if passed would (subject to any consents required for such purpose being obtained) vary or abrogate the rights or privileges of the holders of the Convertible Preference Shares; or

6.2 the resolution in question relates to the dissolution or winding-up of CCT Tech,

in which event the Convertible Preference Shares shall confer on the holders thereof the right to participate and vote (either in person or by proxy) at that general meeting on an ''as-converted-to-CCT Tech Ordinary Share'' basis at the time of the relevant general meeting.

7. Rights in liquidation

On a return of capital in liquidation or otherwise the assets of CCT Tech available for distribution among the members of CCT Tech shall be applied as follows:

7.1 firstly, towards payment to the holders of the Convertible Preference Shares of an amount equal to the aggregate of the amounts paid up or credited as paid up on all the outstanding Convertible Preference Shares (pro rata to the aggregate of the nominal amount of the Convertible Preference Shares held by each such holder); and

7.2 secondly, the balance of such assets shall belong to and be distributed among the holders of the CCT Tech Ordinary Shares and other classes of shares of CCT Tech currently or to be created in future in the capital of CCT Tech. Holders of the Convertible Preference Shares shall not have the right to participate in such remaining assets.

8. Listing

No listing of the Convertible Preference Shares will be sought on the Stock Exchange or on any other stock exchanges. Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the CCT Tech Ordinary Shares which may fall to be issued upon the exercise of the Conversion Right attaching to the Convertible Preference Shares;

(C) the possible maximum increase of the percentage of the Company's shareholdings in CCT Tech arising from the conversion of the Convertible Preference Shares into the CCT Tech Ordinary Shares which constitutes a possible very substantial acquisition (the "**Possible Very Substantial Acquisition**") for the Company under the Listing Rules be and is hereby approved; and

(D) any one director of the Company, or any two directors of the Company if affixation of the common seal of the Company is necessary, be and is/are hereby authorised to execute all such other document, instrument and agreement (if any) and do all such acts and things and to take all such steps which in his/her/their opinion, may be necessary, appropriate, desirable or expedient to give effect to or in connection with the matters contemplated in and for completion of the Agreement as amended by the First Supplemental Agreement and the Second Supplemental Agreement, the Disposal, the Possible Very Substantial Acquisition and the transactions contemplated therein and to agree to any variation, amendment, supplement or waiver of matters relating thereto as is/are, in his/her/their opinion, in the interest of the Company, to the extent that such variation, amendment, supplement or waiver does/do not constitute material changes to the material terms of the transactions contemplated under the Agreement as amended by the First Supplemental Agreement and the Second Supplemental Agreement."

By Order of the Board of
CCT TELECOM HOLDINGS LIMITED
Mak Shiu Tong, Clement
Chairman

Hong Kong, 1 June 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 websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and 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.*