THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

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CCT TELECOM HOLDINGS LIMITED

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

(Stock Code: 00138)

CONDITIONAL CASH OFFER BY VC BROKERAGE LIMITED ON BEHALF OF CCT TELECOM HOLDINGS LIMITED TO REPURCHASE UP TO 80,000,000 SHARES AT HK$1.00 PER SHARE AND APPLICATION FOR WHITEWASH WAIVER

Financial adviser to the Company

VC CAPITAL LIMITED
滙盈融資有限公司

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

第一上海
FIRST SHANGHAI GROUP

First Shanghai Capital Limited

A letter from the board of directors of the Company is set out on pages 5 to 16 of this document. A letter from VC Brokerage Limited containing, among other things, the details of the terms of the Offer is set out on pages 17 to 25 of this document. A letter from the Independent Board Committee (as defined herein) to the Independent Shareholders (as defined herein) containing its recommendations in respect of the Offer and the Whitewash Waiver (as defined herein) is set out on pages 26 to 27 of this document. A letter from First Shanghai Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Offer and the Whitewash Waiver is set out on pages 28 to 46 of this document.

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

A notice convening the SGM (as defined herein) to be held at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong at 10:00 a.m. on Wednesday, 18 November 2009 is set out on pages 182 to 183 of this document. A form of proxy for use at the SGM is enclosed herein. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but, in any event, not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be). Such form of proxy for use at the SGM is also published on the HKExnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.cct.com.hk). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or at any adjourned meeting (as the case may be) in person should you so wish.

29 October 2009

CONTENTS

Page

Expected timetable ii

Definitions 1

Letter from the Board 5

Letter from VC Brokerage 17

Letter from the Independent Board Committee 26

Letter from First Shanghai 28

Appendix I — Principal terms of the Offer 47

Appendix II — Financial information of the Group 60

Appendix III — Comfort letter 147

Appendix IV — Property valuation report 149

Appendix V — General information 168

Notice of the SGM 182

Accompanying documents

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

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

Offer Period begins	Thursday, 8 October 2009
Despatch of the Offer Document and notice of the SGM	on or before Thursday, 29 October 2009
Latest time to lodge form of proxy for the SGM	10:00 a.m. on Monday, 16 November 2009
SGM	10:00 a.m. on Wednesday, 18 November 2009
Announcement of the results of the SGM and whether the Offer has become unconditional	Wednesday, 18 November 2009
Latest time for lodging acceptance of the Offer and latest time for determining Shareholders' entitlement to participate in the Offer based on the records of the Register *(Notes 1 and 2)*	4:00 p.m. on Wednesday, 2 December 2009
Closing date of the Offer	Wednesday, 2 December 2009
Announcement of the results of the Offer to be posted on the Stock Exchange's website	not later than 7:00 p.m. on Wednesday, 2 December 2009
Despatch of cheques to the Accepting Shareholders and, if applicable, return of share certificates and/or other document(s) of title for those Shares or the balance of those Shares tendered but not repurchased under the Offer to be made on or before	Friday, 11 December 2009

Notes:

1. *Assuming that the resolution to approve the Offer and the Whitewash Waiver will be approved by the Independent Shareholders and become unconditional on 18 November 2009, being the date of the SGM.*

2. *In order to accept the Offer, Qualifying Shareholders are required to submit to the Registrar the duly completed Form of Acceptance in accordance with the instructions as set out in the Offer Document and on the Form of Acceptance (which instructions form part of the terms and conditions of the Offer) on or before 4:00 p.m. on Wednesday, 2 December 2009.*

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

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

"Accepting Shareholder(s)"	Qualifying Shareholder(s) accepting the Offer;
"acting in concert"	has the meaning ascribed to it under the Takeovers Code;
"Announcement"	the announcement of the Company dated 8 October 2009 in relation to the Offer and the application for the Whitewash Waiver;
"Assured Entitlement"	the minimum number of Shares which will be repurchased pursuant to the Offer from each Qualifying Shareholder, taking into account the number of Shares which Mr. Mak (for himself and parties acting in concert with him), Mr. Tam and Dr. Putt have undertaken not to accept the Offer;
"Board"	the board of Directors;
"Business Day"	a day (other than Saturdays, Sundays and public holidays) on which licensed banks are open for business in Hong Kong;
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;
"CCT Resources"	CCT Resources Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange and an associated corporation of the Company;
"CCT Tech"	CCT Tech International Limited, a company listed on the Main Board of the Stock Exchange and a non wholly-owned subsidiary of the Company;
"Company"	CCT Telecom Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda as an exempted company with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
"Conditions"	the conditions as set out under the section headed "Conditions of the Offer" in the letter from VC Brokerage to which the Offer is subject;
"Director(s)"	the director(s) of the Company;
"Dr. Putt"	Dr. William Donald Putt, an executive Director;
"Excess Tenders"	Shares tendered for acceptance of the Offer by the relevant Qualifying Shareholder in excess of his/her Assured Entitlement;

"Excluded Shareholder(s)"	any overseas Shareholder(s) whose address, as shown on the Register at the close of the Offer, is outside Hong Kong and located in a jurisdiction the laws of which prohibit the making of the Offer to such Shareholders or otherwise require the Company to comply with additional requirements which are (in the opinion of the Directors, but subject to the prior consent of the Executive) unduly onerous or burdensome, having regard to the number of Shareholders involved in that jurisdiction and their shareholdings in the Company;
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director;
"First Shanghai"	First Shanghai Capital Limited, a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Offer and the Whitewash Waiver;
"Form of Acceptance"	the form of acceptance to be issued with the Offer Document to the Qualifying Shareholders for use by such persons in connection with the Offer;
"Group"	the Company and its subsidiaries from time to time;
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	an independent committee of the Board, comprising all the independent non-executive Directors who have no interest in the Offer and the Whitewash Waiver, namely Mr. Tam King Ching, Kenny, Mr. Lau Ho Man, Edward and Mr. Chen Li, which has been formed to advise the Independent Shareholders in respect of the Offer and the Whitewash Waiver;
"Independent Shareholders"	Shareholders who are not involved or interested in the Whitewash Waiver, being Shareholders other than Mr. Mak and parties acting in concert with him and the Shareholding Directors;
"Last Trading Day"	6 October 2009, being the last trading day prior to suspension of trading in the Shares on 7 October 2009, pending the issue of the Announcement;

"Latest Acceptance Time"	the latest time for receipt by the Registrar of the Form of Acceptance submitted by the Qualifying Shareholders, being 4:00 p.m. on Wednesday, 2 December 2009, or such later date as the Company may announce in accordance with the requirements of the Takeovers Code;
"Latest Practicable Date"	27 October 2009, being the latest practicable date for the purpose of ascertaining certain information contained herein;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Maximum Number"	the maximum number of Shares to be repurchased pursuant to the Offer, being an aggregate of 80,000,000 Shares, representing approximately 12.21% of the issued share capital of the Company of 655,056,191 Shares as at the Latest Practicable Date;
"Mr. Mak"	Mr. Mak Shiu Tong, Clement, the Chairman and the Chief Executive Officer of the Company and a substantial Shareholder;
"Mr. Tam"	Mr. Tam Ngai Hung, Terry, an executive Director;
"Offer"	a conditional cash offer by VC Brokerage on behalf of the Company to repurchase Shares at the Offer Price from all Qualifying Shareholders, subject to the Maximum Number;
"Offer Document"	this document, together with the notice of the SGM, the form of proxy for voting at the SGM and the Form of Acceptance to be issued in connection with the Offer;
"Offer Period"	has the meaning ascribed to it under the Takeovers Code and commencing from the date of the Announcement, being 8 October 2009;
"Offer Price"	HK$1.00 per Share;
"PRC"	the People's Republic of China;
"Qualifying Shareholder(s)"	Shareholders, other than the Excluded Shareholder(s), Mr. Mak and parties acting in concert with him, Mr. Tam and Dr. Putt, whose names appear on the Register at the close of the Offer;
"Register"	the register of members of the Company;
"Registrar"	Tricor Tengis Limited, being the Hong Kong branch share registrar and transfer office of the Company, whose address is situated at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong;

"Repurchase Code"	the Code on Share Repurchases;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	the special general meeting of the Company to be convened at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong at 10:00 a.m. on Wednesday, 18 November 2009 to consider and, if thought fit, approve the ordinary resolution in connection with the Offer and the Whitewash Waiver;
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	registered holder(s) of the Share(s);
"Shareholding Directors"	Mr. Tam, Ms. Cheng Yuk Ching, Flora and Dr. Putt, being Directors who held Shares as at the Latest Practicable Date;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Surplus Shares"	being 80,000,000 Shares less the aggregate of the Shares in respect of which the Offer is accepted by the Accepting Shareholders which are within their respective Assured Entitlement;
"Takeovers Code"	the Code on Takeovers and Mergers;
"US"	the United States of America;
"US$"	United States dollar(s), the lawful currency of US;
"VC Brokerage"	VC Brokerage Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, which is making the Offer on behalf of the Company;
"VC Capital"	VC Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Company in respect of the Offer;
"Whitewash Waiver"	a waiver by the Executive in respect of the obligations of Mr. Mak and parties acting in concert with him to make a mandatory general offer for all the Shares not already owned by him/them under Rule 26.1 of the Takeovers Code, which may otherwise arise as a result of the completion of the Offer; 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

29 October 2009

To the Shareholders

Dear Sir or Madam,

CONDITIONAL CASH OFFER BY VC BROKERAGE LIMITED ON BEHALF OF CCT TELECOM HOLDINGS LIMITED TO REPURCHASE UP TO 80,000,000 SHARES AT HK$1.00 PER SHARE AND APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

On 8 October 2009, the Board announced that an offer would be made by VC Brokerage on behalf of the Company to repurchase for cancellation, subject to the Conditions, up to the Maximum Number, being 80,000,000 Shares, representing approximately 12.21% of the existing issued share capital of the Company as at the Latest Practicable Date, at the price of HK$1.00 per Share. The Offer, if accepted in full, will result in the Company paying HK$80 million to the Accepting Shareholders. The consideration for the Offer will be paid in cash and will be financed by the internal resources of the Group.

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

Shanghai containing its advice to the Independent Board Committee and the Independent Shareholders as to whether the Offer and the Whitewash Waiver are fair and reasonable and as to acceptance and voting; and (iv) a notice of the SGM to approve the Offer and the Whitewash Waiver.

The Form of Acceptance accompanying the Offer Document is for use only by Qualifying Shareholders who wish to accept the Offer.

THE OFFER

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

The Offer is also subject to the Conditions referred to under the section headed "Conditions of the Offer" in the letter from VC Brokerage, as set out on pages 17 to 25 of the Offer Document.

THE OFFER PRICE

The Offer Price of HK1.00 per Share values the entire existing issued share capital of the Company as at the Latest Practicable Date at approximately HK$655.1 million.

The Offer Price represents:

— a premium of approximately 17.65% to the closing price of the Shares of HK$0.850 as quoted on the Stock Exchange on the Last Trading Day;

— a premium of approximately 20.48% to the average closing price of the Shares of approximately HK$0.830 as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

— a premium of approximately 21.07% to the average closing price of the Shares of approximately HK$0.826 as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;

— a premium of approximately 23.76% to the average closing price of the Shares of approximately HK$0.808 as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day;

— the closing price of the Shares of HK$1.000 as quoted on the Stock Exchange on the Latest Practicable Date (which closing price, for the purposes of certain overseas regulations, represents a fair estimate of the value of the Shares as at the date of the Offer Document on the basis that the Latest Practicable Date is the latest date on which the value of the Shares could be ascertained prior to the printing of the Offer Document); and

— a discount of approximately 68.97% to the Group's net asset value per Share of approximately HK$3.223 (being Shareholders' funds of approximately HK$2,111 million as at 30 June 2009 divided by 655,056,191 Shares as at the Latest Practicable Date) pursuant to the latest unaudited consolidated accounts of the Company as at 30 June 2009.

At the Offer Price, the Offer, if accepted in full, will result in the Company paying HK$80 million to the Accepting Shareholders. The consideration for the Offer will be paid in cash and will be financed by the internal resources of the Group. VC Capital is satisfied that the Company has sufficient financial resources to enable it to satisfy acceptances of the Offer in full.

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

WHITEWASH WAIVER

As at the Latest Practicable Date, Mr. Mak and parties acting in concert with him were interested in 295,490,731 Shares, representing approximately 45.11% of the existing issued share capital of the Company. Pursuant to Rule 6 of the Repurchase Code, if as a result of a share repurchase, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

Depending on the level of acceptance received from the Accepting Shareholders pursuant to the Offer, the interests of Mr. Mak and parties acting in concert with him may increase from its current level of approximately 45.11% to a maximum level of approximately 51.38% upon completion of the Offer, thereby triggering an obligation under Rule 26 of the Takeovers Code for Mr. Mak and parties acting in concert with him to make a mandatory general offer for all the Shares not already owned by Mr. Mak and parties acting in concert with him. Consequently, an application has been made to the Executive by Mr. Mak for the Whitewash Waiver. The Executive has indicated that the Whitewash Waiver will be granted, subject to the approval of the Whitewash Waiver by the Independent Shareholders taken by way of poll at the SGM. If the Whitewash Waiver is granted and if, upon completion of the Offer, the interests of Mr. Mak and parties acting in concert with him exceed 50% of the voting rights of the Company, Mr. Mak and companies in which Mr. Mak has statutory control, namely, Capital Force International Limited, New Capital Industrial Limited and Capital Winner Investments Limited, can in the future increase their holding in the Shares without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer. However, there may be circumstances where there are changes in the make-up of the group consisting of Mr. Mak and parties acting in concert with him and holdings in each party of this group may change from time to time. This being the case, any party in this group holding less than 50% of the issued share capital of the Company may incur an obligation to make a general offer under Rule 26.1 of the Takeovers Code upon further acquisition of the Shares by any of them unless a waiver from the Executive is granted.

The Offer will be conditional upon approval by the Independent Shareholders voting by way of poll at the SGM and the Whitewash Waiver being granted by the Executive, which would also be subject to the approval by the Independent Shareholders taken by way of poll at the SGM. **The Offer is**

subject to all of the Conditions being fulfilled in full. If the Whitewash Waiver is not granted by the Executive, or if the resolution to approve the Offer and the Whitewash Waiver is not approved by the Independent Shareholders, the Offer will not proceed and will immediately lapse. In such an event, the Company will make an announcement in accordance with the Takeovers Code and send a notice of lapse of the Offer to the Shareholders.

CHANGES IN SHAREHOLDING STRUCTURE

The table below shows the Company's shareholding structure as at the Latest Practicable Date and the shareholding structure assuming that (i) the Qualifying Shareholders will accept the Offer in full (taken into account the fact that Mr. Mak (for himself and parties acting in concert with him), Mr. Tam and Dr. Putt have irrevocably undertaken to the Company not to accept the Offer); and (ii) no additional Shares will be issued from the Latest Practicable Date up to and including completion of the Offer:

Name of the Shareholders	**As at the Latest Practicable Date**		**Immediately after completion of the Offer**	
	Number of Shares	*Approx. %*	*Number of Shares*	*Approx. %*
Mr. Mak and parties acting in concert with him				
Mr. Mak *(Note 1)*	715,652	0.11	715,652	0.12
Capital Force International Limited *(Note 2)*	96,868,792	14.79	96,868,792	16.85
New Capital Industrial Limited *(Note 2)*	171,357,615	26.16	171,357,615	29.80
Capital Winner Investments Limited *(Note 2)*	26,548,672	4.05	26,548,672	4.61
Sub-total	**295,490,731**	**45.11**	**295,490,731**	**51.38**
Mr. Tam *(Note 1)*	500,000	0.08	500,000	0.09
Cheng Yuk Ching, Flora *(Notes 1 and 3)*	14,236,713	2.17	11,059,531	1.92
Dr. Putt *(Note 1)*	591,500	0.09	591,500	0.10
Sub-total	**15,328,213**	**2.34**	**12,151,031**	**2.11**
Public Shareholders	344,237,247	52.55	267,414,429	46.51
Total	**655,056,191**	**100.00**	**575,056,191**	**100.00**

Notes:

1. *Mr. Mak, Mr. Tam, Ms. Cheng Yuk Ching, Flora and Dr. Putt are executive Directors.*

2. *Each of Capital Force International Limited, New Capital Industrial Limited and Capital Winner Investments Limited is wholly-owned by Mr. Mak, his spouse and his two sons. The directors of each of Capital Force International Limited, New Capital Industrial Limited and Capital Winner Investments Limited are Ms. Yiu Yu Ying and Mr. Mak Chun Kiu, the spouse and son of Mr. Mak respectively.*

3. *Included in such interest in the Shares are 160,000 Shares held by the spouse of Ms. Cheng Yuk Ching, Flora, who is deemed to be interested in such Shares under the provisions of Part XV of the SFO. The above table assumes that Ms. Cheng Yuk Ching, Flora and her spouse will tender all Shares held by them and the Shares tendered by the Accepting Shareholders are accepted and allocated in accordance with their respective Assured Entitlement and the formula under the section headed "Assured Entitlement and Excess Tenders" in the letter from VC Brokerage.*

4. *Save as disclosed in the table above, as at the Latest Practicable Date, none of the Directors or parties acting in concert with any of them were interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.*

5. *Save as disclosed in the table above, as at the Latest Practicable Date, there were no other Shareholders holding 10% or more of the voting rights in the Company.*

DEALINGS IN THE SHARES

Save for the repurchase of 198,558,635 Shares on 2 March 2009 by way of offer (details of which are included in the offer document of the Company dated 23 January 2009) at the offer price of HK$0.50 per Share, the Company has not repurchased any Shares in the 12-month period immediately preceding 2 March 2009 and the date of the Offer Document. The Company will not conduct any on-market share repurchase from the Latest Practicable Date up to and including the date the Offer closes, lapses or is withdrawn, as the case may be.

Mr. Mak has confirmed (for himself and on behalf of parties acting in concert with him (including Capital Force International Limited and New Capital Industrial Limited which held more than 10% or more of the voting rights in the Company as at the Latest Practicable Date)) that there has been no dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company by Mr. Mak and parties acting in concert with him (including Capital Force International Limited and New Capital Industrial Limited which held more than 10% or more of the voting rights in the Company as at the Latest Practicable Date) in the six months immediately prior to the date of the Announcement and from the date of the Announcement up to and including the Latest Practicable Date.

Each of Mr. Tam, Ms. Cheng Yuk Ching, Flora and Dr. Putt being Directors who were interested in Shares as at the Latest Practicable Date, has confirmed (for himself/herself and on behalf of parties acting in concert with him/her) that there has been no dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company by them and parties acting in concert with any of them in the six months immediately prior to the date of the Announcement and from the date of the Announcement up to and including the Latest Practicable Date.

OTHER ARRANGEMENTS

As at the Latest Practicable Date, Mr. Mak and parties acting in concert with him were interested in 295,490,731 Shares, representing approximately 45.11% of the existing issued share capital of the Company. The Shareholding Directors, namely Mr. Tam, Ms. Cheng Yuk Ching, Flora and Dr. Putt,

were interested in 500,000 Shares, 14,236,713 Shares and 591,500 Shares respectively, representing approximately 0.08%, 2.17% and 0.09% respectively of the existing issued share capital of the Company. The aggregate number of Shares held by these Shareholding Directors were 15,328,213 Shares, representing approximately 2.34% of the existing issued share capital of the Company. Each of Mr. Mak (for himself and parties acting in concert with him), Mr. Tam and Dr. Putt has irrevocably undertaken to the Company that he will not accept the Offer. Ms. Cheng Yuk Ching, Flora and her spouse will tender all of their shareholdings of 14,236,713 Shares, representing approximately 2.17% of the existing issued share capital of the Company.

Each of Mr. Mak, Mr. Tam, Dr. Putt and Ms. Cheng Yuk Ching, Flora has confirmed (for himself/herself and on behalf of parties acting in concert with him/her) that there has been no dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company by them and parties acting in concert with any of them in the six months immediately prior to the date of the Announcement and from the date of the Announcement up to and including the Latest Practicable Date.

Save for the irrevocable undertakings given by Mr. Mak (for himself and parties acting in concert with him), Mr. Tam and Dr. Putt that each of them will not accept the Offer, there is no arrangement as referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares and relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Capital Force International Limited, New Capital Industrial Limited and Capital Winner Investments Limited which might be material to the Offer.

The Directors (for the Company) and Mr. Mak (for himself and parties acting in concert with him) confirm that as at the Latest Practicable Date, there is no agreement or arrangement to which the Company or Mr. Mak and parties acting in concert with him is a party which relates to circumstances in which it/he may or may not invoke or seek to invoke a pre-condition or a condition to the Offer (save as those set out in the section headed "Conditions of the Offer" in the letter from VC Brokerage).

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

As at the Latest Practicable Date, neither the Company nor parties acting in concert with it has received any irrevocable commitment to accept the Offer.

REASONS FOR THE OFFER

The Directors believe that the Offer is in the best interests of the Company in reorganising the capital structure of the Company whilst maintaining a strong balance sheet and, at the same time, providing an opportunity for the Shareholders to realise at least part of their investment in the Company at a premium to the recent market price, or to increase their proportionate interest in the Company by retaining their shareholdings and participating in the future prospects of the Group. The Directors also believe that the increase in the proportionate interest of Mr. Mak (a substantial Shareholder, the Chairman and the Chief Executive Officer of the Company and an executive Director) and parties acting in concert with him in the Company, as a result of the Offer, demonstrates his long-term commitment to the Company and its businesses and would help to strengthen the Group's overall relationships with its potential lenders, customers and suppliers alike.

FINANCIAL EFFECTS OF THE OFFER

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

(a) Net asset value

Based on the unaudited consolidated net assets of the Group as at 30 June 2009, upon the completion of the Offer (assuming full acceptance thereof up to the Maximum Number), the financial impact to the Group's net asset value is expected to be as follows:

	Prior to the Offer *HK$ million*	**Upon completion of the Offer** *HK$ million*
Net asset value		
Unaudited net asset value of the Group as at 30 June 2009 *(Note)*	2,111	2,111
Cost of the Offer	—	(80)
Estimated expenses of the Offer	—	(1)
Adjusted net asset value of the Group	2,111	2,030
Number of Shares in issue	655,056,191	575,056,191
Unaudited adjusted net asset value per Share *(HK$)*	3.223	3.530

Note: being the Shareholders' funds of the Group as at 30 June 2009 as extracted from the Company's 2009 interim report.

Assuming that the Offer were completed on 30 June 2009, the net asset value per Share would have increased from HK$3.223 to HK$3.530.

(b) Basic loss per Share

Based on the Group's audited net loss attributable to the Shareholders for the year ended 31 December 2008, upon completion of the Offer (assuming full acceptance thereof up to the Maximum Number), the financial impact on the Group's basic loss per Share is expected to be as follows:

Basic loss per Share

	Prior to the Offer *HK$ million*	**Upon completion of the Offer** *HK$ million*
For the year ended 31 December 2008:		
Audited net loss attributable to Shareholders for the year ended 31 December 2008	(1,123)	(1,123)
Weighted average number of Shares in issue	825,137,009	745,137,009
Adjusted basic loss per Share *(HK$)*	(1.36)	(1.51)

(c) Liabilities

The Offer will be financed by internal resources of the Group and would have no effect on the Group's total liabilities. As at 30 June 2009, the Group's unaudited total liabilities were approximately HK$908 million (comprising unaudited current liabilities of approximately HK$792 million and unaudited non-current liabilities of approximately HK$116 million).

(d) Working capital

Assuming full acceptance of the Offer up to the Maximum Number, the total estimated cost of the Offer and the total estimated expenses in relation to the Offer will be approximately HK$80 million and HK$1 million respectively.

As at 30 June 2009, the Group's unaudited working capital (being current assets less current liabilities) was approximately HK$1,087 million and the Group had unaudited cash and bank balances of approximately HK$471 million. Accordingly, the Offer (assuming full acceptance thereof up to the Maximum Number) will decrease the working capital of the Group from approximately HK$1,087 million to approximately HK$1,006 million.

INFORMATION ON THE GROUP

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

As stated in the audited financial statements of the Group for the year ended 31 December 2008, the loss attributable to the equity holders of the parent amounted to approximately HK$1,123 million, as compared to a profit attributable to the equity holders of the parent amounting to approximately HK$484 million in 2007. The basic loss per Share attributable to equity holders of the parent for the year ended 31 December 2008 amounted to HK$1.36 as compared to an earnings per Share attributable to equity holders of the parent of approximately HK$0.61 in 2007. The loss was mainly due to the operating loss from the telecom products business and the securities business of the Group. Affected by the contracting demand of the telecom products, high operating costs and the impairment loss and restructuring costs arising from the discontinuation of CCT Tech's largest single customer of its retail telephony business in North America in November 2008 (the "Discontinuation"), the operating loss of the Group's telecom products business reached approximately HK$623 million for the year ended 31 December 2008. As a result of the deep market downturn, the Group's securities business recorded a realised loss of approximately HK$149 million and an unrealised loss of approximately HK$396 million. As at 31 December 2008, the Group's net asset value per Share amounted to approximately HK$2.593 (being the Shareholders' funds of approximately HK$2,213 million as at 31 December 2008 divided by 853,614,826 Shares as at 31 December 2008).

As stated in the unaudited financial statements of the Group for the six months ended 30 June 2009, the Group reported a turnover of HK$715 million for the six months ended 30 June 2009, which represents a decrease of approximately 51.8% over the turnover of the Group for the six months ended 30 June 2008. The decrease in turnover is attributable to decrease in turnover from the telecom products business, caused by the Discontinuation and the slump in global consumer demand. Profit attributable to owners of the parent amounted to approximately HK$38 million, as compared to a loss of approximately HK$337 million in the corresponding previous period. The turnaround in results in the period demonstrates the success of the Group's strategy to revitalise its core businesses and shows signs of strong recovery of its business operations. As at 30 June 2009, the Group's net asset value per share amounted to approximately HK$3.223 (being the Shareholders' funds of approximately HK$2,111 million as at 30 June 2009 divided by 655,056,191 Shares as at 30 June 2009).

PROSPECTS OF THE GROUP

With the support of the governments of different countries, the economic contraction in the US and European economies has stabilised. Based on the recent economic data, more and more people believe that the global economy has hit bottom and has shown signs of recovery. The Board is optimistic about the future outlook of the Group's telecom products business. The Group will commit itself to reinforcing its existing client base and increasing its market share. At the same time, the Group will continue to explore new markets. Given that the telecom products market is still highly competitive, the Group will continue to emphasise the upgrade of existing products and development of new products in order to strengthen its competitiveness. The Group will continue to revitalise its telecom products business and believe that its efforts will continue to show positive effect on its operations.

The strong rally of the stock market in the first half of 2009 was driven by liquidity. It is uncertain whether this liquidity-driven rally will sustain in the second half of 2009. It is widely believed that China will manage to achieve the 8% goal in economic growth. As most of the Group's securities held are H-shares and Hang Seng Index constituent stocks, the Board believes that the Group will continue to benefit from the stabilised global economy and the recovering stock market.

The Board is optimistic about the long-term economic growth of the PRC. The various fiscal stimulus measures taken by the central government has shown positive effect on the economy. Money supply and bank lendings escalated sharply and boosted liquidity in the first half of 2009. Domestic consumption in China remains strong. The loose monetary policy and the strong liquidity benefits the PRC real estate market and boost housing demand and pricing. The Board believes that the Group's property development business has excellent potential and will become one of the key drivers for the Group's revenue and profitability growth in the future.

The Board believes that with the help of the Group's resilient management team and its strong financial position, it is well positioned to pull itself out of the storm and is placed to enter into the next cycle of growth.

FUTURE INTENTIONS ON THE GROUP

Mr. Mak is a substantial Shareholder and has been the Chairman and the Chief Executive Officer of the Company and an executive Director since January 1994. Completion of the Offer will not result in a change of Mr. Mak and parties acting in concert with him as the single largest Shareholder and the composition of the Board.

The Company has been informed by Mr. Mak that he intends to continue with the existing businesses of the Group and does not intend to introduce any major changes in the businesses of the Group. He also intends that the employment of the employees of the Group will be continued and the material fixed assets of the Group will not be redeployed as a result of the Offer. Accordingly, there will be no material change to the existing businesses and employment of the existing employees of the Group as a result of the Offer.

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

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

MAINTAINING THE LISTING STATUS OF THE COMPANY

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

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

SPECIAL GENERAL MEETING

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

The SGM will be convened at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong at 10:00 a.m. on Wednesday, 18 Novemeber 2009 to consider and, if thought fit, approve the resolution in connection with the Offer and the Whitewash Waiver.

A notice convening the SGM is set out on pages 182 to 183 of the Offer Document and a form of proxy for use at the SGM is also enclosed. Whether or not you intend to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be). Such form of proxy for use at the SGM is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cct.com.hk). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or at any adjourned meeting (as the case may be) in person should you so wish.

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

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

Independent Shareholders should note that their voting decision on the relevant resolution to be proposed at the SGM to approve the Offer and the Whitewash Waiver shall not affect their decision as to whether to accept the Offer or not. Even if he or she votes in favour of the resolution to be proposed at the SGM, he or she is free nonetheless to accept or not to accept the Offer.

GENERAL

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 26 to 27 of the Offer Document. Your attention is also drawn to the letter of advice from First Shanghai which contains, among other things, their advice to the Independent Board Committee and the Independent Shareholders in respect of the Offer and the Whitewash Waiver and the principal factors and reasons considered by it in arriving at such advice. The text of the letter from First Shanghai is set out on pages 28 to 46 of the Offer Document.

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

Shareholders and potential investors should note that the Offer is subject to all of the Conditions being fulfilled in full and, therefore, may or may not become unconditional. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and should consult with their professional advisers when in doubt. The Company will publish an announcement on or about 18 November 2009 to inform Shareholders as to whether or not the Offer has become unconditional.

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



VC Brokerage Limited

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

29 October 2009

To the Qualifying Shareholders

Dear Sir or Madam,

**CONDITIONAL CASH OFFER BY
VC BROKERAGE LIMITED
ON BEHALF OF
CCT TELECOM HOLDINGS LIMITED
TO REPURCHASE UP TO 80,000,000 SHARES
AT HK$1.00 PER SHARE AND
APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

On 8 October 2009, the Board announced that an offer would be made by VC Brokerage on behalf of the Company to repurchase for cancellation, subject to the Conditions, up to the Maximum Number, being 80,000,000 Shares, representing approximately 12.21% of the existing issued share capital of the Company as at the Latest Practicable Date, at the price of HK$1.00 per Share.

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

Your attention is drawn to the letter from the Board as set out on pages 5 to 16 of the Offer Document. You are also strongly advised to read the letter from the Independent Board Committee as set out on pages 26 to 27 of the Offer Document which contains its recommendation to the Independent Shareholders in respect of the Offer and the Whitewash Waiver, and the letter from First Shanghai as set out on pages 28 to 46 of the Offer Document containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Offer and the Whitewash Waiver.

TERMS OF THE OFFER

The Offer is being made by VC Brokerage on behalf of the Company to repurchase the Shares for cancellation up to the Maximum Number on the following basis:

For every Share . . . . . HK$1.00 in cash

Qualifying Shareholders will be assured of being able to sell to the Company at least 446 Shares for every board lot of 2,000 Shares he or she owns, the basis of which is set out under the section headed "Assured Entitlement and Excess Tenders" below.

The salient terms of the Offer are as follows:

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

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

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

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

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

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

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

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

THE OFFER PRICE

As at the Latest Practicable Date, save for the 655,056,191 Shares in issue, the Company did not have any other Shares, outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares. The Offer Price of HK$1.00 per Share values the entire existing issued share capital of the Company as at the Latest Practicable Date at approximately HK$655.1 million.

The Offer Price represents:

— a premium of approximately 17.65% to the closing price of the Shares of HK$0.850 as quoted on the Stock Exchange on the Last Trading Day;

— a premium of approximately 20.48% to the average closing price of the Shares of approximately HK$0.830 as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

— a premium of approximately 21.07% to the average closing price of the Shares of approximately HK$0.826 as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;

— a premium of approximately 23.76% to the average closing price of the Shares of approximately HK$0.808 as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day;

— the closing price of the Shares of HK$1.000 as quoted on the Stock Exchange on the Latest Practicable Date (which closing price, for the purposes of certain overseas regulations, represents a fair estimate of the value of the Shares as at the date of the Offer Document on the basis that the Latest Practicable Date is the latest date on which the value of the Shares could be ascertained prior to the printing of the Offer Document); and

— a discount of approximately 68.97% to the Group's net asset value per Share of approximately HK$3.223 (being Shareholders' funds of approximately HK$2,111 million as at 30 June 2009 divided by 655,056,191 Shares as at the Latest Practicable Date) pursuant to the latest unaudited consolidated accounts of the Company as at 30 June 2009.

At the Offer Price, the Offer, if accepted in full, will result in the Company paying HK$80 million to the Accepting Shareholders. The consideration for the Offer will be paid in cash and will be financed by the internal resources of the Group. VC Capital is satisfied that the Company has sufficient financial resources to enable it to satisfy acceptances of the Offer in full.

HIGHEST AND LOWEST CLOSING PRICES OF THE SHARES

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the six-month period from 9 April 2009, being the date falling six months prior to 8 October 2009, being the date the Offer Period commenced, up to and including the Latest Practicable Date, were HK$1.02 per Share on 23 October 2009 and HK$0.465 per Share on 16 April 2009.

ASSURED ENTITLEMENT AND EXCESS TENDERS

The Maximum Number to be repurchased pursuant to the Offer is 80,000,000 Shares, representing approximately 12.21% of the existing issued share capital of the Company of 655,056,191 Shares as at the Latest Practicable Date.

As at the Latest Practicable Date, Mr. Mak and parties acting in concert with him were interested in 295,490,731 Shares, representing approximately 45.11% of the existing issued share capital of the Company. Certain other Directors, namely Mr. Tam and Dr. Putt, were interested in 500,000 Shares and 591,500 Shares respectively, representing approximately 0.08% and 0.09% respectively of the existing issued share capital of the Company. The aggregate number of Shares held by Mr. Tam and Dr. Putt as at the Latest Practicable Date were 1,091,500 Shares, representing approximately 0.17% of the existing issued share capital of the Company. Each of Mr. Mak (for himself and parties acting in concert with him), Mr. Tam and Dr. Putt has irrevocably undertaken to the Company that he will not accept the Offer. As such, the Maximum Number represents approximately 22.32% of the 358,473,960 Shares, being the total existing issued share capital of the Company less the Shares held by (i) Mr. Mak and parties acting in concert with him; (ii) Mr. Tam and (iii) Dr. Putt as at the Latest Practicable Date. The Assured Entitlement of the Qualifying Shareholders will therefore be enhanced on a pro-rata basis by the number of Shares in respect of which Mr. Mak (for himself and parties acting in concert with him), Mr. Tam and Dr. Putt have undertaken not to accept under the Offer. Accordingly, Qualifying Shareholders will be assured of being able to sell to the Company at least 446 Shares for every board lot of 2,000 Shares he or she owns at the Latest Acceptance Time, being the Maximum Number divided by 358,473,960 Shares and multiplied by 2,000 Shares for every board lot.

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

$$\frac{(80{,}000{,}000 - A) \times C}{B}$$

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

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

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

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

Acceptance of the Offer by a Qualifying Shareholder will, subject to the Offer becoming unconditional, be deemed to constitute a warranty by such Shareholder that all Shares sold by such Shareholder under the Offer are free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date of the Announcement. For the avoidance of doubt, Accepting Shareholders who tender their Shares for acceptance under the Offer can still retain the interim dividend of HK$0.03 per Share paid by the Company on 21 October 2009.

CONDITIONS OF THE OFFER

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

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

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

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

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

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

PROCEDURE FOR ACCEPTANCE

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

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

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

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

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

ODD LOT ARRANGEMENTS

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

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

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

OVERSEAS SHAREHOLDERS

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

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

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

The Company has also obtained legal advice from legal adviser in France that local regulations prohibit solicitation on banking or financial transactions under French law for financial instruments which are not admitted to trading on a "regulated market" in the European Economic Area Member State or a "recognized foreign market". Pursuant to applicable French laws, any first non-requested contact made with a view of entering into a financial transaction would constitute a solicitation, and the list of "recognized foreign markets" does not include the Main Board of the Stock Exchange. As the extension of the Offer by the posting of a copy of the Offer Document by the Company to its Shareholder(s) in France could be deemed to constitute solicitation on banking or financial transactions prohibited under French law, the Company considers that it would be necessary to exclude the Shareholder(s) in this jurisdiction from the Offer. As at the Latest Practicable Date, there was one corporate Shareholder which was interested in 50 Shares, representing approximately 0.0000076% of the existing issued share capital of the Company, located in France.

Consequently, an application has been made to the Executive under Rule 8 of the Repurchase Code for consent to exclude the Shareholder with the registered address in France from the Offer. To comply with the local regulations in France, the Company will only send to this Shareholder a notice about the existence of the Offer and a notice of the SGM.

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

NOMINEE REGISTRATION OF SHARES

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

RESPONSIBILITY FOR DOCUMENTS

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

SETTLEMENT

Pursuant to Rule 20.1 of the Takeovers Code, the Shares represented by acceptances in the Offer shall be paid by the Company as soon as possible but in any event within 10 days of the later of (i) the date on which the Offer becomes, or is declared, unconditional; and (ii) the date of receipt of a duly completed acceptance. As the Offer allows Accepting Shareholders to accept the Offer in excess of their Assured Entitlements, subject to a scaling down mechanism, the Company is not able to determine how many Shares can be repurchased from the Accepting Shareholders who have accepted the Offer in excess of their Assured Entitlements until after the close of the Offer. In this regard, the Company has made an application for a waiver from strict compliance with Rule 20.1 of the Takeovers Code in respect of the Offer in the manner mentioned below.

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

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

If the Excess Tenders of an Accepting Shareholder has not been purchased by the Company in full, the share certificate(s) or transfer receipt(s) or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) in respect of the balance of such Shares or a replaced certificate therefor will be returned or sent to the Accepting Shareholder by ordinary post at his/her own risk as soon as possible, but in any event within 10 days following the close of the Offer.

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

TAX IMPLICATIONS

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

SGM

A notice convening the SGM to be held at 10:00 a.m. on Wednesday, 18 November 2009 at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong, at which an ordinary resolution will be proposed for the purposes of considering and, if thought fit, approving the Offer and the Whitewash Waiver, is set out on pages 182 to 183 of the Offer Document.

GENERAL

Further details on the terms and conditions of the Offer including, amongst other things, procedures for acceptance and settlement, acceptance period and taxation matters, are set out in Appendix 1 to the Offer Document and in the Form of Acceptance.

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

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

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

CCT TELECOM HOLDINGS LIMITED

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

(Stock Code: 00138)

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

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

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

29 October 2009

To the Independent Shareholders

Dear Sir or Madam,

**CONDITIONAL CASH OFFER BY
VC BROKERAGE LIMITED
ON BEHALF OF
CCT TELECOM HOLDINGS LIMITED
TO REPURCHASE UP TO 80,000,000 SHARES
AT HK$1.00 PER SHARE AND
APPLICATION FOR WHITEWASH WAIVER**

We have been appointed as members of the Independent Board Committee to advise you as to whether the Offer and the Whitewash Waiver are fair and reasonable and as to acceptance and voting, details of which are set out in the letter from the Board in the document of the Company dated 29 October 2009 (the "**Offer Document**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Offer Document unless the context requires otherwise.

Your attention is drawn to the letter from VC Brokerage as set out on pages 17 to 25 of the Offer Document and Appendix I to the Offer Document which contains the principal terms of the Offer, and the letter of advice from First Shanghai as set out on pages 28 to 46 of the Offer Document, which contains its advice and recommendation to us in respect of the Offer and the Whitewash Waiver, as well as the principal factors and reasons for its advice and recommendation.

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

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

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

Tam King Ching, Kenny **Lau Ho Man, Edward** **Chen Li**

Independent non-executive Directors

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



First Shanghai Capital Limited
19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

29 October 2009

To the Independent Board Committee
and the Independent Shareholders

Dear Sir or Madam,

CONDITIONAL CASH OFFER BY
VC BROKERAGE LIMITED
ON BEHALF OF
CCT TELECOM HOLDINGS LIMITED
TO REPURCHASE UP TO 80,000,000 SHARES
AT HK$1.00 PER SHARE AND
APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer and the Whitewash Waiver, details of which are set out in the Offer Document dated 29 October 2009 of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Offer Document.

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

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

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

We have not considered the tax implications on the Independent Shareholders of acceptance of the Offer since these depend on their individual circumstances. In particular, the Independent Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Terms of the Offer

Detailed terms of the Offer are set out in the Letter from VC Brokerage of and Appendix I to the Offer Document. Subject to approval of the Offer and the Whitewash Waiver by the Independent Shareholders and the granting of the Whitewash Waiver by the Executive, VC Brokerage will make the Offer on behalf of the Company to repurchase up to 80,000,000 Shares held by the Qualifying Shareholders on the following basis:

For every Share to be repurchased under the Offer . . . . . HK$1.00 in cash

Assured Entitlement . . . . . 446 Shares for every 2,000 Shares held

As at the Latest Practicable Date, the Company had 655,056,191 Shares in issue. The Maximum Number of 80,000,000 Shares to be repurchased under the Offer represents approximately 12.21% of the issued share capital of the Company as at the Latest Practicable Date. Mr. Mak together with parties acting in concert with him who were interested in 295,490,731 Shares and certain Directors, namely Mr. Tam and Dr. Putt, who were together interested in 1,091,500 Shares as at the Latest Practicable Date, had irrevocably undertaken to the Company not to accept the Offer. Accordingly, the Company will make an offer to repurchase from the Qualifying Shareholders up to a maximum of 80,000,000 Shares, representing approximately 22.32% of the Shares held by them or approximately 446 Shares for every 2,000 Shares held by them. In the event that there are Qualifying Shareholders tendering no Share or tendering fewer Shares than what they would be entitled to under the Assured Entitlement, the Company will accept Excess Tenders from the Accepting Shareholders.

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

Based on 80,000,000 Shares to be repurchased under the Offer and the Offer Price of HK$1.00 per Share, the amount to be paid by the Company under the Offer, if tendered and accepted in full, will be approximately HK$80 million.

Under the Offer, the Company will offer to all Qualifying Shareholders equal opportunity to sell to the Company their Shares on the same basis by reference to the Assured Entitlement, which we consider to be a fair and reasonable mechanism to all Qualifying Shareholders. However, the percentage of the Assured Entitlement has been geared up from about 244 Shares for every board lot of 2,000 Shares to about 446 Shares for every board lot of 2,000 Shares as a result of the undertakings from Mr. Mak together with parties acting in concert with him, Mr. Tam and Dr. Putt of not participating in the Offer.

2. Operating performance of the Group

(a) Financial performance of the Group

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

The following table summarizes the consolidated results of the Group for each of the three years ended 31 December 2008 and the six months ended 30 June 2009, as extracted from the respective annual reports and interim report of the Company:

	For the six months end 30 June 2009	**For the year ended 31 December**		
	2009	**2008**	**2007**	**2006**
	HK$ million (unaudited)	*HK$ million (audited)*	*HK$ million (audited)*	*HK$ million (audited)*
Turnover by segment *(note 1)*				
— Telecom and electronic products (including components)	628	2,776	3,374	3,882
— Infant and child products	62	140	115	112
— Securities business *(note 2)*	24	(149)	149	149
— Property development and holding	1	123	4	3

	For the six months end 30 June 2009	For the year ended 31 December 2008	2007	2006
	HK$ million (unaudited)	*HK$ million (audited)*	*HK$ million (audited)*	*HK$ million (audited)*
— Corporate and other	—	45	87	53
Total turnover	**715**	**2,935**	**3,729**	**4,199**
Segment profit/(loss)				
— Telecom and electronic products (including components)	(39)	(623)	(201)	109
— Infant and child products	9	8	9	8
— Securities business	89	(555)	130	48
— Property development and holding	(4)	(26)	52	39
— Corporate and other	(28)	(69)	423	204
Total segment profit/(loss)	**27**	**(1,265)**	**413**	**408**
Profit/(loss) attributable to owners of the parent	**38**	**(1,123)**	**484**	**358**
Earnings/(loss) per Share (basic) (HK$) *(note 3)*	**0.052**	**(1.36)**	**0.61**	**0.49**
Dividend per Share for the period/ year (HK$)	**0.030**	**0.055**	**0.055**	**0.045**

Source: Annual reports and interim report of the Company

Notes:

1. *All segment revenues have eliminated inter-company transactions.*

2. *The turnover of the securities business for the year ended 31 December 2006 represented gross proceeds from the sale of securities as "revenue" in the consolidated income statement for that year. During the years ended 31 December 2007 and 2008 and the six months ended 30 June 2009, the Group changed its presentation in accordance with the accounting standards and recognised the net realised gain/(loss) from the sale of securities as"revenue"in the consolidated income statements for these years and period.*

3. Calculated based on the weighted average number of Shares in issue during the period/years, which are 731,846,823, 732,918,201, 796,359,311 and 825,137,009 for the six months ended 30 June 2009 and the three years ended 31 December 2008 respectively.

Telecom and electronic products segment

The Group's telecom and electronic products segment includes the manufacture, sale, design and development of telecom and electronic products, and the manufacture and sale of plastic and power supply components. The Group's telecom and electronic products segment recorded revenue of approximately HK$3,882 million and operating profit of approximately HK$109 million for the year ended 31 December 2006.

For the year ended 31 December 2007, revenue of the Group's telecom and electronic products segment decreased by approximately 13.09% to approximately HK$3,374 million; while this segment recorded operating loss of approximately HK$201 million. The decrease in revenue was mainly due to the sub-prime mortgage financial crisis, slow down of the US economy and excess inventory of some of the Group's European customers. The result of this segment turned into a loss in the year mainly due to the fall in average selling prices of consumer telecom products and the increase in operating costs as a result of increased wage level, increased material costs and appreciation of Renminbi ("RMB").

For the year ended 31 December 2008, revenue of the Group's telecom and electronic products segment continued to decrease by approximately 17.72% to approximately HK$2,776 million; while the operating loss of this segment further increased from approximately HK$201 million for the year ended 31 December 2007 to approximately HK$623 million for the year ended 31 December 2008. The decrease in revenue was mainly due to the lower demand under the economic downturn. The increase in operating loss was mainly due to the combined effect of the decrease in revenue and the increase in operating costs arising from the high material and labour costs, appreciation of RMB and the impairment losses of approximately HK$332 million and restructuring cost of approximately HK$44 million in connection with the discontinuation of the retail telephony activities in North America of its then largest single customer (the "Discontinuation") and the restructuring of the business strategies of the Group.

For the six months ended 30 June 2009, revenue of the Group's telecom and electronic products segment decreased by approximately 53.96% to approximately HK$628 million when compared with the same period in the previous year; while the operating loss of this segment decreased from approximately HK$137 million for the last corresponding period to approximately HK$39 million for the current period. The decrease in revenue was mainly due to the Discontinuation and the shrinking global demand caused by the financial tsunami. The substantial decrease in operating loss of this segment for the six months ended 30 June 2009 was mainly due to the success of the Group's efforts in restructuring and streamlining the manufacturing operations of the Group, which have successfully improved its production efficiency.

Infant and child products segment

The Group's infant and child products segment includes the manufacture and sale of infant and child products. The Group's infant and child products segment recorded revenue of approximately HK$112 million and operating profit of approximately HK$8 million for the year ended 31 December 2006.

For the year ended 31 December 2007, revenue of the Group's infant and child products segment increased by approximately 2.68% to approximately HK$115 million; while the operating profit increased by approximately 12.50% to approximately HK$9 million. The increase in revenue was mainly due to the expansion of its product range; while the increase in operating profit was mainly due to the continuous improvement in efficiency and cost control.

For the year ended 31 December 2008, revenue of the Group's infant and child products segment increased by approximately 21.74% to approximately HK$140 million; while this segment's operating profit decreased slightly from approximately HK$9 million to approximately HK$8 million. The increase in revenue was mainly due to stable demand for quality infant and child products even the financial tsunami had badly affected global consumption. The slight drop in operating profit was mainly attributable to price competition and high production costs caused by increase in labour wages and appreciation of RMB.

For the six months ended 30 June 2009, revenue of the Group's infant and child products segment decreased by approximately 19.48% to approximately HK$62 million when compared with the same period in the previous year; whilst this segment's operating profit increased from approximately HK$5 million to approximately HK$9 million. Despite a decrease in revenue as a result of the financial turmoil, the increase in the operating profit of this segment was caused by improvement in production efficiency.

Securities business

The Group has been engaged in the securities business and most of the investments of the Group's securities business are in H-shares and Hang Seng Index constituent stocks. For the year ended 31 December 2006, the Group's securities business reported revenue of approximately HK$149 million based on the gross proceeds from disposal of securities, and generated operating profit of approximately HK$48 million.

For the two years ended 31 December 2008, the Group changed the accounting presentation of the revenue of its securities business and recognised the net realised gain/(loss) from its securities business as revenue. Accordingly, the securities business recognised net realised gain of approximately HK$149 million as revenue and achieved operating profit of approximately HK$130 million for the year ended 31 December 2007 due to the buoyant stock market in that year. As a result of the financial turmoil in 2008 which caused the stock market to plummet, the Group's securities business recognised net realised loss of approximately HK$149 million as revenue and incurred operating loss of approximately HK$555 million for the year ended 31 December 2008 which is attributable to the net realised loss from trading of listed shares and the unrealised mark-to-market loss on the Group's investment in listed shares and financial instruments.

For the six months ended 30 June 2009, benefited from the strong rebound of the Hong Kong stock market, the Group's securities business segment recognised positive earnings of approximately HK$89 million.

Property development and holding segment

The Group's property development and holding segment recorded revenue of approximately HK$3 million, HK$4 million and HK$123 million; and recorded operating profit/(loss) of approximately HK$39 million, HK$52 million and HK$(26) million for the three years ended 31 December 2006, 2007 and 2008 respectively. The substantial increase in revenue of this segment for the year ended 31 December 2008 was mainly attributable to sale of property during that year; while the operating loss recognized for that year was mainly attributable to unrealised fair value loss on revaluation of investment properties.

For the six months ended 30 June 2009, revenue of the Group's property development and holding segment amounted to approximately HK$1 million, same as the corresponding previous period. This segment recorded operating loss of approximately HK$4 million as compared with operating loss of approximately HK$6 million during the same period in the previous year. The operating loss recorded for the current period was attributable to the depreciation and mortgage loan interest of those properties held by the Group as the Group's property development business has not yet commenced to generate revenue.

Corporate and others segment

The Group's corporate and others segment principally includes the corporate income and expenses items which cannot be allocated to other business segments and the provision of e-commerce service. For the year ended 31 December 2006, the Group's corporate and others segment recorded revenue of approximately HK$53 million which mainly comprise interest income and the revenue from the provision of e-commerce services, and contributed operating profits of approximately HK$204 million which represent mainly gains derived from disposal of the shares in Haier Electronics Group Co., Ltd. less corporate expenses and loss of the e-commerce business.

For the year ended 31 December 2007, revenue of the corporate and others segment increased by approximately 64.15% to approximately HK$87 million; while the segment profit increased by approximately 107.35% to approximately HK$423 million. The segment profits represent mainly gains derived from disposal of the Group's partial interests in a listed subsidiary less corporate expenses and loss of the e-commerce business.

For the year ended 31 December 2008, the corporate and others segment recorded revenue of approximately HK$45 million and loss of approximately HK$69 million. The loss of this segment was mainly due to the non-occurrence of investment gains as recorded in the previous years. For the six months ended 30 June 2009, loss of the Group's corporate segment was approximately HK$28 million which represents corporate expenses.

Earnings/(loss) per Share

During the three years ended 31 December 2008, the financial performance of the Group's telecom and electronic products segment had deteriorated from operating profit of approximately HK$109 million for the year ended 31 December 2006 to operating loss of approximately HK$623 million for the year ended 31 December 2008. Over the three years ended 31 December 2008 and the six months ended 30 June 2009, the overall financial performance of the Group has been significantly affected by its securities business which contributed significant earnings to the Group for the two years ended 31 December 2007 and the six months ended 30 June 2009 but incurred significant loss of HK$555 million for the year ended 31 December 2008 as a result of the financial turmoil. As a result, the Group recorded the earnings per Share of approximately HK$0.49, HK$0.61 and HK$0.052 for the years ended 31 December 2006 and 2007 and the six months ended 30 June 2009 respectively and loss per Share of approximately HK$1.36 for the year ended 31 December 2008.

Dividend

The Company had declared dividend for each of the three years ended 31 December 2008 and the six months ended 30 June 2009. It appears that the Company does not have a defined dividend payout ratio as it declared dividend for the year ended 31 December 2008 despite recording loss for the year.

(b) Future prospect of the Group

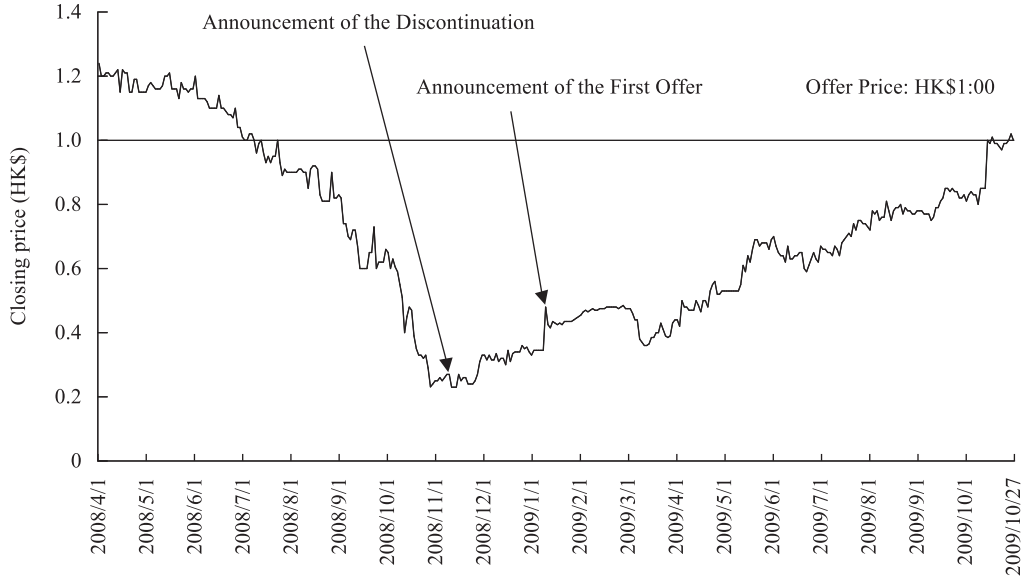
Looking forward, the Directors are optimistic about the future outlook of the Group's telecom product business and securities business and believe that the Group will benefit from the stabilised global economy and the recovering stock market. Being optimistic about the long-term economic growth of the PRC, the Directors also believe that the Group's property development business will have excellent potential.

Despite the global economy has shown signs of recovery, given the principal business activities that comprise the manufacturing and securities businesses of the Group are susceptible to outside economic and market conditions, most of which are beyond the control of the Group, we consider that it would be full of challenges to the Group to fully revitalise its core businesses in the near future.

3. Share price performance and liquidity

(a) Historical market price of the Shares

The following chart depicts the daily closing prices of the Shares from 1 April 2008 (approximately 18 months prior to the date of the Announcement) up to the Latest Practicable Date (the "Review Period"):



Source: Bloomberg

As shown in the chart above, the Shares traded at a downward trend between April 2008 and November 2008. On 1 September 2008, the Company issued a results warning announcement for the six months ended 30 June 2008, and the Share price decreased from HK$0.82 to HK$0.74. On 6 November 2008, the Company issued an announcement in relation to the Discontinuation and the Share price then decreased to HK$0.23 on the next trading day and reached the lowest during the Review Period. On 7 January 2009, being the first trading day immediately following the Company issued an announcement in relation to the offer made by the Company to repurchase up to 280,000,000 Shares at the offer price of HK$0.50 per Share by cash (the "First Offer"), the Share price increased from HK$0.345 to HK$0.48. Since then, the Share traded at an upward trend and closed at HK$0.85 before the issuance of the Announcement.

During the period from 9 October 2009 (being the first trading day immediately following the issuance of the Announcement) to the Latest Practicable Date, the highest and the lowest Share price were HK$1.02 (recorded on 23 October 2009) and HK$0.97 (recorded on 19 October 2009) respectively. The average Share price during the period was approximately HK$0.994. The Offer Price represents a premium of approximately 0.60% over such average. We consider that the rise in the Share price after the issuance of the Announcement would have probably been prompted by the higher Offer Price relative to the Share price before the issuance of the Announcement.

(b) Liquidity of the Shares

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

	Total monthly trading volume (million Shares)	**Average daily trading volume (million Shares)**	**% of average daily trading volume to the average total issued Shares** *(note 1)*	**% of average daily trading volume to average public float** *(note 2)*
2008				
April	3.383	0.161	0.020	0.030
May	1.856	0.098	0.012	0.018
June	2.881	0.160	0.020	0.029
July	3.105	0.141	0.017	0.028
August	2.021	0.112	0.013	0.021
September	3.713	0.186	0.022	0.034
October	6.262	0.330	0.039	0.061
November	10.534	0.620	0.073	0.114
December	4.645	0.244	0.029	0.045
2009				
January	41.089	2.739	0.321	0.505
February	30.001	1.500	0.176	0.276
March	0.619	0.028	0.004	0.007
April	4.886	0.244	0.037	0.071
May	5.377	0.283	0.043	0.082
June	6.521	0.296	0.045	0.086
July	9.628	0.438	0.067	0.127
August	4.579	0.218	0.033	0.063
September	5.030	0.229	0.035	0.067
October (up to the Last Trading Day)	0.764	0.255	0.039	0.074
October (from 9 October to the Latest Practicable Date)	7.731	0.644	0.098	0.187

Source: Bloomberg

Notes:

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

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

As illustrated above, save for the increase in trading volume of the Shares in certain months, the trading volume of the Shares has been extremely low during most of the Review Period. Save for January 2009 and February 2009 and the period from 9 October 2009 to the Latest Practicable Date, the average daily trading volume of the Shares as a percentage of the average total issued Shares ranged from 0.004% to 0.073%; while the average daily trading volume of the Shares as a percentage of the average total number of Shares held by the public ranged from 0.007% to 0.127%. The increase in trading volume in January 2009 and February 2009 would be attributable to the First Offer.

In October 2009 after the issuance of the Announcement, the trading volume of the Shares increased substantially due to the stimulation of the proposed Offer, with the average daily trading volume of the Shares as a percentage of the average total issued Shares and as a percentage of the average total number of Shares held by the public reaching 0.098% and 0.187% respectively.

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

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

The Offer Price of HK$1.00 per Share represents:

(i) a premium of approximately 17.65% over the closing price of HK$0.850 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 21.07% over the average of the closing prices for the 10 trading days up to and including the Last Trading Day of approximately HK$0.826 per Share;

(iii) a premium of approximately 21.36% over the average of the closing prices for the 1-month period up to and including the Last Trading Day of approximately HK$0.824 per Share;

(iv) a premium of approximately 29.70% over the average of the closing prices for the 3-months period up to and including the Last Trading Day of approximately HK$0.771 per Share;

(v) a premium of approximately 45.56% over the average of the closing prices for the 6-months period up to and including the Last Trading Day of approximately HK$0.687 per Share;

(vi) the closing price of HK$1.000 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(vii) a discount of approximately 68.97% to the net asset value (excluding minority interests) per Share ("NAV per Share") of approximately HK$3.223 based on the unaudited net asset value (excluding minority interests) of approximately HK$2,111 million as at 30 June 2009 and the issued Share of 655,056,191 Shares as at the Latest Practicable Date.

4. Valuation of the Offer Price

Having considered that the Group had incurred substantial loss for the year ended 31 December 2008, in assessing the fairness and reasonableness of the Offer Price, we consider that using earning basis for valuation of the Offer Price may not be appropriate in the present case.

(a) Net asset value

The Offer Price represents a discount of approximately 68.97% to the NAV per Share of approximately HK$3.223 based on the unaudited net asset value (excluding minority interests) of approximately HK$2,111 million as at 30 June 2009 and the issued Share of 655,056,191 Shares as at the Latest Practicable Date.

To assess the fairness of the Offer Price in terms of the implied price-to-book ratio, we have identified all (a total of two) companies listed on the main board of the Stock Exchange which, according to their latest published annual and interim reports, are currently principally engaged in manufacturing and sales of telecommunication products (other than mobile phones), namely Suncorp Technologies Limited ("Suncorp") and Vtech Holdings Limited ("Vtech"). However, we noted that Suncorp had a net liabilities position as at 31 December 2007, 31 December 2008 and 30 June 2009. Despite the net assets position of Vtech is positive, given the market capitalisation of Vtech as at the Last Trading Day and the average market capitalisation of Vtech for the six-months period up to the Last Trading Day amounted to approximately HK$16,292 million and HK$12,749 million respectively, which are substantially higher than the market capitalisations of the Company of approximately HK$557 million and HK$450 million respectively, we consider that comparison of the price-to-book ratio of the Company to Vtech may not be appropriate.

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

(b) Comparison with other offers for share repurchase

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

		Premium/(discount) of the offer price over/to the				
Company (stock code)	**Date of announcement of the Comparable Offer**	**Closing price as at the last trading day before the date of the announcement of the offer ("Last Price")** *(%)*	**One-month average closing price ("One-month Average Price")** *(%)*	**Three-month average closing price ("Three-month Average Price")** *(%)*	**Six-month average closing price ("Six-month Average Price")** *(%)*	**NAV per share** *(%)*
					(note 1)	
SCMP Group Limited (583)	3 September 2002	5.1	4.6	(11.7)	(18.2)	196.3
Chinese Estates Holdings Limited (127)	9 September 2002	9.8	30.4	37.2	33.5	(86.3)
Shell Electric Mfg. (Holdings) Company Limited (81)	1 October 2002	46.2	45.7	35.3	24.2	(76.4)
Van Shung Chong Holdings Limited (1001)	5 November 2002	58.1	108.5	157.9	56.7	(33.5)
Deson Development International Holdings Limited (262)	10 September 2003	37.9	66.7	73.9	90.5	(27.3)
Man Yue International Holdings Limited (894)	26 April 2004	26.7	26.7	26.7	26.7	(45.3)
COL Capital Limited (383)	4 June 2004	20.0	17.7	7.1	6.2	(59.6)
Quality Healthcare Asia Limited (593)	24 January 2005	15.6	17.6	15.6	14.3	301.6
The First Offer	6 January 2009	44.9	50.2	50.6	(14.1)	(85.2)
Allied Group Limited (373)	17 September 2009	(2.1)	7.6	5.6	14.4	(51.3)
High		**58.1**	**108.5**	**157.9**	**90.5**	**(86.3)**
Low		**(2.1)**	**4.6**	**(11.7)**	**(18.2)**	**301.6**
Average		**26.2**	**37.6**	**39.8**	**23.4**	**(58.1)**
						(note 2)
The Company	**8 October 2009**	**17.7**	**21.4**	**29.7**	**45.6**	**(69.0)**

Source: website of the Stock Exchange

Notes:

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

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

As shown in the above table, the premium represented by the Offer Price of HK$1.00 per Share of approximately 17.7%, 21.4%, 29.7% and 45.6% over the Last Price, the One-month Average Price, the Three-month Average Price and the Six-month Average Price respectively are within the range of the corresponding average prices of the Comparable Offers.

Among the Comparable Offers, eight out of the ten Comparable Offers have their respective offer prices represented a discount to the respective latest published consolidated NAVs per share prior to the publication of the respective offer documents (except SCMP Group Limited and

Quality Healthcare Asia Limited) ranging from approximately 27.3% to 86.3%, having a median of approximately 55.5% and an average of approximately 58.1%. Taken into account (i) the premiums of approximately 196.3% and 301.6% under the offers by SCMP Group Limited and Quality Healthcare Asia Limited respectively deviate significantly from the discount for the rest of the Comparable Offers; and (ii) the average of the daily closing prices of the Shares for the three years ended 31 December 2008 and the six months ended 30 June 2009 were traded at discount to the respective NAVs per Share of the Group for the two years ended 31 December 2008 and the six months ended 30 June 2009 respectively, we consider it appropriates to compare the Offer Price with those Comparable Offers with offer prices discounted to the respective NAVs per share. The discount of approximately 69.0% as represented by the Offer Price to the latest published consolidated NAV per Share of approximately HK$3.223 as at 30 June 2009 falls within the range and slightly above the median and the average of the discounts under the Comparable Offers.

Despite the discount represented by the Offer Price to the latest published consolidated NAV per Share as at 30 June 2009 is slightly above the median and average of the discounts under the Comparable Offers, given (i) that discount falls within the range of the same of the Comparable Offers; (ii) the Offer is being made to all Qualifying Shareholders on a fair and equitable basis; (iii) the Company had just been turned around to profit for the six months ended 30 June 2009; (iv) the performance of the Group's core manufacturing business and the securities business, which we consider, are uncertain and susceptible to the outside economic and market conditions, most of which are beyond the control of the Group; (v) the Offer Price represents substantial premium over Last Price, the One-month Average Price, the Three-month Average Price and the Six-month Average Price; and (vi) the extremely low liquidity of the Shares, on balance, we consider the discount represented by the Offer Price to the NAV per Share as at 30 June 2009 will not prejudice the interest of the Independent Shareholders and the Offer which provides an opportunity for the Qualifying Shareholders to realise part of their investments in the Company at a premium over the recent market prices of the Shares is fair and reasonable.

5. Financial effects of the Offer

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

	Before the Offer	**Upon completion of the Offer**	**Increase/ (decrease)** *(%)*
Number of Shares in issue	655,056,191 *(note 1)*	575,056,191 *(note 2)*	(12.21)
Basic loss per Share (HK$)	(1.36)	(1.51)	11.03
Current ratio	2.37	2.27	(4.22)
Gearing ratio	14.8%	15.3%	3.38 *(note 3)*
Cash and cash equivalents per Share (HK$) *(note 4)*	0.72	0.68	(5.56)
NAV per Share (HK$)	3.223	3.530	9.53

Notes:

1. *Based on 655,056,191 Shares in issue as at the Latest Practicable Date.*

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

3. *Total borrowings (representing bank & other borrowings and finance lease payable) divided by total capital employed (i.e. total Shareholders' funds plus total borrowings).*

4. *Based on cash and cash equivalents of approximately HK$471 million as at 30 June 2009.*

(a) Basic loss per Share

Assuming that the Offer was implemented and the total maximum number of 80,000,000 Shares subject to the Offer had been repurchased and cancelled in full by the Company, the weight average of 825,137,009 Shares in issue during the year ended 31 December 2008 would have decreased to 745,137,009 and the basic loss per Share would increase by approximately 11.03% to HK$1.51 for the year ended 31 December 2008 based on the audited net loss of approximately HK$1,123 million attributable to owners of the parent for the year ended 31 December 2008. The increase in basic loss per Share is mainly attributable to the decrease in the Shares in issue after completion of the Offer.

Given the Offer is offered to all Qualifying Shareholders on a fair and equitable basis, and those Qualifying Shareholders who intend not to tender their Shares for acceptance under the Offer would enjoy increase in their proportionate interests in shareholding, retained profits and any future earnings of the Group, if any, we consider that the increase in the pro forma basic loss per Share upon completion of the Offer would not have any adverse effect to the interests of the Shareholders.

(b) Current ratio and gearing ratio

As shown in the above table, the current ratio of the Group would decrease from approximately 2.37 times to 2.27 times. Such decrease in the current ratio is based on the assumption that (i) the total estimated cost of the Offer and the total estimated expenses in relation to the Offer of approximately HK$81 million would be financed by internal resources of the Group; and (ii) the Offer would have no effect on the Group's total liabilities.

As set out in the interim report for the six months ended 30 June 2009, the Group had total borrowings of approximately HK$366 million as at 30 June 2009, representing a gearing ratio of approximately 14.8%. According to the unaudited pro forma financial information of the Group contained in Appendix II (F) to the Offer Document, Shareholders' funds of the Group would decrease to approximately HK$2,030 million upon completion of the Offer. Accordingly, the gearing ratio would increase slightly to approximately 15.3% upon completion of the Offer. Since the Offer is expected to be satisfied by the internal resources of the Group, the increase in gearing ratio of the Group is mainly due to the Shareholders' funds being reduced by the total consideration for the acceptance of the Offer and related expenses in aggregate of approximately HK$81 million.

As shown in the above table, based on the cash and cash equivalents of the Group of approximately HK$471 million as at 30 June 2009 and 655,056,191 Shares in issue as at the Latest Practicable Date, the Group has cash and cash equivalents per Share of approximately HK$0.72. Since the Offer is expected to be satisfied by the internal resources of the Group, the cash balance of the Group would be decreased by HK$81 million to approximately HK$390 million upon completion of the Offer and the cash and cash equivalents per Share would be decreased to approximately HK$0.68.

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

(c) NAV per Share

As shown in the above table, the NAV per Share would increase by approximately 9.53% to approximately HK$3.530 by the implementation of the Offer. Such enhancement of NAV per Share is mainly due to the fact that the Offer Price represents a discount to the NAV per Share. As mentioned in the section headed "Comparison with other offers for share repurchase" above, the discount represented by the Offer Price to the latest published consolidated NAV per Share as at 30 June 2009 falls within the range of the same of the Comparable Offers and just slightly above the median and average of the discounts under the Comparable Offers; and such discount is offered to all Qualifying Shareholders on a fair and equitable basis which provides an opportunity for the Qualifying Shareholders to realise part of their investments in the Company at a premium over the recent market prices of the Shares which is fair and reasonable, we do not consider such Offer Price will prejudice the interest of the Independent Shareholders. Taken into account the Company has sufficient resources to fund the Offer and the overall financial effects of the Offer on the

Company are positive, save for the slight effect on current ratio and gearing ratio, we consider that the Offer is in the interests of the Company and the Shareholders as a whole despite the fact that the Offer is made at a substantial discount to the NAV per Share.

6. Reasons for the Offer

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

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

7. Whitewash Waiver

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

As at the Latest Practicable Date, Mr. Mak and parties acting in concert with him were interested in 295,490,731 Shares, representing approximately 45.11% of the issued share capital of the Company. The increase of the interest of Mr. Mak and parties acting in concert with him to a maximum of approximately 51.38% upon completion of the Offer will give rise to an obligation under Rule 26 of the Takeovers Code for Mr. Mak and parties acting in concert with him to make a mandatory general offer for all the Shares not already owned by Mr. Mak and parties acting in concert with him.

An application has been made to the Executive by Mr. Mak for the Whitewash Waiver. The Executive has indicated that the Whitewash Waiver will be granted, subject to approval by the Independent Shareholders taken by way of poll at the SGM.

Given the Offer will provide an opportunity to those Qualifying Shareholders who wish to realise part of their investments through the Assured Entitlement, and those Shareholders who do not accept the Offer will enjoy an increase in their shareholdings in the Company by the same magnitude as that of Mr. Mak together with parties acting in concert with him and other Directors undertaken not to accept the Offer, we consider that the Offer will not prejudice the interest of the Independent Shareholders. In

addition, the Whitewash Waiver is a condition precedent to the Offer which will not proceed if the Whitewash Waiver is not granted, we consider the grant of the Whitewash Waiver to be in the interests of the Company and the Independent Shareholders and is fair and reasonable.

DISCUSSION AND RECOMMENDATION

In assessing the Offer, we noted that (i) the Group recorded profit for the six months ended 30 June 2009; and (ii) the Offer Price represents a discount of approximately 68.97% to the NAV per Share which falls within the range of the discounts under the Comparable Offers and slightly above the median and average of the discounts under the Comparable Offers.

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

(i) the Group has just been turned around to profit for the six months ended 30 June 2009 from the adverse financial performance in last year. The future outlook of the Group's core telecom and electronic manufacturing business remains uncertain and full of challenges and together with the securities business are susceptible to economic and market conditions, most of which are beyond the control of the Group;

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

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

(iv) the Offer Price represents substantial premiums over the One-month Average Price, the Three-month Average Price and the Six-month Average Price which are within the corresponding average prices of the Comparable Offers given the extremely low liquidity of the Shares;

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

(vi) although the shareholding of the Independent Shareholders would, in aggregate, decrease from approximately 52.55% to 46.51% if the maximum of 80,000,000 Shares subject to the Offer are fully repurchased and cancelled, the Offer would not dilute the shareholding interests of those Qualifying Shareholders who do not tender any of their Shares for acceptance under the Offer. In fact, if the Assured Entitlement is taken up by other Qualifying Shareholders, their shareholdings in the Company will increase by the same magnitude as that of Mr. Mak together with parties acting in concert with him and the other Directors after completion of the Offer; and

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

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

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

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

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

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

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

TERMS AND CONDITIONS OF THE OFFER

1. The Offer

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

2. Conditions

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

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

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

If the Whitewash Waiver is not granted by the Executive, or if the resolution to approve the Offer and the Whitewash Waiver is not passed by the Independent Shareholders at the SGM, the Offer will not proceed and will immediately lapse.

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

3. Maximum Number

The Maximum Number which will be repurchased by the Company pursuant to the Offer is 80,000,000 Shares, representing approximately 12.21% of the issued share capital of the Company of 655,056,191 Shares as at the Latest Practicable Date.

4. Qualifying Shareholders

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

5. Acceptance

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

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

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

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

5.3 The Offer Price will be paid in cash.

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

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

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

5.7 Subject to the Offer becoming unconditional, the submission of a Form of Acceptance by an Accepting Shareholder in the manner described in 5.1 above will be deemed to constitute a warranty of such Accepting Shareholder to VC Brokerage and the Company that all Shares sold by such Shareholder under the Offer are free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date of the Announcement. For the avoidance of doubt, Accepting Shareholders who tender their Shares for acceptance under the Offer can still retain the interim dividend of HK$0.03 per Share paid by the Company on 21 October 2009.

6. Assured Entitlements and Excess Tenders

6.1 Assuming that all of the Qualifying Shareholders (other than the Excluded Shareholders, if any, Mr. Mak and parties acting in concert with him, Mr. Tam and Dr. Putt) become Accepting Shareholders, Qualifying Shareholders are assured of being able, if they so wish, to sell to the Company approximately 22.32% of the Shares they hold as at the Latest Acceptance Time. By way of example, a Qualifying Shareholder will be assured of being able to sell to the Company at least 446 Shares for every board lot of 2,000 Shares he or she owns as at the Latest Acceptance Time, being the Maximum Number divided by 358,473,960 Shares and multiplied by 2,000 Shares for every board lot.

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

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

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

$$\frac{(80{,}000{,}000 - A) \times C}{B}$$

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

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

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

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

6.6 The decision of the Company as to any scaling down of acceptances of the Offer in excess of Assured Entitlement and as to the treatment of fractions will be conclusive and binding on all Shareholders.

7. Odd Lots

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

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

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

8. Acceptance Period

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

8.2 The date when the last one of the Conditions is expected to be satisfied is Wednesday, 18 November 2009. Such date may be postponed by the Company, subject to receiving the prior consent of the Executive.

9. Irrevocable Acceptances

Forms of Acceptance which have been duly completed and received by the Registrar will constitute irrevocable acceptance of the Offer after the Offer has become, or has been declared, unconditional.

10. General

10.1 Shares will be repurchased by the Company on the basis that they are fully paid, their legal and beneficial ownership will be transferred to the Company for subsequent cancellation on the Register and that the Shares are free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date of the Announcement. For the avoidance of doubt, Accepting Shareholders who tender their Shares for acceptance under the Offer can still retain the interim dividend of HK$0.03 per Share paid by the Company on 21 October 2009.

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

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

10.4 The failure of any person to receive an Offer Document and/or a Form of Acceptance will not invalidate any aspect of the Offer. Extra prints of these documents will be available to any Qualifying Shareholder at the office of the Registrar during office hours from the date of the Offer Document to the Latest Acceptance Time (both days inclusive), between 9:00 a.m. to 4:00 p.m. (Hong Kong time) from Mondays to Fridays (other than public holidays), and on the Stock Exchange's website at www.hkexnews.hk for at least seven days from the day of its publication, together with the Company's website at www.cct.com.hk.

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

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

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

person involved in the Offer is or will be obliged to give notice of any defects or irregularities in acceptances, and none of them will incur any liability for failure to give any such notice.

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

10.9 Should any Qualifying Shareholder require any assistance in completing the Form of Acceptance or have any enquiries regarding the procedures for tendering and settlement or any other similar aspect of the Offer, the Qualifying Shareholder may contact the Registrar at its hotline at (852) 2980 1333 during the period from Thursday, 29 October 2009 to Tuesday, 1 December 2009 (both days inclusive) between 9:00 a.m. and 5:00 p.m. (Hong Kong time) from Mondays to Fridays (other than public holidays) and on Wednesday, 2 December 2009 between 9:00 a.m. and 4:00 p.m., being the Latest Acceptance Time.

OVERSEAS SHAREHOLDERS

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

PROCEDURES FOR ACCEPTANCE AND SETTLEMENT

1. General Procedures for Acceptance

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

1.2 In order to be valid, the completed Form of Acceptance should be forwarded, together with the share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) for not less than the number of Shares in respect of which the relevant Qualifying Shareholder wishes to accept the Offer, by post or by hand to the Registrar, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, in an envelope marked "**CCT Telecom — Repurchase Offer**" as soon as possible after receipt of the Form of Acceptance but in any event so as to

reach the Registrar by no later than 4:00 p.m. (Hong Kong time) on Wednesday, 2 December 2009, or such later time and/or date as the Company may, subject to the Takeovers Code, decide and announce.

1.3 Unless the Offer is extended or revised in accordance with the Takeovers Code, no Form of Acceptance received after the Latest Acceptance Time will be accepted.

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

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

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

1.7 In relation to any acceptance of the Offer in respect of Shares held in CCASS in the name of HKSCC Nominees Limited ("HKSCCN"), HKSCCN shall specify in the Form of Acceptance (i) the total number of Shares accepting the Offer by CCASS participants under Assured Entitlements; and (ii) the total number of Shares tendered for acceptance of the Offer by CCASS participants in excess of Assured Entitlements.

1.8 Only one Form of Acceptance will be accepted from each Qualifying Shareholder by the Registrar.

2. Nominee Holdings

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

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

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

(iii) where his/her Shares are deposited in CCASS, instruct his/her broker/custodian bank to authorise HKSCCN to accept the Offer on his/her behalf on or before the deadline set by HKSCCN, in this case, Tuesday, 1 December 2009, which is one Business Day before the Latest Acceptance Time. In order to meet the deadline set by HKSCCN, that Shareholder should check with his/her broker/custodian bank for the timing on processing of his/her instruction, and submit such instruction to his/her broker/custodian bank as required by them; or

(iv) if that Shareholder's Shares have been lodged with his/her Investor Participant Account with CCASS, authorise his/her instruction via the CCASS Phone System or CCASS Internet System not later than one Business Day before the Latest Acceptance Time, which is Tuesday, 1 December 2009.

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

3. Recent Transfers

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

4. Lost or Unavailable Share Certificates

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

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

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

5. Additional Forms of Acceptance

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

6. Settlement

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

6.2 In the case of any Accepting Shareholder where the number of Shares represented by the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title sent in connection with his/her Form of Acceptance to the Registrar in acceptance of the Offer

exceeds 50,000 Shares, such Shareholder may contact the Registrar directly to arrange for collection in person at the Registrar's office of the remittance due to him/her in respect of the Shares accepted under the Offer (after deducting seller's ad valorem stamp duty due on the repurchase of the Shares from the amount payable in cash) and/or any share certificate(s) representing Shares which are not successfully tendered and/or accepted under the Offer. However, if no such prior arrangement is made with the Registrar, the Registrar will send the remittance and/or any share certificate(s) to such Shareholder at his/her own risk as mentioned in the paragraph 6.1.

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

6.4 If the Excess Tenders of an Accepting Shareholder has not been purchased by the Company in full, the share certificate(s) or transfer receipt(s) or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (as the case may be) in respect of the balance of such Shares or a replaced certificate therefor will be returned or sent to him/her by ordinary post at his/her own risk, as soon as possible, but in any event within 10 days following the close of the Offer.

6.5 Settlement of the consideration to which any Accepting Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect to payment of ad valorem stamp duty) without regard to any lien, right of set-off, counterclaim, or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Accepting Shareholder.

7. New Shareholders

Any new Shareholder may collect a copy of the Offer Document, together with the form of proxy and a blank Form of Acceptance from the Registrar at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong during the period from Thursday, 29 October 2009 to Tuesday, 1 December 2009 (both days inclusive) between 9:00 a.m. and 5:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays) and on Wednesday, 2 December 2009 between 9:00 a.m. and 4:00 p.m., being the Latest Acceptance Time. Such Shareholder may also contact the Registrar (through the enquiry general telephone line referred to in paragraph 10.9 under the section headed "Terms and Conditions of the Offer" above) and request a copy of the Offer Document, the accompanying form of proxy and a blank Form of Acceptance (as appropriate) to be sent to his/her registered address as recorded in the Register.

EFFECT OF ACCEPTANCE OF THE OFFER BY QUALIFYING SHAREHOLDERS

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

1. Deeming provision

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

(a) if no number is inserted or if a number in excess of the registered holding of Shares of the relevant Qualifying Shareholder or a mark other than a legible number (including a tick, a cross, a circle, a word or an illegible number or character) is inserted in Box 1 of the Form of Acceptance, such Qualifying Shareholder will be deemed to have accepted the Offer at the Offer Price in regard to such number of Shares as shall be equal to the number of the Shares tendered by him/her as supported by the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable), subject to Assured Entitlement and scaling down mechanism for acceptances in excess of Assured Entitlement as set out in the Offer Document.

2. Representations and Warranties

(a) That he/she has full power and authority to tender, sell, assign and transfer all the Shares (together with all rights attaching thereto) specified in such Form of Acceptance for repurchase and that the Shares are fully paid, free from all liens, charges, encumbrances, equitable interests, rights of preemption or other third party rights of any nature and together with all rights attaching thereto on or after the date of the Announcement (save for the interim dividend of HK$0.03 per Share paid by the Company on 21 October 2009 which he/she is entitled to retain, notwithstanding that he/she accepts the Offer); and

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

3. Appointment and Authority

That the execution of the Form of Acceptance constitutes:

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

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

4. Undertakings

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

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

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

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

(d) undertakes to execute any further documents, take any further action and give any further assurances which may be required in connection with his/her acceptance of the Offer as the Company may consider to be necessary, expedient or desirable, including without limitation, to complete the repurchase of any Shares in respect of which he/she has accepted or is deemed to have accepted the Offer free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the date of the Announcement (save for the interim dividend of HK$0.03 per Share paid by the Company on 21 October 2009 which he/she is entitled to retain, notwithstanding that he/she accepts the Offer) and/or to perfect any of the authorities expressed to be given hereunder;

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

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

TAXATION

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

ANNOUNCEMENTS

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

2. By 6:00 p.m. (or such later time as the Executive may in exceptional circumstances permit) on the closing date of the Offer, the Company shall inform the Executive and the Stock Exchange of its decision in relation to the revision, extension (if any), expiry or unconditionality of the Offer and shall publish an announcement through the Stock Exchange by 7:00 p.m. on such date stating whether the Offer has been revised or extended, has expired or has become or been declared unconditional. A draft of such announcement must be submitted to the Executive and the Stock Exchange by 6:00 p.m. for comment and clearance and publication through the website of the Stock Exchange by 7:00 p.m. on the same day. The announcement shall, among others (except in the case of lapse of the Offer), specify the total number of the Shares (and rights over Shares) for which acceptances of the Offer have been received, the total number of the Shares (and rights over Shares) held, controlled or directed by Mr. Mak or persons acting in concert with him (if any) before 8 October 2009, being the date the Offer Period commenced, and the total number of the Shares (and rights over Shares) acquired or agreed to be acquired during the Offer Period (being the period between 8 October 2009 and the closing date of the Offer) by Mr. Mak or any person acting in concert with him.

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

INTERPRETATION

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

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

(A) SUMMARY FINANCIAL INFORMATION

The following is a summary of the audited financial results of the Group for each of three years ended 31 December 2008 as extracted from the respective annual reports of the Company.

	For the year ended 31 December		
	2008	**2007**	**2006**
	HK$ million	*HK$ million*	*HK$ million*
Revenue	2,935	3,729	4,199
Profit/(loss) before tax	(1,284)	414	387
Tax	(5)	(17)	(21)
Profit/(loss) for the year	(1,289)	397	366
Profit/(loss) attributable to:			
Owners of the parent	(1,123)	484	358
Minority interests	(166)	(87)	8
	(1,289)	397	366
Proposed final dividend	20	24	20
Dividend per Share *(HK$)*	0.030	0.030	0.025
Earnings/(loss) per share attributable to owners of the parent			
Basic	(HK$1.36)	HK$0.61	HK$0.49
Diluted	N/A	HK$0.57	HK$0.43

There were neither extraordinary nor exceptional items during each of the three years ended 31 December 2008.

The auditor's reports of the Company for the three years ended 31 December 2008 do not contain any qualifications.

Set out below is a summary of the unaudited condensed consolidated results of the Group for each of the six months periods ended 30 June 2007, 2008 and 2009 respectively extracted from the Company's relevant interim reports and restated as appropriate.

	Six months ended 30 June		
	2009	**2008**	**2007**
	HK$ million	*HK$ million*	*HK$ million*
Revenue	715	1,483	1,713
Profit/(loss) before tax	27	(397)	498
Tax	(2)	(5)	(14)
Profit/(loss) for the period	25	(402)	484
Profit/(loss) attributable to:			
Owners of the parent	38	(337)	498
Minority interests	(13)	(65)	(14)
	25	(402)	484
Proposed interim dividends	20	21	20
Interim dividend per Share *(HK$)*	0.030	0.025	0.025
Earnings/(loss) per share attributable to owners of the parent			
Basic	HK$0.052	(HK$0.423)	HK$0.626
Diluted	N/A	N/A	HK$0.585

There were neither extraordinary nor exceptional items during each of the six months periods ended 30 June 2007, 2008 and 2009.

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

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

Consolidated Income Statement
Year ended 31 December 2008

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

Consolidated Balance Sheet
31 December 2008

	Notes	2008 HK$ million	2007 HK$ million
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	886	1,287
Investment properties	*16*	171	315
Prepaid land lease payments	*17*	213	219
Other intangible assets	*18*	—	32
Goodwill	*19*	55	55
Interest in an associate	*21*	229	—
Available-for-sale financial assets	*22*	4	11
Deferred tax assets	*36*	1	2
Total non-current assets		1,559	1,921
CURRENT ASSETS			
Inventories	*23*	135	223
Property for development	*24*	113	—
Property held for sale	*25*	87	—
Trade and bills receivables	*26*	422	718
Prepayments, deposits and other receivables	*27*	256	276
Financial assets at fair value through profit or loss	*28*	446	398
Pledged time deposits	*29*	89	250
Cash and cash equivalents	*29*	786	1,673
Total current assets		2,334	3,538
CURRENT LIABILITIES			
Trade and bills payables	*30*	551	851
Tax payable		29	31
Other payables and accruals	*31*	211	300
Derivative financial instruments	*32*	47	62
Interest-bearing bank and other borrowings	*33*	351	212
Total current liabilities		1,189	1,456
NET CURRENT ASSETS		1,145	2,082
TOTAL ASSETS LESS CURRENT LIABILITIES		2,704	4,003

	Notes	2008 HK$ million	2007 HK$ million
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	*33*	124	224
Deferred tax liabilities	*36*	3	4
Total non-current liabilities		127	228
Net assets		2,577	3,775
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	*37*	85	80
Reserves	*39(a)*	2,108	3,121
Proposed final dividend	*13*	20	24
		2,213	3,225
Minority interests		364	550
Total equity		2,577	3,775

Consolidated Statement of Changes in Equity

Year ended 31 December 2008

		Attributable to equity holders of the parent												
	Notes	Issued capital HK$ million	Share premium account HK$ million	Capital reserve (Note 39(a)) HK$ million	Distributable reserve HK$ million	Investment revaluation reserve HK$ million	Equity component of convertible bonds HK$ million	Share option reserve HK$ million	Exchange fluctuation reserve HK$ million	Retained profits/ (accumulated loss) HK$ million	Proposed final dividend HK$ million	Total HK$ million	Minority interests HK$ million	Total equity HK$ million
At 1 January 2007		78	67	741	1,417	1	13	2	4	409	20	2,752	57	2,809
Exchange realignment		—	—	—	—	—	—	—	15	—	—	15	—	15
Total income and expense recognised directly in equity		—	—	—	—	—	—	—	15	—	—	15	—	15
Profit for the year		—	—	—	—	—	—	—	—	484	—	484	(87)	397
Total income and expense for the year		—	—	—	—	—	—	—	15	484	—	499	(87)	412
Equity-settled share option arrangements		—	—	—	—	—	—	5	—	—	—	5	—	5
Arising from disposal of interest in a subsidiary		—	—	—	—	—	—	—	—	—	—	—	514	514
Deemed disposal of interest in a subsidiary upon exercise of share options in the subsidiary		—	—	4	—	—	—	(4)	—	—	—	—	45	45
Deemed disposal of interest in a subsidiary upon placement of shares by the subsidiary		—	—	—	—	—	—	—	—	—	—	—	21	21
Issue of new shares upon conversion of convertible bonds	*35*	2	10	—	—	—	(3)	—	—	—	—	9	—	9
2006 final dividend paid		—	—	—	—	—	—	—	—	—	(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 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	*35*	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

* These reserve accounts comprise the consolidated reserves of HK$2,108 million (2007: HK$3,121 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			
Profit/(loss) before tax		(1,284)	414
Adjustments for:			
Finance costs	*8*	24	43
Share of loss of an associate		15	—
Interest income	*5*	(21)	(98)
Depreciation	*7*	140	135
Equity-settled share option expense		—	12
Amortisation of prepaid land lease payments	*7*	6	6
Impairment of goodwill	*7*	—	25
Amortisation of deferred expenditure	*7*	24	36
Net impairment of trade receivables	*7*	48	22
Write-off of other receivables	*7*	1	6
Write-off and impairment of deferred development costs	*7*	35	14
Write-off and impairment of items of property, plant and equipment	*7*	320	14
Gain on disposal of available-for-sale financial assets	*7*	(3)	—
Loss on disposal of items of property, plant and equipment, net	*7*	1	—
Fair value (gain)/loss on investment properties	*7*	20	(19)
Gain on disposal of an investment property	*7*	—	(34)
Gain on partial disposal of subsidiaries	*7*	—	(456)
Gain on derecognition of derivative financial instrument	*7*	—	(71)
Write-down of inventories to net realisable value	*7*	17	14
Fair value loss/(gain) on financial assets at fair value through profit or loss	*7*	402	(18)
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 (gain)/loss on derivative financial instruments	*7*	(6)	36
		(261)	39
(Increase)/decrease in inventories		71	(4)
Decrease in trade and bills receivables		247	97
Increase in prepayments, deposits and other receivables		(97)	(240)
Increase/(decrease) in trade and bills payables and other payables and accruals		(300)	88
Cash used in operations		(340)	(20)
Interest received		21	98
Interest paid		(24)	(26)
Hong Kong profits tax paid		(3)	(1)
PRC tax paid		(4)	(7)
Net cash inflow/(outflow) from operating activities		(350)	44

	Notes	2008 HK$ million	2007 HK$ million
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(78)	(205)
Proceeds from disposal of items of property, plant and equipment		14	5
Proceeds from disposal of investment properties		37	228
Proceeds from disposal of available-for-sale financial assets		10	—
Additions to intangible assets		(27)	(36)
Proceeds from partial disposal of subsidiaries		—	748
Decrease in a long term receivable		—	312
Proceeds from disposal of held-to-maturity financial assets		—	2
Net purchases of financial assets at fair value through profit or loss		(532)	(154)
Increase/(decrease) in derivative financial instruments		(9)	26
Deemed disposal of subsidiaries	*40*	(31)	—
Subscription of convertible bonds issued by an associate		(139)	—
Decrease/(increase) in pledged time deposits		161	(162)
Net cash inflow/(outflow) from investing activities		(594)	764
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares by/subscription of shares in subsidiaries		—	101
New bank loans		173	116
New trust receipts loans, net		50	19
Repayment of bank loans		(138)	(200)
Capital element of finance lease rental payments		(3)	(6)
Dividends paid		(45)	(40)
Net cash (outflow)/inflow from financing activities		37	(10)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(907)	798
Cash and cash equivalents at beginning of year		1,673	865
Effect of foreign exchange rate changes, net		20	10
CASH AND CASH EQUIVALENTS AT END OF YEAR		786	1,673
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*29*	633	564
Non-pledged time deposits with original maturity of less than three months when acquired	*29*	153	1,109
		786	1,673

Balance Sheet
31 December 2008

	Notes	2008 HK$ million	2007 HK$ million
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	1	2
Interests in subsidiaries	*20*	721	1,374
Total non-current assets		722	1,376
CURRENT ASSETS			
Due from subsidiaries	*20*	1,051	699
Prepayments, deposits and other receivables	*27*	—	1
Cash and cash equivalents	*29*	154	794
Total current assets		1,205	1,494
CURRENT LIABILITIES			
Other payables and accruals	*31*	4	7
Total current liabilities		4	7
NET CURRENT ASSETS		1,201	1,487
TOTAL ASSETS LESS CURRENT LIABILITIES		1,923	2,863
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*33*	—	43
Total non-current liabilities		—	43
Net assets		1,923	2,820
EQUITY			
Issued capital	*37*	85	80
Reserves	*39(b)*	1,818	2,716
Proposed final dividend	*13*	20	24
Total equity		1,923	2,820

Notes to Financial Statements

1. CORPORATE INFORMATION

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

During the year, the 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;
- investment in securities; and
- development and holding of properties.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain derivative financial instruments, available-for-sale financial assets and financial assets at fair value through profit or loss, which have been measured at fair value. Property held for sale is stated at the lower of its carrying amounts and fair values less costs to sell as further explained in note 2.4. 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.

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

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

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new 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 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.

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 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. 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.

Associates

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

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

Goodwill

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

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 2008. 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:

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

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.

Properties for development

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

Properties for development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

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

Non-current assets held for sale

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

Non-current assets (other than investment properties, deferred tax assets, and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased assets is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

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

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

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Deferred development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

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

Investments and other financial assets

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

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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

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

Financial assets at fair value through profit or loss

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

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity financial assets

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other three categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the 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 available-for-sale investment revaluation reserve.

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

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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

Assets carried at cost

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

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged declined in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

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

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

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

Convertible bonds

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

Derecognition of financial liabilities

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

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

Derivative financial instruments

The Group uses derivative financial instruments such as share accumulator contract and share swap contract. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

The carrying amount of deferred tax assets is reviewed at 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 38 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 and associates 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 and associates are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Cash and cash equivalents

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

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

Revenue recognition

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

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

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

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

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

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

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

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

Dividends

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

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

Related parties

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

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

(b) the party is an associate;

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

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

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

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

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

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 a subsidiary and was reclassified to interest in an associate.

Classification between investment properties and property held for sale

The Group has determined whether a property qualifies as 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 qualifies as property held for sale should be available for immediate sale in its present condition and its sale should be highly probable and the management should have committed to a plan to sell the property.

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

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$55 million (2007: HK$55 million). More details are given in note 19.

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$29 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$310 million (2007: Nil) was recognised for items of property, plant and equipment during the year because management determines that the 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. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2008 was HK$1 million (2007: HK$2 million). The amount of unrecognised tax losses at 31 December 2008 was HK$826 million (2007: HK$202 million). Further details are contained in note 36 to the financial statements.

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 managements to make assumptions regarding the expected future cash generation of the Group. Total costs of HK$376 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, accessories and components;

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

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

(d) the property development and holding segment engages in holding of property 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 consumers, and assets are attributed to the segments based on the location of the assets.

(a) Business segments

The following tables present revenue and profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

	Telecom and electronic products		Infant and child products		Securities business		Property development and holding		Corporate and others		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Segment revenue:												
Sales to external customers	2,776	3,374	140	115	(149)	149	123	4	25	43	2,915	3,685
Other revenue	30	18	2	2	—	—	—	—	10	1	42	21
	2,806	3,392	142	117	(149)	149	123	4	35	44	2,957	3,706
Segment results	(623)	(201)	8	9	(555)	130	(26)	52	(69)	423	(1,265)	413
Interest income											20	44
Finance costs											(24)	(43)
Share of loss of an associate											(15)	—
Profit/(loss) before tax											(1,284)	414
Tax											(5)	(17)
Profit/(loss) for the year											(1,289)	397
Segment assets	2,190	2,970	65	83	447	845	724	554	237	1,005	3,663	5,457
Interest in an associate											229	—
Unallocated assets											1	2
Total assets											3,893	5,459
Segment liabilities	739	1,023	15	23	47	107	1	3	7	57	809	1,213
Unallocated liabilities											507	471
Total liabilities											1,316	1,684
Other segment information:												
Capital expenditure	72	244	11	2	—	—	2	3	20	3	105	252
Depreciation	136	130	2	2	—	—	—	—	2	4	140	136
Amortisation	30	41	—	—	—	—	—	—	—	1	30	42
Impairment losses recognised directly in the income statements	380	—	—	—	—	—	—	—	11	25	391	25
Fair value loss/(gain) on derivative financial instruments	—	—	—	—	(6)	36	—	—	—	—	(6)	36
Other non-cash expenses	9	54	—	—	—	—	—	—	5	16	14	70
Fair value gain/(loss) on investment properties	—	—	—	—	—	—	(20)	19	—	—	(20)	19
Gain on disposal of an investment property	—	—	—	—	—	—	—	34	—	—	—	34
Gain on disposal of available-for-sale financial assets	—	—	3	—	—	—	—	—	—	—	3	—
Fair value gain/(loss) on financial assets at fair value through profit or loss	—	—	—	—	(402)	18	—	—	—	—	(402)	18
Gain on deemed disposal of interests in subsidiaries	—	—	—	—	—	—	—	—	—	42	—	42
Gain on partial disposal of subsidiaries	—	—	—	—	—	—	—	—	—	456	—	456
Gain on derecognition of derivative financial instrument	—	—	—	—	—	—	—	—	—	71	—	71

(b) Geographical segments

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

Group

	North America		Europe		Asia Pacific		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	1,355	1,907	1,180	1,183	380	595	2,915	3,685
Other revenue	—	—	—	—	42	21	42	21
Total revenue	1,355	1,907	1,180	1,183	422	616	2,957	3,706

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

5. REVENUE

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

Revenue from the following activities has been included in turnover:

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

Note: The Group's gross proceeds from the sale of financial assets at fair value through profit or loss and the corresponding cost were separately shown and included in "Revenue" and "Cost of sales" respectively in the prior year's consolidated income statement. During the current year, the Group changed its presentation,as it is more appropriate to account the net realised gain/loss from the sale of financial assets at fair value through profit or loss on a net basis as "Revenue" in the consolidated income statement.

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:

		2008
	Note	*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:

		Group	
		2008	**2007**
	Notes	*HK$ million*	*HK$ million*
Cost of inventories sold		2,921	3,408
Depreciation	*15*	140	136
Less: Amount capitalised in deferred development costs		—	(1)
		140	135
Amortisation of prepaid land lease payments	*17*	6	6
Minimum lease payments under operating leases in respect of land and buildings		14	12
Research and development costs:			
Deferred expenditure amortised*	*18*	24	36
Current year expenditure		87	76
Impairment of goodwill**	*19*	—	25
Auditors' remuneration		5	7

	Notes	Group 2008 HK$ million	2007 HK$ million
Employee benefits expense (excluding directors' remuneration — note 9):			
Wages and salaries		472	477
Equity-settled share option expense		—	9
Pension scheme contributions****		2	5
Less: Amount capitalised in deferred development costs		(8)	(21)
		466	470
Net impairment of trade receivables**	*26*	48	22
Write-off of other receivables**		1	6
Write-off of items of property, plant and equipment**	*15*	6	—
Impairment of items of property, plant and equipment**	*15*	314	14
Loss on disposal of items of property, plant and equipment**		1	—
Write-off of deferred development costs**	*18*	6	12
Impairment of deferred development costs**	*18*	29	2
Write-down of inventories to net realisable value*		17	14
Foreign exchange differences, net		20	5
Fair value (gain)/loss on derivative financial instruments**		(6)	36
Fair value loss on investment properties	*16*	20	—
Fair value loss on financial assets at fair value through profit or loss**		402	—
and after crediting:			
Fair value gain on investment properties***	*16*	—	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 disposal of interest in a subsidiary upon exercise of share options in the subsidiary***		—	21
Gain on deemed disposal of interest in a subsidiary upon placement of shares by the subsidiary***		—	21
Gain on disposal of available-for-sale financial assets***		3	—
Fair value gain on financial assets at fair value through profit or loss***		—	18
Gross rental income from investment properties	*5*	1	4
Interest income on long term receivable***		—	6

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

** Comprising amounts included in "Other expenses" and/or "Cost in connection with the Discontinuation and restructuring, net" 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

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

9. DIRECTORS' REMUNERATION

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

	Group	
	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	25	21
Performance related bonuses*	11	34
Equity-settled share option expense	—	3
Pension scheme contributions	1	1
	37	59
	38	60

* 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's subsidiary, CCT Tech International Limited, which is listed on the Main Board of the Stock Exchange. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the prior year is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

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

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

* Resigned on 5 February 2008.

** Appointed on 5 February 2008.

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

(b) Executive directors

	Salaries, allowances and benefits in kind	Tax allowance	Performance related bonuses	Employee share option benefits	Pension scheme contributions	Total remuneration
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
2008						
Mak Shiu Tong, Clement ("Mr. Mak") *(Note 1)*	10	8	7	—	1	26
Tam Ngai Hung, Terry *(Note 2)*	4	—	2	—	—	6
Cheng Yuk Ching, Flora *(Note 2)*	3	—	2	—	—	5
William Donald Putt	—	—	—	—	—	—
	17	8	11	—	1	37
2007						
Mak Shiu Tong, Clement *(Note 1)*	10	4	18	1	1	34
Tam Ngai Hung, Terry *(Note 2)*	4	—	8	1	—	13
Cheng Yuk Ching, Flora *(Note 2)*	3	—	8	1	—	12
William Donald Putt	—	—	—	—	—	—
	17	4	34	3	1	59

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 and Ms Cheng Yuk Ching, Flora 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.

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

10. FIVE HIGHEST PAID EMPLOYEES

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

	Group	
	2008	**2007**
	HK$ million	*HK$ million*
Salaries, allowances and benefits in kind	4	5
Performance related bonuses	—	1
Equity-settled share option expense	—	1
Pension scheme contributions	—	—
	4	7

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

	Number of employees	
	2008	**2007**
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	—
HK$4,000,001–HK$4,500,000	—	1
	2	2

In the prior year, the non-director, highest paid employees were granted share options, in respect of their services to the Group under the share option scheme of the Company's subsidiary, CCT Tech International Limited, which is listed on the Main Board of the Stock Exchange. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the prior year is included in the above five highest paid employees' disclosures.

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

	Group	
	2008	**2007**
	HK$ million	*HK$ million*
Group:		
Current — Hong Kong:		
Charge for the year	—	6
Underprovision/(overprovision) in prior years	1	(1)
Current — Elsewhere:		
Charge for the year	2	9
Underprovision in prior years	2	—
Deferred *(note 36)*	—	3
Total tax charge for the year	5	17

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

Group — 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 tax rate	(123.8)	16.5	(133.2)	25.0	(257.0)	20.0
Adjustment in respect of current tax of previous periods	0.8	(0.1)	2.1	(0.4)	2.9	(0.2)
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 charge at the Group's effective rate	1.0	(0.1)	3.8	(0.7)	4.8	(0.4)

Group — 2007

	Hong Kong		The PRC, excluding Hong Kong		Total	
	HK$ million	*%*	*HK$ million*	*%*	*HK$ million*	*%*
Profit/(loss) before tax	631.5		(218.0)		413.5	
Tax at the statutory 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

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. Subsequent to the balance sheet date, 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 approval of these financial statements, the directors of the Company consider that adequate tax provision has been made in the financial statements.

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

The consolidated loss attributable to equity holders of the parent for the year ended 31 December 2008 includes a loss of HK$895 million (2007: profit of HK$208 million) which has been dealt with in the financial statements of the Company (note 39(b)).

13. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Paid interim — HK$0.025 (2007: HK$0.025) per ordinary share	21	20
Proposed final — HK$0.030 (2007: HK$0.030) per ordinary share	20	24
Total	41	44

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

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

The calculation of the basic earnings/(loss) per share amounts for the year is based on the loss for the year attributable to ordinary equity holders of the parent of HK$1,123 million (2007: profit of HK$484 million), and the weighted average number of 825,137,009 (2007: 796,359,311) 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 the convertible bonds outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

The calculation of the diluted earnings per share amount for the prior year is based on the profit for the prior year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on convertible bonds (see below). The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the 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 calculations of basic and diluted earnings per share for the prior year are based on:

	2007 *HK$ million*
Earnings	
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	484
Interest on convertible bonds *(note 8)*	3
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	487

	Number of shares 2007
Shares	
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	796,359,311
Effect of dilution — weighted average number of ordinary shares:	
Convertible bonds	57,261,612
	853,620,923

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings *HK$ million*	Plant and machinery *HK$ million*	Tools, moulds and equipment *HK$ million*	Furniture and office equipment *HK$ million*	Motor vehicles *HK$ million*	Construction in progress *HK$ million*	Total *HK$ million*
31 December 2008							
At 31 December 2007 and 1 January 2008:							
Cost	1,099	579	214	174	27	72	2,165
Accumulated depreciation and impairment	(285)	(307)	(155)	(115)	(16)	—	(878)
Net carrying amount	814	272	59	59	11	72	1,287
At 1 January 2008, net of accumulated depreciation and impairment	814	272	59	59	11	72	1,287
Additions	29	35	3	6	3	2	78
Disposals	(5)	(6)	(1)	—	(3)	—	(15)
Write-off	(2)	(2)	—	(2)	—	—	(6)
Disposal of subsidiaries *(note 40)*	(1)	(16)	—	—	—	—	(17)
Depreciation provided during the year	(50)	(51)	(21)	(14)	(4)	—	(140)
Impairment	(215)	(71)	(13)	(14)	(1)	—	(314)
Transfer	63	4	—	—	—	(67)	—
Exchange realignment	1	9	—	2	—	1	13
At 31 December 2008, net of accumulated depreciation and impairment	634	174	27	37	6	8	886
At 31 December 2008:							
Cost	1,179	594	216	162	22	8	2,181
Accumulated depreciation and impairment	(545)	(420)	(189)	(125)	(16)	—	(1,295)
Net carrying amount	634	174	27	37	6	8	886

	Leasehold land and buildings *HK$ million*	Plant and machinery *HK$ million*	Tools, moulds and equipment *HK$ million*	Furniture and office equipment *HK$ million*	Motor vehicles *HK$ million*	Construction in progress *HK$ million*	Total *HK$ million*
31 December 2007							
At 31 December 2006 and 1 January 2007:							
Cost	1,086	480	194	149	24	20	1,953
Accumulated depreciation and impairment	(222)	(258)	(131)	(106)	(14)	—	(731)
Net carrying amount	864	222	63	43	10	20	1,222
At 1 January 2007, net of accumulated depreciation and impairment	864	222	63	43	10	20	1,222
Additions	6	96	20	28	6	59	215
Disposals	—	(4)	—	—	(1)	—	(5)
Depreciation provided during the year	(49)	(47)	(24)	(12)	(4)	—	(136)
Impairment	(14)	—	—	—	—	—	(14)
Transfer	7	—	—	—	—	(7)	—
Exchange realignment	—	5	—	—	—	—	5
At 31 December 2007, net of accumulated depreciation and impairment	814	272	59	59	11	72	1,287
At 31 December 2007:							
Cost	1,099	579	214	174	27	72	2,165
Accumulated depreciation and impairment	(285)	(307)	(155)	(115)	(16)	—	(878)
Net carrying amount	814	272	59	59	11	72	1,287

Company

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

The net book values of the fixed assets of the Group held under finance leases included in the total amounts of plant and machinery and motor vehicles as at 31 December 2008 amounted to approximately HK$9 million (2007: HK$10 million) and HK$2 million (2007: HK$3 million), respectively.

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

	Hong Kong *HK$ million*	Elsewhere *HK$ million*	Total *HK$ million*
Medium term leases	27	607	634

At 31 December 2008, certain of the Group's land and buildings with an aggregate carrying value of approximately HK$457 million (2007: HK$490 million) were pledged to secure general banking facilities granted to the Group (note 33).

An impairment of HK$310 million (2007: Nil) 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%.

16. INVESTMENT PROPERTIES

	Group	
	2008	**2007**
	HK$ million	*HK$ million*
Carrying amount at 1 January	315	490
Disposals	(37)	(194)
Fair value gain/(loss) on investment properties	(20)	19
Transfer to property held for sale	(87)	—
Carrying amount at 31 December	171	315

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

The Group's investment properties were revalued on 31 December 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 44(a) to the financial statements.

At 31 December 2008, the Group's investment properties with an aggregate carrying value of HK$170 million (2007: HK$314 million) were pledged to secure general banking facilities granted to the Group (note 33).

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

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

18. OTHER INTANGIBLE ASSETS

Group

	Deferred development costs *HK$ million*
31 December 2008	
Cost at 1 January 2008, net of accumulated amortisation and impairment	32
Additions — internal development	27
Write-off	(6)
Impairment	(29)
Amortisation provided during the year	(24)
At 31 December 2008	—
At 31 December 2008:	
Cost	115
Accumulated amortisation and impairment	(115)
Net carrying amount	—
31 December 2007	
Cost at 1 January 2007, net of accumulated amortisation and impairment	45
Additions — internal development	37
Write-off	(12)
Impairment	(2)
Amortisation provided during the year	(36)
At 31 December 2007	32
At 31 December 2007:	
Cost	94
Accumulated amortisation and impairment	(62)
Net carrying amount	32

An impairment loss of HK$29 million (2007: HK$2 million) was recognised during the year because management determines that it is uncertain whether the deferred development costs could generate future economic benefits for the Group.

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
31 December 2008	
At 1 January 2008:	
Cost	108
Accumulated impairment	(53)
Net carrying amount	55
Cost at 1 January 2008 and 31 December 2008, net of accumulated impairment	55
At 31 December 2008:	
Cost	108
Accumulated impairment	(53)
Net carrying amount	55
31 December 2007	
At 1 January 2007:	
Cost	156
Accumulated impairment	(28)
Net carrying amount	128
Cost at 1 January 2007, net of accumulated impairment	128
Release of goodwill upon partial disposal of subsidiaries	(48)
Impairment during the year	(25)
Net carrying amount at 31 December 2007	55
At 31 December 2007:	
Cost	108
Accumulated impairment	(53)
Net carrying amount	55

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

- Telecom and electronic products cash-generating unit; and
- Property holding cash-generating unit.

Telecom and electronic products cash-generating unit

The recoverable amount of the telecom and electronic products cash-generating unit is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 11.7%.

The goodwill allocated to the property holding generating unit was impaired during the year ended 31 December 2007. The carrying amount of goodwill as at 31 December 2008 and 2007 is as follows:

	2008	2007
	HK$ million	*HK$ million*
Telecom and electronic products	55	55

Key assumptions were used in the value in use calculation of the telecom and electronic products cash-generating unit for 31 December 2008. 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	
	2008	2007
	HK$ million	*HK$ million*
Unlisted shares, at cost	45	45
Due from subsidiaries	3,588	2,921
	3,633	2,966
Impairment	(1,861)	(893)
	1,772	2,073
Less: Portion of amounts due from subsidiaries classified as current asset	(1,051)	(699)
	721	1,374

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

(a) Amounts due from subsidiaries of HK$169 million (2007: HK$699 million) 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.

(b) Amount due from a subsidiary of HK$882 million (2007: Nil) is unsecured, interest-free and repayable on demand.

The carrying amounts of the amounts due from subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Canford Holdings Limited	Hong Kong	HK$2 Ordinary	—	100	Property holding
CCT Marketing Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	—	50.49	Trading of telecom products
CCT Tech (HK) Limited (formerly known as CCT Telecom (HK) Limited)	Hong Kong	HK$2,600,000 Ordinary	—	50.49	Sourcing of telecom products, raw materials and components
CCT Telecom Securities Limited	Hong Kong	HK$1 Ordinary	—	100	Securities investment
CCT Tech International Limited (“CCT Tech”)[@]	Bermuda/ Hong Kong	HK$654,139,940 Ordinary	—	50.49	Investment holding
Electronic Sales Limited	Hong Kong	HK$5,948,000 Ordinary	—	100	Sale of power supply components
Goldbay Investments Limited	Hong Kong	HK$2 Ordinary	—	100	Property holding
Neptune Holding Limited	Hong Kong	HK$10,000,000 Non-voting* class ‘A’ shares HK$1,000,000 Voting class ‘B’ shares	—	100	Trading of plastic casings and parts
Rich Full International Industries Limited	Hong Kong	HK$1 Ordinary	—	100	Property holding
Topcon Investments Limited	Hong Kong	HK$1 Ordinary	—	100	Property holding
Wiltec Industries (HK) Limited	British Virgin Islands/Hong Kong	US$2 Ordinary	—	100	Sale of infant and child products
Huiyang CCT Telecommunications Products Co., Ltd.	PRC	HK$120,000,000 Registered^	—	50.49	Manufacture of telecom products
Huiyang CCT Plastic Products Co., Ltd.	PRC	HK$48,600,000 Registered^	—	100	Manufacture of plastic casings and parts
CCT Land Development (Anshan) Company Limited	PRC	HK$380,000,000 Registered^	—	100	Property development

* 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.

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

21. INTEREST IN AN ASSOCIATE

	Group	
	2008	**2007**
	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 activities**
CCT Resources Holdings Limited (“CCT Resources”) (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 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	
	2008	**2007**
	HK$ million	*HK$ million*
Unlisted equity investment, at cost less impairment	2	2
Other assets, at fair value	2	9
	4	11

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

23. INVENTORIES

	Group	
	2008	**2007**
	HK$ million	*HK$ million*
Raw materials	38	61
Work in progress	32	55
Finished goods	65	107
	135	223

24. 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%

25. PROPERTY HELD FOR SALE

During the year, an investment property of the Group was reclassified as 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 33).

26. TRADE AND BILLS RECEIVABLES

	Group	
	2008	**2007**
	HK$ million	*HK$ million*
Trade receivables	477	746
Impairment	(55)	(28)
	422	718

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the balance sheet date, the Group has certain concentration of credit risk as 32% (2007: 58%) and 85% (2007: 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			
	2008		**2007**	
	Balance	**Percentage**	**Balance**	**Percentage**
	HK$ million		*HK$ million*	
Current to 30 days	147	35	217	30
31 to 60 days	113	27	223	31
61 to 90 days	149	35	199	28
Over 90 days	13	3	79	11
	422	100	718	100

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

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 financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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	355	549
Past due but not impaired		
— within 6 months	65	161
— 7 to 12 months	2	7
— over 1 year	—	1
	422	718

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.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008	**2007**	**2008**	**2007**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Prepayments	213	238	—	—
Deposits and other receivables	43	38	—	1
	256	276	—	1

The above balance included prepayments for the acquisition of land use rights in Mainland China amounting to approximately HK$205 million (2007: HK$225 million) in relation to the Group's property development business.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

The above equity investments and fund investments at 31 December 2008 were classified as held for trading.

The market value of the Group's equity investments at the date of approval of these financial statements was approximately HK$457 million.

29. 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	633	564	150	17
Time deposits	242	1,359	4	777
	875	1,923	154	794
Less: Time deposits pledged for bank facilities *(note 33)*	(89)	(88)	—	—
Time deposits pledged for stock accumulator contracts	—	(162)	—	—
Cash and cash equivalents	786	1,673	154	794

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$161 million (2007: HK$20 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

30. 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	106	19	184	22
31 to 60 days	76	14	229	27
61 to 90 days	134	24	159	18
Over 90 days	235	43	279	33
	551	100	851	100

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

31. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008	2007	2008	2007
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Other payables	58	175	—	—
Accruals	153	125	4	7
	211	300	4	7

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

32. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2008	2007
	HK$ million	*HK$ million*
Stock accumulator contracts	—	35
Share swap contract	47	27
	47	62

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

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2008			2007		
	Effective interest rate (%)	Maturity	HK$ million	Effective interest rate (%)	Maturity	HK$ million
Current						
Finance lease payables *(note 34)*	3.25–4.25	2009	4	2.50–3.20	2008	3
Bank loans — unsecured	1.69–6.25	2009	103	6.00–7.00	2008	26
Bank loans — secured	1.25–6.97	2009	244	4.20–7.25	2008	183
			351			212
Non-current						
Finance lease payables *(note 34)*	3.25–4.25	2010	1	3.20–4.75	2009–2010	5
Bank loans — secured	1.65–4.00	2010–2016	123	4.2–6.72	2009–2016	176
2010 Convertible Bonds *(note 35(a))*			—	7.25	2010	15
2009 Convertible Bonds *(note 35(b))*			—	5.68	2009	28
			124			224
			475			436

Company

	2008			2007		
	Effective interest rate (%)	Maturity	HK$ million	Effective interest rate (%)	Maturity	HK$ million
Non-current						
2010 Convertible Bonds *(note 35(a))*	—	—	—	7.25	2010	15
2009 Convertible Bonds *(note 35(b))*	—	—	—	5.68	2009	28
			—			43

	Group		Company	
	2008	2007	2008	2007
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Analysed into:				
Bank loans repayable:				
Within one year or on demand	347	209	—	—
In the second year	22	51	—	—
In the third to fifth years, inclusive	62	64	—	—
Beyond five years	39	61	—	—
	470	385	—	—
Other borrowings repayable:				
Within one year or on demand	4	3	—	—
In the second year	1	32	—	28
In the third to fifth years, inclusive	—	16	—	15
	5	51	—	43
	475	436	—	43

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

(i) mortgage over the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the balance sheet date of approximately HK$170 million (2007: HK$314 million) (note 16);

(ii) mortgage over the Group's land and buildings situated in Hong Kong and the PRC, which had an aggregate carrying value at the balance sheet date of approximately HK$457 million (2007: HK$490 million) (note 15);

(iii) mortgage over the Group's property held for sale situated in Hong Kong, which had a carrying value at the balance sheet date of approximately HK$87 million (note 25); and

(iv) the pledge of certain of the Group's time deposits amounting to HK$89 million (2007: HK$88 million) (note 29).

(b) The Group's bank and other borrowings with carrying amounts of HK$243 million (2007: HK$216 million) and HK$232 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 CCT Tech and its subsidiaries (collectively "CCT Tech Group") with one of its bankers, which has been made known to the banker by the CCT Tech Group.

34. FINANCE LEASE PAYABLES

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

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

Group

	Minimum lease payments 2008 *HK$ million*	Minimum lease payments 2007 *HK$ million*	Present value of minimum lease payments 2008 *HK$ million*	Present value of minimum lease payments 2007 *HK$ million*
Amounts payable:				
Within one year	4	4	4	3
In the second year	1	4	1	4
In the third to fifth years, inclusive	—	1	—	1
Total minimum finance lease payments	5	9	5	8
Future finance charges	—	(1)		
Total net finance lease payables	5	8		
Portion classified as current liabilities *(note 33)*	(4)	(3)		
Non-current portion *(note 33)*	1	5		

35. 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 were convertible at the option of the bondholders into ordinary shares in the Company at the conversion price of HK$0.604 per share (subject to adjustment as provided in the terms and conditions of the 2010 Convertible Bonds) at any time during the conversion period starting from the date of issue and ending on the fifth business day before the fifth anniversary of the date of issue. The 2010 Convertible Bonds were unsecured, interest-free and had 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 would be redeemed in full on maturity. The Company might at its sole discretion repay, in whole or in part, the outstanding balance of the 2010 Convertible Bonds not yet repaid or converted into the shares of the Company any time before maturity by giving the holders of the convertible bonds a prior written notice of 14 days.

During the prior years, the 2010 Convertible Bonds with a nominal value of approximately HK$137 million were converted into 222,092,556 shares in the Company of HK$0.10 each. During the year ended 31 December 2008, the remaining balance of the 2010 Convertible Bonds with a nominal value of approximately HK$18 million were fully converted into 29,942,649 shares in the Company of HK$0.10 each (note 37).

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

The 2009 Convertible Bond was convertible at the option of the bondholder into ordinary shares in the Company at the conversion price of HK$1.13 per share (subject to adjustment as provided in the terms and conditions of the 2009 Convertible Bond) at any time from the date of issue of 2009 Convertible Bond to the fifth business day immediately prior to the maturity thereof. The 2009 Convertible Bond was unsecured, interest-free and had 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 would be redeemed in full on maturity. The Company might 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 37).

36. DEFERRED TAX

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

Deferred tax liabilities

Group

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

Deferred tax assets

Group

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

Deferred tax liabilities

Group

	2007 Depreciation allowance in excess of related depreciation *HK$ million*
Gross deferred tax liabilities at 1 January 2007	3
Deferred tax charged to the income statement *(note 11)*	1
Group deferred tax liabilities at 31 December 2007	4

Deferred tax assets

Group

	2007 Losses available for offsetting against future taxable profits *HK$ million*
Gross deferred tax assets at 1 January 2007	4
Deferred tax charged to the income statement during the year *(note 11)*	(2)
Gross deferred tax assets at 31 December 2007	2

The Group and the Company has tax losses arising in Hong Kong of HK$826 million (2007: HK$202 million) and HK$146 million (2007: HK$107 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 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.

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

37. SHARE CAPITAL

Shares

	Company	
	2008	**2007**
	HK$ million	*HK$ million*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	200	200
Issued and fully paid:		
853,614,826 (2007: 797,123,505) ordinary shares of HK$0.10 each	85	80

During the year, 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 35(a) and 35(b) to the financial statements, respectively.

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

	Number of ordinary shares of HK$0.10 each in issue	**Issued capital** *HK$ million*	**Share premium account** *HK$ million*	**Total** *HK$ million*
At 1 January 2007	779,865,493	78	67	145
Issue of new shares upon conversion of convertible bonds *(note 35(a))*	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 *(note 35)*	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 38 to the financial statements.

38. SHARE OPTION SCHEME

The Share Option Scheme was adopted by the Company on 28 February 2002. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. As at 31 December 2008, there were no share options outstanding under the Share Option Scheme. No share options have been granted, exercised, cancelled and have lapsed under the Share Option Scheme during the year.

The purpose of the Share Option Scheme is to provide incentives and rewards to the eligible participants who contribute to the success of the 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, 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 as at the date of adoption of the Share Option Scheme or 30% of the issued share capital of the Company from time to time.

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

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

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

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Shares.

39. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 43 of the financial statements.

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

(b) Company

	Notes	Share premium account HK$ million	Capital reserve HK$ million	Distributable reserve HK$ million	Equity component of convertible bonds HK$ million	Retained profits/ (accumulated loss) HK$ million	Total HK$ million
At 1 January 2007		67	741	1,417	13	307	2,545
Issue of shares upon conversion of convertible bonds	*35*	10	—	—	(3)	—	7
Profit for the year	*12*	—	—	—	—	208	208
2007 interim dividend	*13*	—	—	—	—	(20)	(20)
Proposed 2007 final dividend	*13*	—	—	—	—	(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	*35*	48	—	—	(10)	—	38
Loss for the year	*12*	—	—	—	—	(895)	(895)
2008 interim dividend	*13*	—	—	—	—	(21)	(21)
Proposed 2008 final dividend	*13*	—	—	(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.

40. 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)

41. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

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

42. 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	289	211

As at 31 December 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$205 million (2007: HK$165 million).

43. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group, are included in notes 29 and 33(a) to the financial statements.

44. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

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

	Group	
	2008	**2007**
	HK$ million	*HK$ million*
Within one year	1	1
In the second to fifth years, inclusive	2	2
After five years	2	2
	5	5

(b) As lessee

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

At the balance sheet date, the Group 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	9	9	4	2
In the second to fifth years, inclusive	7	9	3	—
	16	18	7	2

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

	Group	
	2008	**2007**
	HK$ million	*HK$ million*
Within one year	3	2
In the second to fifth years, inclusive	11	11
After five years	127	116
	141	129

45. COMMITMENTS

In addition to the operating lease commitments detailed in note 44(b) above, the Group had the following commitments at the balance sheet date:

Capital commitments

	Group	
	2008	**2007**
	HK$ million	*HK$ million*
Contracted, but not provided for:		
Construction in progress	2	18
Purchases of plant and machinery and equipment	—	10
Land	206	51
	208	79

46. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

	2008	**2007**
	HK$ million	*HK$ million*
Short term employee benefits	44	68
Equity-settled share option expense	—	—
Total compensation paid to key management personnel	44	68

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

47. FINANCIAL INSTRUMENTS BY CATEGORY

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

2008

Financial assets

	Group			
	Financial assets at fair value through profit or loss — held for trading *HK$ million*	**Loans and receivables** *HK$ million*	**Available-for-sale financial assets** *HK$ million*	**Total** *HK$ million*
Available-for-sale financial assets	—	—	4	4
Trade and bills receivables	—	422	—	422
Financial assets included in prepayments, deposits and other receivables *(note 27)*	—	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

Financial liabilities

	Group		
	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 31)*	—	58	58
Derivative financial instruments	47	—	47
Interest-bearing bank and other borrowings	—	475	475
	47	1,084	1,131

2007

Financial assets

	Group			
	Financial assets at fair value through profit or loss — held for trading *HK$ million*	**Loans and receivables** *HK$ million*	**Available-for-sale financial assets** *HK$ million*	**Total** *HK$ million*
Available-for-sale financial assets	—	—	11	11
Trade and bills receivables	—	718	—	718
Financial assets included in prepayments, deposits and other receivables *(note 27)*	—	38	—	38
Financial assets at fair value through profit or loss	398	—	—	398
Pledged time deposits	—	250	—	250
Cash and cash equivalents	—	1,673	—	1,673
	398	2,679	11	3,088

Financial liabilities

	Group		
	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 31)*	—	175	175
Derivative financial instruments	62	—	62
Interest-bearing bank and other borrowings	—	436	436
	62	1,462	1,524

2008

Financial assets

	Company **Loans and receivables** *HK$ million*
Financial assets included in interests in subsidiaries *(note 20)*	3,588
Cash and cash equivalents	154
	3,742

Financial liabilities

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

2007

Financial assets

	Company Loans and receivables *HK$ million*
Financial assets included in interests in subsidiaries *(note 20)*	2,921
Cash and cash equivalents	794
	3,715

Financial liabilities

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

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/(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		
HK$	100	3
US$	100	2
HK$	(100)	(3)
US$	(100)	(2)

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

Foreign currency risk

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

The following table demonstrates the sensitivity to a reasonably possible change in Euro, US$ and Renminbi 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 loss before tax** *HK$ million*
2008		
If Euro strengthens against HK$	20.17	(3)
If Euro weakens against HK$	(20.17)	3
If US$ strengthens against RMB	3.9	1
If US$ weakens against RMB	(3.9)	(1)

	Group	
	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax
	%	*HK$ million*
2007		
If AUD strengthens against HK$	18.568	13
If AUD weakens against HK$	(18.568)	(13)
If US$ strengthens against RMB	6.222	2
If US$ weakens against RMB	(6.222)	(2)

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 26 to the financial statements.

Liquidity risk

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

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

As at 31 December 2008

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

As at 31 December 2007

	Group				
	Within one year or on demand	**In the second year**	**In the third to fifth years, inclusive**	**Beyond five years**	**Total**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Trade and bills payables	851	—	—	—	851
Other payables	175	—	—	—	175
Derivative financial instruments	62	—	—	—	62
Interest-bearing bank and other borrowings	212	83	80	61	436
	1,300	83	80	61	1,524

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments (note 28) as at 31 December 2008. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the balance sheet date.

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

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

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

	Group		
	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

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

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's value.

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

	Group	
	2008	**2007**
	HK$ million	*HK$ million*
Interest-bearing bank and other borrowings	475	436
Total borrowings	475	436
Total capital	2,213	3,225
Total capital and borrowings	2,688	3,661
Gearing ratio	17.7%	11.9%

49. POST BALANCE SHEET 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 shareholdings 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.

50. COMPARATIVE AMOUNTS

As further explained in note 5 to the financial statements, certain comparative amounts have been reclassified to conform with the current year's presentation.

51. APPROVAL OF THE FINANCIAL STATEMENTS

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

(C) FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2009

Set out below is extracted from the unaudited condensed consolidated financial statements of the Group as contained in the interim report of the Company for the six months ended 30 June 2009.

Condensed Consolidated Income Statement
For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	**2008**
	Notes	*HK$ million*	*HK$ million*
		(Unaudited)	*(Unaudited)*
REVENUE	*3*	715	1,483
Cost of sales		(641)	(1,501)
Gross profit/(loss)		74	(18)
Other income and gains	*4*	86	33
Selling and distribution costs		(12)	(22)
Administrative expenses		(105)	(138)
Other expenses	*5*	(11)	(244)
Finance costs		(3)	(8)
Share of loss of an associate		(2)	—
PROFIT/(LOSS) BEFORE TAX	*6*	27	(397)
Tax	*7*	(2)	(5)
PROFIT/(LOSS) FOR THE PERIOD		25	(402)
Profit/(loss) attributable to:			
Owners of the parent		38	(337)
Minority interests		(13)	(65)
		25	(402)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	*9*		
Basic		HK$0.052	(HK$0.423)
Diluted		N/A	N/A

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	**2008**
	HK$ million	*HK$ million*
	(Unaudited)	*(Unaudited)*
Profit/(loss) for the period	25	(402)
Other comprehensive income/(loss):		
Exchange differences on translation of foreign operations	5	30
Share of other comprehensive loss of an associate	(24)	—
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	6	(372)
Total comprehensive income/(loss) attributable to:		
Owners of the parent	19	(307)
Minority interests	(13)	(65)
	6	(372)

Condensed Consolidated Statement of Financial Position
30 June 2009

	Notes	30 June 2009 HK$ million (Unaudited)	31 December 2008 HK$ million (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		840	886
Investment properties		178	171
Prepaid land lease payments		210	213
Goodwill		55	55
Interest in an associate		203	229
Available-for-sale financial assets		4	4
Deferred tax assets		1	1
Total non-current assets		1,491	1,559
Current assets			
Inventories		106	135
Property for development		423	113
Property held for sale		87	87
Trade and bills receivables	*11*	214	422
Prepayment, deposits and other receivables		84	256
Financial assets at fair value through profit or loss		405	446
Pledged time deposits		89	89
Cash and cash equivalents		471	786
Total current assets		1,879	2,334
Total assets		3,370	3,893

	Notes	30 June 2009 HK$ million (Unaudited)	31 December 2008 HK$ million (Audited)
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital	*13*	65	85
Reserves		2,046	2,128
Shareholders' funds		2,111	2,213
Minority interests		351	364
Total equity		2,462	2,577
Non-current liabilities			
Interest-bearing bank loans and other borrowings		113	124
Deferred tax liabilities		3	3
Total non-current liabilities		116	127
Current liabilities			
Trade and bills payables	*12*	313	551
Tax payable		28	29
Other payables and accruals		169	211
Derivative financial instruments		29	47
Interest-bearing bank loans and other borrowings		253	351
Total current liabilities		792	1,189
Total liabilities		908	1,316
Total equity and liabilities		3,370	3,893

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Attributable to owners of the parent												
	Issued share capital	Share premium account	Capital reserve	Distributable reserve	Investment revaluation reserve	Equity component of convertible bonds	Share option reserve	Capital redemption reserve	Exchange fluctuation reserve	Retained profits/ (accumulated) losses)	Total	Minority interests	Total equity
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
At 1 January 2009	85	125	745	1,417	1	86	2	—	47	(295)	2,213	364	2,577
Profit for the period	—	—	—	—	—	—	—	—	—	38	38	(13)	25
Other comprehensive income/ (loss)	—	—	—	—	—	(30)	—	—	11	—	(19)	—	(19)
Total comprehensive income/ (loss)	—	—	—	—	—	(30)	—	—	11	38	19	(13)	6
Cancellation on repurchase of own shares	(20)	(101)	—	—	—	—	—	20	—	—	(101)	—	(101)
2008 final dividend paid	—	—	—	(20)	—	—	—	—	—	—	(20)	—	(20)
At 30 June 2009	65	24	745	1,397	1	56	2	20	58	(257)	2,111	351	2,462
At 1 January 2008	80	77	745	1,417	1	10	3	—	19	873	3,225	550	3,775
Loss for the period	—	—	—	—	—	—	—	—	—	(337)	(337)	(65)	(402)
Other comprehensive income	—	—	—	—	—	—	—	—	30	—	30	—	30
Total comprehensive income/ (loss)	—	—	—	—	—	—	—	—	30	(337)	(307)	(65)	(372)
Realisation of revaluation reserve upon disposal of investment	—	—	—	—	(1)	—	—	—	—	—	(1)	—	(1)
Deemed disposal of interest in a subsidiary upon exercise of share options in the subsidiary	—	—	—	—	—	—	(1)	—	—	—	(1)	1	—
2007 final dividend paid	—	—	—	—	—	—	—	—	—	(24)	(24)	—	(24)
At 30 June 2008	80	77	745	1,417	—	10	2	—	49	512	2,892	486	3,378

Condensed Consolidated Statement of Cash Flow

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	**2008**
	HK$ million	*HK$ million*
	(Unaudited)	*(Unaudited)*
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(176)	(336)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	86	(392)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(230)	31
NET DECREASE IN CASH AND CASH EQUIVALENTS	(320)	(697)
Cash and cash equivalents at beginning of period	786	1,673
Effect of foreign exchange rate changes, net	5	18
CASH AND CASH EQUIVALENTS AT END OF PERIOD	471	994
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	411	427
Non-pledged time deposits with original maturity of less than three months when acquired	60	567
	471	994

Notes to Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2008 (the "2008 Annual Report").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the consolidated financial statements for the year ended 31 December 2008.

The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group's 2008 Annual Report, except for the impact of the adoption of the Standards and Interpretation described below.

HKAS 1 (Revised) Presentation of Financial Statements *(effective for annual periods beginning on or after 1 January 2009)*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). The Group has elected to present a separate income statement and a statement of comprehensive income.

HKFRS 8 Operating Segments *(effective for annual periods beginning on or after 1 January 2009)*

HKFRS 8 is a disclosure standard that has resulted in a re-designation of the Group's reportable segments and disclosure of information about business segments, but has no impact on the results or financial positions of the Group.

The following amendments and interpretations issued by the HKICPA which are or have become effective and did not have any significant impact on the accounting policies of the Group.

HKFRSs (Amendments)	Improvements to HKFRSs
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "*Operating Segments*" with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. HKFRS 8 replaces the requirement under HKAS 14 to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of HKFRS 8 did not have any effect on the Group's results of operations or financial position.

The Group determines that in accordance with HKFRS 8, there are five business reportable segments which are telecom and electronic products, components, infant and child products, securities business, and property development and holding.

Segment information about the business segment of the Group for the period ended 30 June 2009 and 2008 is presented as below:

2009

	Telecom and electronic products *HK$ million (Unaudited)*	**Components** *HK$ million (Unaudited)*	**Infant and child products** *HK$ million (Unaudited)*	**Securities business** *HK$ million (Unaudited)*	**Property development and holding** *HK$ million (Unaudited)*	**Reporting segments totals** *HK$ million (Unaudited)*	**Reconciliations** *HK$ million (Unaudited)*	**Group totals** *HK$ million (Unaudited)*
Segment revenues:								
Revenues from external customer	625	3	62	24	1	715	—	715
Inter-segment revenues	—	105	—	—	2	107	(107)	—
Total Revenues	625	108	62	24	3	822	(107)	715
Operating profit/(loss)	(21)	(16)	9	89	(3)	58	—	58
Finance cost	(2)	—	—	—	(1)	(3)	—	(3)
Reconciled items:								
Unallocated corporate head office expenses	—	—	—	—	—	—	(26)	(26)
Share of loss of an associate	—	—	—	—	—	—	(2)	(2)
Profit/(loss) before tax	(23)	(16)	9	89	(4)	55	(28)	27
Expenditures for non-current assets	4	—	—	—	—	4	—	4
Depreciation and amortisation	(37)	(8)	(1)	—	(4)	(50)	(1)	(51)
Other material non-cash items:								
Unrealised gain on financial assets	—	—	—	65	—	65	—	65
Unrealised gain on investment properties	—	—	—	—	7	7	—	7
Net impairment of trade receivables	(11)	—	—	—	—	(11)	—	(11)

2008

	Telecom and electronic products *HK$ million (Unaudited)*	Components *HK$ million (Unaudited)*	Infant and child products *HK$ million (Unaudited)*	Securities business *HK$ million (Unaudited)*	Property development and holding *HK$ million (Unaudited)*	Reporting segments totals *HK$ million (Unaudited)*	Reconciliations *HK$ million (Unaudited)*	Group totals *HK$ million (Unaudited)*
Segment revenues:								
Revenue from external customers	1,352	12	77	10	1	1,452	31	1,483
Inter-segment revenues	—	216	—	—	7	223	(223)	—
Total Revenues	1,352	228	77	10	8	1,675	(192)	1,483
Operating profit/(loss)	(118)	(22)	5	(212)	(6)	(353)	—	(353)
Interest income	7	—	—	6	—	13	—	13
Finance cost	(4)	—	—	—	(3)	(7)	(1)	(8)
Reconciled items:								
Unallocated corporate head office expenses	—	—	—	—	—	—	(49)	(49)
Loss before tax	(115)	(22)	5	(206)	(9)	(347)	(50)	(397)
Expenditures for non-current assets	41	13	10	—	2	66	2	68
Depreciation and amortisation	(78)	(14)	(3)	—	—	(95)	—	(95)
Other material non-cash items:								
Unrealised loss on financial assets	—	—	—	(226)	—	(226)	—	(226)
Write off of deferred development costs	(14)	—	—	—	—	(14)	—	(14)
Net impairment of trade receivables	(2)	—	—	—	—	(2)	—	(2)

30 June 2009

	Telecom and electronic products *HK$ million (Unaudited)*	Components *HK$ million (Unaudited)*	Infant and child products *HK$ million (Unaudited)*	Securities business *HK$ million (Unaudited)*	Property development and holding *HK$ million (Unaudited)*	Reporting segments totals *HK$ million (Unaudited)*	Reconciliations *HK$ million (Unaudited)*	Group totals *HK$ million (Unaudited)*
Segment assets	1,227	314	79	405	922	2,947	—	2,947
Reconciled items:								
Unallocated corporate assets	—	—	—	—	—	—	219	219
Interest in an associate	—	—	—	—	—	—	203	203
Deferred tax assets	—	—	—	—	—	—	1	1
Total assets	1,227	314	79	405	922	2,947	423	3,370
Segment liabilities	558	45	23	91	157	874	—	874
Reconciled items:								
Unallocated corporate liabilities	—	—	—	—	—	—	3	3
Tax payable	—	—	—	—	—	—	28	28
Deferred tax liabilities	—	—	—	—	—	—	3	3
Total liabilities	558	45	23	91	157	874	34	908

31 December 2008

	Telecom and electronic products *HK$ million (Audited)*	Components *HK$ million (Audited)*	Infant and child products *HK$ million (Audited)*	Securities business *HK$ million (Audited)*	Property development and holding *HK$ million (Audited)*	Reporting segments totals *HK$ million (Audited)*	Reconciliations *HK$ million (Audited)*	Group totals *HK$ million (Audited)*
Segment assets	1,684	313	65	447	917	3,426	—	3,426
Reconciled items:								
Unallocated corporate assets	—	—	—	—	—	—	237	237
Interest in an associate	—	—	—	—	—	—	229	229
Deferred tax assets	—	—	—	—	—	—	1	1
Total assets	1,684	313	65	447	917	3,426	467	3,893
Segment liabilities	920	69	15	108	165	1,277	—	1,277
Reconciled items:								
Unallocated corporate liabilities	—	—	—	—	—	—	7	7
Tax payable	—	—	—	—	—	—	29	29
Deferred tax liabilities	—	—	—	—	—	—	3	3
Total liabilities	920	69	15	108	165	1,277	39	1,316

The accounting policies of the reportable segments are the same as the Group's accounting policies. Central corporate office income and expenses, assets and liabilities that are not directly related to reportable segments have not been allocated to the operating segments. Performance is evaluated on the basis of profit or loss from operations before taxation. Taxation charge/(credit) is not allocated to reportable segments.

Additional disclosures on segments information by geographical location for the period ended 30 June 2009 and 2008 are shown below:

2009

	Europe *HK$ million (Unaudited)*	US *HK$ million (Unaudited)*	Asia Pacific and others *HK$ million (Unaudited)*	Group totals *HK$ million (Unaudited)*
Revenues	395	167	153	715

2008

	Europe *HK$ million (Unaudited)*	US *HK$ million (Unaudited)*	Asia Pacific and others *HK$ million (Unaudited)*	Group totals *HK$ million (Unaudited)*
Revenues	499	782	202	1,483

Revenues are attributed to regions with reference to the final locations where the Group's products were sold to consumers. The geographical information for the prior period which allocated revenues to regions where the Group's customers were incorporated has been restated to conform with the current period's basis of allocation.

For the six months ended 30 June 2009, revenues from each of three major customers of the telecom and electronic products segment represent HK$145 million, HK$144 million and HK$89 million of the Group's total revenues respectively.

For the six months ended 30 June 2008, revenues from each of two major customers of the telecom and electronic products segment represent HK$625 million and HK$164 million of the Group's total revenues respectively.

4. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2009	**2008**
	HK$ million	*HK$ million*
	(Unaudited)	*(Unaudited)*
Unrealised gain on financial assets	65	—
Unrealised gain on investment properties	7	—
Exchange gain	2	7
Sample income	5	10
Gain on partial disposal/deemed disposal of interest in a subsidiary	—	1
Other income	7	15
	86	33

5. OTHER EXPENSES

	Six months ended 30 June	
	2009	**2008**
	HK$ million	*HK$ million*
	(Unaudited)	*(Unaudited)*
Unrealised loss on financial assets	—	226
Write-off of deferred development costs	—	14
Other expenses	11	4
	11	244

6. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2009	**2008**
	HK$ million	*HK$ million*
	(Unaudited)	*(Unaudited)*
Cost of inventories sold	622	1,474
Depreciation	48	70
Amortisation of prepaid land lease payments	3	3
Amortisation of deferred development costs	—	22
Write off of deferred development costs	—	14

7. TAX

	Six months ended 30 June	
	2009	**2008**
	HK$ million	*HK$ million*
	(Unaudited)	*(Unaudited)*
Charge for the period:		
Current — Hong Kong	1	2
Current — Elsewhere	1	3
Deferred tax	—	—
Total tax charge for the period	2	5

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

There were no income tax relating to the other comprehensive income during the period (2008: Nil).

8. DIVIDENDS

The board of directors has declared an interim dividend for 2009 of HK$0.030 per share (30 June 2008: HK$0.025 per share) to be payable from the Company's distributable reserve. The interim dividend will be paid on or around Wednesday, 21 October 2009 to shareholders whose names appear on the register of members of the Company on Friday, 9 October 2009. The register of members of the Company will be closed from Wednesday, 7 October 2009 to Friday, 9 October 2009 (both date inclusive).

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount for the period is based on the profit for the period attributable to owners of the parent of HK$38 million (30 June 2008: loss of HK$337 million) and the weighted average number of 731,846,823 (30 June 2008: 797,123,505) ordinary shares in issue during the period.

Diluted earnings per share amount for the period has not been disclosed as no diluting events existed during the period. Diluted loss per share amount for the prior period has not been disclosed, as the convertible bonds outstanding during the period had an anti-dilutive effect on the basic loss per share for the period.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2009, the Group acquired fixed assets of HK$4 million (six months ended 30 June 2008: HK$41 million) and disposed fixed assets of nil (six months ended 30 June 2008: HK$13 million).

11. TRADE AND BILLS RECEIVABLES

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

	30 June 2009		**31 December 2008**	
	Balance	**Percentage**	**Balance**	**Percentage**
	HK$ million		*HK$ million*	
	(Unaudited)	*(Unaudited)*	*(Audited)*	*(Audited)*
Current to 30 days	101	47	147	35
31 to 60 days	87	41	113	27
61 to 90 days	20	9	149	35
Over 90 days	6	3	13	3
	214	100	422	100

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

12. TRADE AND BILLS PAYABLES

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

	30 June 2009		31 December 2008	
	Balance	**Percentage**	**Balance**	**Percentage**
	HK$ million		*HK$ million*	
	(Unaudited)	*(Unaudited)*	*(Audited)*	*(Audited)*
Current to 30 days	111	35	106	19
31 to 60 days	57	18	76	14
61 to 90 days	63	20	134	24
Over 90 days	82	27	235	43
	313	100	551	100

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

13. SHARE CAPITAL

	30 June 2009	**31 December 2008**
	HK$ million	*HK$ million*
	(Unaudited)	*(Audited)*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	200	200
Issued and fully paid:		
655,056,191 (31 December 2008: 853,614,826) ordinary shares of HK$0.10 each	65	85

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

	Number of shares in issue	**Issued capital**
		HK$ million
At 1 January 2009	853,614,826	85
Cancellation on repurchase of own shares	(198,558,635)	(20)
At 30 June 2009	655,056,191	65

14. CONTINGENT LIABILITIES

As at 30 June 2009, the Group did not have any significant contingent liabilities.

15. PLEDGE OF ASSETS

At 30 June 2009, the Group's bank borrowings were secured by:

(i) pledge of the Group's fixed deposits amounting to approximately HK$89 million (31 December 2008: HK$89 million); and

(ii) fixed/floating charges over certain of the Group's investment properties, leasehold land and buildings and certain financial assets with an aggregate net book value amounting to approximately HK$828 million (31 December 2008: HK$714 million).

16. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 30 June 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2009 *HK$ million (Unaudited)*	31 December 2008 *HK$ million (Audited)*
Within one year	1	1
In the second to fifth years, inclusive	2	2
After five years	2	2
	5	5

(b) As lessee

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

At 30 June 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2009 *HK$ million (Unaudited)*	31 December 2008 *HK$ million (Audited)*
Within one year	8	9
In the second to fifth years, inclusive	7	7
	15	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 fifty to fifty one years in respect of land on which certain of the Group's factories are situated falling due as follows:

	30 June 2009 *HK$ million (Unaudited)*	31 December 2008 *HK$ million (Audited)*
Within one year	3	3
In the second to fifth years, inclusive	11	11
After five years	127	127
	141	141

17. COMMITMENTS

In addition to the operating lease commitments detailed in note 16, the Group had the following commitments at the balance sheet date:

	30 June 2009 *HK$ million (Unaudited)*	31 December 2008 *HK$ million (Audited)*
Contracted, but not provided for:		
Construction in progress	2	2
Purchases of plant and machinery and equipment	1	—
Land	—	206
	3	208

18. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2009 *HK$ million (Unaudited)*	2008 *HK$ million (Unaudited)*
Short term employee benefits	13	23
Post-employment benefits	—	—
Total compensation paid to key management personnel	13	23

19. COMPARATIVE FIGURES

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

(D) STATEMENT OF INDEBTEDNESS

As at the close of business on 31 August 2009, being the latest practicable date for this statement of indebtedness prior to the printing of this document, the Group had outstanding borrowings of approximately HK$383 million. The borrowings comprised secured bank loans of approximately HK$274 million, unsecured bank loans of approximately HK$106 million and obligations under finance lease contracts of approximately HK$3 million.

The Group's secured bank borrowings and banking facilities were secured by (i) fixed charges over certain leasehold land and buildings, investment properties and certain financial assets held by the Group with aggregate net book values of approximately HK$852 million at 31 August 2009; and (ii) certain fixed deposits of the Group of approximately HK$89 million at 31 August 2009.

Save as aforesaid, and apart from intra-group liabilities, the Group did not have any bank loans, bank overdrafts and liabilities under acceptances (other than normal trade bills) or other similar indebtedness, debentures or other loan capital, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities outstanding at the close of business on 31 August 2009.

Save as disclosed above, the Directors confirm that there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 August 2009 up to and including the Latest Practicable Date.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the rates of the exchange prevailing at the close of business on 31 August 2009.

(E) MATERIAL CHANGE

The Directors confirm that there is no material change in the financial or trading position or outlook of the Group since 31 December 2008, being the date to which the latest audited consolidated financial statements of the Group were made up, to and including the Latest Practicable Date.

(F) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following unaudited pro forma financial information of the Group is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2009, as extracted from the Company's published interim report for the six months ended 30 June 2009, and adjusted for the effect of the Offer as if the completion of the Offer had taken place on 30 June 2009. It has been prepared in accordance with Rule 4.29 of the Listing Rules for illustrative purposes only, to provide the Shareholders with information about the impact of the Offer, and, because of its nature, may not give a true picture of the financial position of the Group had the Offer actually completed on 30 June 2009 or the financial position of the Group at any future date.

	Unaudited net assets of the Group as at 30 June 2009 *HK$ million (Unaudited)*	**Cost of the Offer** *HK$ million (Note 1)*	**Pro forma adjusted net assets** *HK$ million (Unaudited)*
Non-current assets	1,491	—	1,491
Current assets*	1,879	(81)	1,798
Current liabilities *(Note 4)*	(792)	—	(792)
Net current assets	1,087	(81)	1,006
Total assets less current liabilities	2,578	(81)	2,497
Non-current liabilities	(116)	—	(116)
Net assets	2,462	(81)	2,381
Less: Minority interests	(351)	—	(351)
Shareholders' fund	2,111	(81)	2,030
*Including:			
Cash and cash equivalents	471	(81)	390
Unaudited net assets per Share immediately before the completion of the Offer *(HK$) (Note 2)*			3.223
Unaudited pro forma adjusted net assets per Share immediately following the completion of the Offer *(HK$) (Note 3)*			3.530

Notes:

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

2. *The unaudited net assets per Share of the Group immediately before the completion of the Offer is calculated based on the unaudited consolidated Shareholders' funds of the Group as at 30 June 2009 of HK$2,111 million and 655,056,191 Shares in issue as at the Latest Practicable Date, assuming the number of Shares in issue as at the Latest Practicable Date remains unchanged prior to and immediately before the completion of the Offer.*

3. *The unaudited pro forma adjusted net assets per Share of the Group immediately following the completion of the Offer is calculated based on the unaudited pro forma adjusted consolidated Shareholders' funds of the Group as at 30 June 2009 of HK$2,030 million and 575,056,191 Shares in issue immediately following the completion of the Offer, assuming 655,056,191 Shares in issue immediately before the completion of the Offer as detailed above and the full acceptance of the Offer up to the Maximum Number.*

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

The following unaudited pro forma financial information of the Group for the year ended 31 December 2008 is prepared based on the audited net loss attributable to Shareholders of the Group for the year ended 31 December 2008 as shown in the "Financial information for the year ended 31 December 2008" set out in Appendix II to this document, and adjusted for the effect of the Offer as if the completion of the Offer had taken place at the beginning of the year being reported.

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

	For the year ended 31 December 2008	
	(Audited)	**(Unaudited pro forma)**
	(Note (a))	*(Note (b))*
Basic loss per Share *(Note (c)) (HK$)*	(1.36)	(1.51)

Notes:

(a) *The audited basic loss per Share amount for the year ended 31 December 2008 is calculated based on the audited net loss attributable to equity holders of the parent for the year ended 31 December 2008 of approximately HK$1,123 million and the weighted average of 825,137,009 Shares in issue during the year ended 31 December 2008.*

(b) *The unaudited pro forma basic loss per Share amount is calculated based on the audited net loss attributable to equity holders of the parent for the year ended 31 December 2008 of approximately HK$1,123 million and the weighted average of 745,137,009 Shares in issue, which is the weighted average of 825,137,009 Shares in issue during the year ended 31 December 2008, reduced by 80,000,000 Shares repurchased as if the completion of the Offer had taken place at 1 January 2008 and there is full acceptance of the Offer up to the Maximum Number.*

(c) *The estimated expenses of the Offer of approximately HK$1 million will be accounted for as a deduction from equity in accordance with Hong Kong Accounting Standard 32 "Financial Instruments: Presentation" issued by the Hong Kong Institute of Certified Public Accountants.*

安永 ERNST & YOUNG

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

29 October 2009

The Directors
CCT Telecom Holdings Limited

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

Dear Sirs,

We report on the unaudited pro forma financial information of the Group (the "Unaudited Pro Forma Financial Information") set out on pages 145 to 146 in Appendix II to the offer document of the Company dated 29 October 2009 (the "Offer Document") in connection with the conditional cash offer by VC Brokerage Limited on behalf of the Company to repurchase up to 80,000,000 shares of HK$0.10 each in the share capital of the Company for HK$1.00 in cash per share (the "Offer"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the Offer might have affected the financial information presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 145 to 146 to the Offer Document.

Responsibilities

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

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

Basis of opinion

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

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma 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 bases stated, that such bases are consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

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

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

Opinion

In our opinion:

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

(b) such bases are 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

The following is the text of a letter and valuation certificates received from Grant Sherman Appraisal Limited,, an independent property valuer, in connection with their valuation as at 30 September 2009 of the property interests of the Group for the purpose of inclusion in the Offer Document.



GRANT SHERMAN APPRAISAL LIMITED

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

29 October 2009

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

Dear Sir,

In accordance with your instructions to value the property interests held by CCT Telecom Holdings Limited ("Company") or its subsidiaries (together referred as "Group") in Hong Kong and the People's Republic of China ("the PRC"), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 30 September 2009.

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

We have valued the property interests of Properties 1 to 5 and 10 by comparison approach assuming sale in their existing state with the benefit of vacant possession and by making reference to comparable sales evidences as available in the relevant market.

For Properties 6, 7, 8, 9 and 11 there are no market sales comparables, the properties have been valued on the basis of depreciated replacement cost ("DRC"). DRC is based on an estimate of the market value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, The HKIS Valuation Standards on Properties (1st Edition 2005) published by The Hong Kong Institute of Surveyors and Rule 11 of the Codes on Takeovers and Mergers and Share Repurchases published by the Securities and Futures Commission.

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

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

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

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

In the course of our valuations of the property interests, we have neither verified nor taken into account any tax liability in the PRC and Hong Kong. As advised by the Company, types of potential tax liability include business tax, stamp duty, income tax and capital gain tax. According to the information provided by the management of the Group, all the properties located in the PRC and Hong Kong are held and mainly occupied by the Group for its owned business operations. As such, the Group has no plan to sell any or all the properties and it is unlikely that the potential tax liability will be crystallized in the near future.

No allowance has been made in our valuations for any charge, mortgage or amount owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. We have been advised by the Company that save as disclosed in the valuation certificates in this report, the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

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

We have been shown copies of various title documents and official site plans relating to the properties that are held by the Group in the PRC. However, we have not searched the original documents to verify ownership or to verify any lease amendments which may not appear on the copies handed to us. Due to the nature of the land registration system in the PRC, we are unable to search the original documents to verify the existing title of the properties or any material encumbrances that might

be attached to the properties. In the preparation of our valuation report regarding the properties in the PRC, we have relied to the considerable extent on the legal opinion provided by the Company's legal adviser, Zhu Ming Lawyer, Office of Guangdong (廣東鑄銘律師事務所) on the PRC laws regarding the titles of the properties in the PRC.

The properties in the PRC have been valued in Hong Kong Dollar at the exchange rate as on 30 September 2009 of RMB1.00 to HK$1.1368.

We enclose herewith the summary of valuations and valuation certificates.

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

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

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

SUMMARY OF VALUATION

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

	Property	Market Value as at 30 September 2009
1.	House No. 36 and Car Parking Nos. P3 & P4 in the garage, No. 56 Repulse Bay Road, Hong Kong	HK$102,830,000
2.	House No. 37 and Car Parking Nos. P50 & P51 in the garage, No. 56 Repulse Bay Road, Hong Kong	HK$101,310,000
3.	House No. 7 Rosecliff, No. 20 Tai Tam Road, Hong Kong	HK$102,520,000
4.	Car Park Nos. 26 and 234 at the Basement of Site No. 3, Whampoa Garden, Hunghom, Kowloon, Hong Kong	HK$800,000
	Sub-total	HK$307,460,000

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

5.	17/F & 18/F., CCT Telecom Building, No. 11 Wo Shing Street, Shatin, New Territories, Hong Kong	HK$63,000,000
	Sub-total	HK$63,000,000

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

6.	Land, various buildings and structures located at No. 3 Hong Yie Dong San Road, Hongyie Economic Development Zone, Tangxia Town, Dongguan City, Guangdong Province, The People's Republic of China	HK$21,238,000
7.	Land, various buildings and structures located at ESL Technology Park, Zhukan Industrial District, Gaobu Town, Dongguan City, Guangdong Province, The People's Republic of China	No commercial value

	Property	Market Value as at 30 September 2009
8.	Land, various buildings and structures located at The Upper Land Lot (Lot No.0302002), Sanhan Development District (also known as Shiwei Administrative District, Danshui Town, Huiyang City, Guangdong Province, The People's Republic of China	HK$606,230,000
9.	A block of dormitory located at Shuang Ta District, Ning Feng Street, Chaoyang City, Liaoning Province, The People's Republic of China	No Commercial Value
10.	A piece of industrial land (Lot No. 01-09-3) located at Shang Pai Lot Ban Pai, Shi Wei Ai Ling, Danshui Town, Huiyang City, Guangdong Province, The People's Republic of China	HK$199,310,000
	Sub-total	HK$826,778,000
Group IV — Property interests held by the Group under development in the PRC		
11.	Land, buildings and structures located at No. 253 Jiu Dao Street, Tiexi District, Anshan City, Liaoning Province, The People's Republic of China	HK$127,300,000
	Sub-total	HK$127,300,000
	Grand Total	**HK$1,324,538,000**

VALUATION CERTIFICATE

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

	Property	Description and tenure	Particulars of occupancy	Market Value as at 30 September 2009
1.	House No. 36 and Car Parking Nos. P3 & P4 in the garage, No. 56 Repulse Bay Road, Hong Kong 374/16,363th parts or shares of and in the Remaining Portion of Rural Building Lot No. 172 and the extension thereto	The property comprises a 2-storey town house and 2 car park spaces of a residential development completed in about 1994. The property has a total gross floor area of about 384.89 sq.m. The property is held under Government Lease for a term of 75 years and renewable for further 75 years commencing from 30 June 1921. The annual government rent payable for the Remaining Portion of Rural Building Lot No. 172 and the extension thereto is HK$1,742,796.	The property is currently vacant.	HK$102,830,000

Notes:

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

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

VALUATION CERTIFICATE

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

	Property	Description and tenure	Particulars of occupancy	Market Value as at 30 September 2009
2.	House No. 37 and Car Parking Nos. P50 & P51 in the garage, No. 56 Repulse Bay Road, Hong Kong 359/16,363th parts or shares of and in the Remaining Portion of Rural Building Lot No. 172 and the extension thereto	The property comprises a 2-storey town house and 2 car park spaces of a residential development completed in about 1994. The property has a total gross floor area of about 376.53 sq.m. The property is held under Government Lease for a term of 75 years and renewable for further 75 years commencing from 30 June 1921. The annual government rent payable for the Remaining Portion of Rural Building Lot No. 172 and the extension thereto is HK$1,742,796.	The property is currently vacant.	HK$101,310,000

Notes:

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

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

VALUATION CERTIFICATE

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

	Property	Description and tenure	Particulars of occupancy	Market Value as at 30 September 2009
3.	House No. 7, Rosecliff No. 20 Tai Tam Road, Hong Kong 2,310/26,070th parts or shares of Rural Building Lot No. 147 and extension thereto	The property comprises a 3-storey semi-detached garden house over a carport of a residential development completed in about 1989. The property has a total gross floor area of about 369.75 sq.m. The property is held under Government Lease for a term of 75 years and renewable for further 75 years commencing from 12 November 1919. The annual government rent payable for Rural Building Lot No. 147 and extension is HK$34,200.	The property is currently vacant.	HK$102,520,000

Notes:

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

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

VALUATION CERTIFICATE

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

	Property	Description and tenure	Particulars of occupancy	Market Value as at 30 September 2009
4.	Car Park Nos. 26 and 234 at the Basement of Site No. 3, Whampoa Garden, Hunghom, Kowloon, Hong Kong. 3/18,850th parts or shares of and in Section C of Kowloon Inland Lot No. 10750.	The property comprises 2 car park spaces at the basement of Site No. 3 of a residential development completed between 1986 and 1988. The property is held under Conditions of Exchange No. 11766 for a term of 75 years and renewable for further 75 years commencing from 14 December 1984. The annual government rent payable for Kowloon Inland Lot No. 10750 is HK$12,700.	Car Park No. 26 is licensed to an independent third party by CCT Strategies Holdings Limited, an indirect wholly-owned subsidiary of the Company for a term expiring on 31 October 2009 at a monthly license fee of HK$2,300 inclusive of rates and management fee. Car Park No. 234 was licensed to an independent third party by CCT Strategies Holdings Limited, an indirect wholly-owned subsidiary of the Company for a term expiring on 30 September 2009 at a monthly license fee of HK$2,400 inclusive of rates and management fee. Car Park No. 234 is licensed to an independent third party by CCT Strategies Holdings Limited, an indirect wholly-owned subsidiary of the Company for a term commencing from 1 October 2009 and expiring on 30 September 2010 at a monthly license fee of HK$2,400 inclusive of rates and management fee.	HK$800,000

Note:

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

VALUATION CERTIFICATE

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

	Property	Description and tenure	Particulars of occupancy	Market Value as at 30 September 2009
5.	17/F and 18/F., CCT Telecom Building, No. 11 Wo Shing Street, Shatin, New Territories, Hong Kong 28,854/289,200th parts or shares of and in the Remaining Portion of Sha Tin Town Lot No. 17	The property comprises 17th and 18th of a 23 storeys industrial/office building completed in about 1996. The property has a total gross floor area of about 2,680 sq.m. **Floor** — **Gross Floor Area** *(sq.m.)* 17 — 1,340 18 — 1,340 Total — 2,680 The property is held under New Grant No. 11163 for a term of 99 years from 1 July 1898 and statutorily extended to 30 June 2047. The annual government rent payable for Sha Tin Town Lot No. 17 is HK$300.	Units 1701 and 1702 on 17th Floor are leased to Wiltec Industries (HK) Limited, an indirect wholly-owned subsidiary of the Company for a term commencing from 2 July 2009 to 31 December 2011 at a monthly rental of HK$25,415 exclusive of Government rent, rates and management charges. Units 1703, 1705 and 1706–1710 on 17th Floor are leased to CCT Tech International Limited, an indirect non wholly-owned subsidiary of the Company for a term commencing from 2 July 2009 to 31 December 2011 at a monthly rental of HK$97,215 exclusive of Government rent, rates and management charges. All units on the 18th Floor are leased to CCT Tech International Limited, an indirect non wholly-owned subsidiary of the Company for a term commencing from 1 January 2009 to 31 December 2011 at a monthly rental of HK$122,629.50 exclusive of Government rent, rates and management charges.	HK$63,000,000

Notes:

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

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

VALUATION CERTIFICATE

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

	Property	Description and tenure	Particulars of occupancy	Market Value as at 30 September 2009
6.	Land, various buildings and structures located at No. 3 Hong Yie Dong San Road, Hongyie Economic Development Zone, Tangxia Town, Dongguan City, Guangdong Province, The People's Republic of China	The property comprises a main factory block, four separate dormitory blocks together with ancillary structures and facilities built upon a parcel of land having an area of approximately 21,611 sq.m. The total construction floor area of the erected buildings is about 36,183 sq.m. (see Notes (ii), (iii) and (iv) below).	The property is currently left vacant.	HK$21,238,000

Notes:

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

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

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

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

(iv) In course of our valuation, we have attributed "no commercial value" for the extended portion with an area of 4,428 sq.m. mentioned in Note (iii) due to the reason that CCT Investment Limited, as of the date of this report, still not possess legal title of the extended portion. For reference purpose, the value of the extended portion is HK$2,752,000.

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

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

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

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

VALUATION CERTIFICATE

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

	Property	Description and tenure	Particulars of occupancy	Market Value as at 30 September 2009
7.	Land, various buildings and structures located at ESL Technology Park, Zhukan Industrial District, Gaobu Town Dongguan City, Guangdong Province, The People's Republic of China	The property consists of Phase I and Phase II. **Phase I** The property comprises a main factory block, four dormitory blocks, a canteen/ recreation building, various plant rooms and storage, together with ancillary buildings and structures built upon a parcel of land having an area of about 60,010 sq.m. The total construction floor area of the erected buildings is about 66,822 sq.m. and are summarised as below:	The property is currently occupied by the Group as a factory complex for the manufacturing of components for manufacturing of telecom products.	No Commercial Value

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

The ancillary structures include delivery loading bay, fencing wall and landscaping.

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

Phase II

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

The buildings were completed between 2003 and 2004.

Notes:

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

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

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

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

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

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

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

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

VALUATION CERTIFICATE

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

	Property	Description and tenure	Particulars of occupancy	Market Value as at 30 September 2009
8.	Land, various buildings and structures located at The Upper Land Lot (Lot No.0302002), Sanhan Development District, (also known as Shiwei Administrative District), Danshui Town, Huiyang City, Guangdong Province, The People's Republic of China	The property comprises a main factory block, a plastic factory, nine blocks of staff quarters, a canteen/recreational building, various plant rooms and service rooms, built together with ancillary structures and facilities upon a parcel of land having an area of about 255,629 square metres. The total construction floor area of the erected buildings is about 179,684 sq.m and are summarized as below:	The property is currently occupied by the Group as a factory complex for manufacturing telecom and electronic products, components and accessories.	HK$606,230,000

Building and Structures	No of Blocks	Construction Floor Area *(sq.m.)*
Main Factories	2	87,198
Staff Dormitories and Quarters	9	80,252
Canteen and Recreation Building	1	7,289
Plant/service Houses and Store Rooms	9	4,600
Ancillary Rooms	3	345
Total:		179,684

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

Other than those mentioned above, another 3-storey factory block with an area of approximately 29,652.75 sq.m. and a 6-storey staff dormitory with an area of approximately 5,255.78 sq.m. were completed in 2005.

Notes:

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

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

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

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

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

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

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

VALUATION CERTIFICATE

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

	Property	Description and tenure	Particulars of occupancy	Market Value as at 30 September 2009
9.	A block of dormitory located at Shuang Ta District, Ning Feng Street, Chaoyang City, Liaoning Province, The People's Republic of China	The property comprises a block of 6-storey building with a total gross floor area of approximately 17,326 sq.m. completed in about 2008.	The property is currently left vacant.	No Commercial Value

Notes:

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

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

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

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

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

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

VALUATION CERTIFICATE

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

	Property	Description and tenure	Particulars of occupancy	Market Value as at 30 September 2009
10.	A piece of industrial land (Lot No. 01-09-3) located at Shang Pai Lot Ban Pai, Shi Wei Ai Ling, Danshui Town, Huiyang City, Guangdong Province, The People's Republic of China	Subject property comprises a parcel of irregularly-shaped industrial land fronting onto Shanhan Road and having a total site area of approximately 450,000 sq.m.	The property is currently left vacant.	HK$199,310,000

Note:

(i) Pursuant to a Land Use Right Certificate No. 惠陽國用(2006)字第2200006號 (Huiyang Guo Yong (2006) Zi No. 2200006), the property with a site area of approximately 450,000 sq.m. was granted to 惠陽中建塑膠產品有限公司 (Huiyang CCT Plastic Products Co., Ltd.), an indirect wholly-owned subsidiary of the Company for industrial use up to 23 January 2050.

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

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

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

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

VALUATION CERTIFICATE

Group IV — Property interests held by the Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value as at 30 September 2009
11.	Land, buildings and structures located at No. 253 Jiu Dao Street, Tiexi District, Anshan City, Liaoning Province, The People's Republic of China	Subject property comprises a parcel of irregular-shaped land having a site area of approximately 69,117.36 sq.m. and will be developed into 22 blocks of residential buildings and some community facilities in 5 phases with a total gross floor area of about 204,099 sq.m. The expected completion date is about 2011. As advised by the Company, as at valuation date, some foundation works for the 1st phase residential buildings with a gross floor area of about 41,389 sq.m. and a commercial building (with a gross floor area of about 2,218.13 sq.m.) are under construction. The 1st phase residential buildings are expected to be completed in October 2010. The commercial building is expected to be completed in mid November 2009.	The property is under development.	HK$127,300,000

Note:

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

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

(ii) Pursuant to a supplemental agreement dated 18 December 2007, the construction of the development has to be completed before 30 June 2011.

(iii) Pursuant to a State-owned Land Use Rights Certificate No. 鞍國用(2009)第200741號 (An Guo Yong (2009) No. 200741) dated 10 August 2009 issued by the Land Resources Bureau of Anshan City, a site area of approximately 69,117.36 sq.m. was granted to CCT Land (Anshan) Property Development Company Limited (中置(鞍山)房地產開發有限公司), an indirect wholly-owned subsidiary of the Company. The permitted use of the site is composite. Residential use is granted for a term of up to 18 December 2077 and commercial use is granted for a term up to 18 December 2047. The consideration of the land is RMB82,941,100.

(iv) Pursuant to a Construction Work Planning Permit dated 24 August 2009, the property will be developed into 22 blocks of residential buildings and some community facilities with a total gross floor area of about 204,099 sq.m.

(v) Approximately RMB10,394,619 of construction costs was incurred as at 30 September 2009. Such costs have already been taken into account in the valuation.

(vi) As advised by the Company, the estimated cost of carrying out the whole development is about RMB533,000,000.

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

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

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

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

RESPONSIBILITY STATEMENT

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

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

SHARE CAPITAL

(a) Authorised and issued share capital

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

	Number of Shares	Nominal Value *HK$*
Authorised:		
Ordinary Shares of HK$0.10 each		
— As at the Latest Practicable Date	2,000,000,000	200,000,000.00
Issued and to be issued and fully paid:		
— As at the Latest Practicable Date	655,056,191	65,505,619.10
— Shares to be repurchased	(80,000,000)	(8,000,000.00)
Upon completion of the Offer	575,056,191	57,505,619.10

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

Save for the repurchase of 198,558,635 Shares on 2 March 2009 by way of offer (details of which are included in the offer document of the Company dated 23 January 2009) at the offer price of HK$0.50 per Share, no Shares have been repurchased since the end of the financial year of the Company ended 31 December 2008 up to the Latest Practicable Date. The total consideration paid pursuant to the aforesaid offer was HK$99,279,371.50 and the Shares repurchased were then cancelled on 11 March 2009.

No Shares have been issued by the Company since the end of the financial year of the Company ended 31 December 2008 up to the Latest Practicable Date.

Details of the Shares issued during the two-year period immediately preceding the date of commencement of the Offer Period, being 8 October 2009, are as follows:

Date of allotment	Number of Shares	Issue price per Share *HK$*	Proceeds *HK$*
2 July 2008	29,942,649	0.604	N/A
2 July 2008	26,548,672	1.13	N/A

The 29,942,649 Shares as set out in the table above were issued and allotted to New Capital Industrial Limited, a company wholly-owned by Mr. Mak, his spouse and his two sons, on 2 July 2008 upon conversion of the convertible bonds due 2010 (the "2010 Convertible Bonds"). The 2010 Convertible Bonds were issued by the Company to the bondholders on 25 April 2005 for the acceptance of the general offers made by a subsidiary of the Company on 31 January 2005 for the shares of CCT Tech.

The 26,548,672 Shares as set out in the table above were issued and allotted to Capital Winner Investments Limited, a company wholly-owned by Mr. Mak, his spouse and his two sons, on 2 July 2008 upon conversion of the convertible bonds due 2009 (the "2009 Convertible Bonds") with an outstanding principal amount of HK$30,000,000 as at the date of conversion. The 2009 Convertible Bonds were issued by the Company to Capital Winner Investments Limited on 23 June 2006 as part of the consideration for the acquisition of a property situated at Tai Tam Road, Hong Kong (further details of such acquisition are contained in the circular of the Company dated 19 May 2006).

There has been no re-organisation of capital during the two financial years immediately preceding the commencement of the Offer Period on 8 October 2009.

As at the Latest Practicable Date, save for the 655,056,191 Shares in issue, the Company did not have any other Shares, outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

During the two-year period immediately preceding the date of the Offer Document, the Company declared dividend five times, being a final dividend of HK$0.030 per Share paid on 12 June 2008, a final dividend of HK$0.030 per Share paid on 16 June 2009, an interim dividend of HK$0.025 per Share paid on 31 October 2007, an interim dividend of HK$0.025 per Share paid on 22 October 2008 and an interim dividend of HK$0.030 per Share paid on 21 October 2009. Depending on the future results and financial position of the Group, the Company may, on the recommendation of the Board, declare dividends as and when they consider appropriate taking into account the then financial performance of the Company as well as the amount of profits and/or reserves legally available for distribution. As disclosed in the interim report 2009 of the Company and the unaudited financial statements of the Group for the six months ended 30 June 2009, the Company's reserves available for distribution to the Shareholders at such period end date amounted to, in the opinion of the Board, HK$1,397 million. The Directors do not have any intention to declare any additional dividend or to alter the dividend policy of the Company.

DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the shares and the underlying shares of the 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, or were required to be disclosed by the Takeovers Code:

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

Long positions in the Shares:

Name of the Directors	Number of the Shares interested and nature of interest			Total	Approximate percentage of the total issued share capital of the Company *(%)*
	Personal	Family	Corporate		
Mr. Mak *(Note 1)*	715,652	—	294,775,079	295,490,731	45.11
Mr. Tam	500,000	—	—	500,000	0.08
Cheng Yuk Ching, Flora *(Note 2)*	14,076,713	160,000	—	14,236,713	2.17
Dr. Putt	591,500	—	—	591,500	0.09

Notes:

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

2. *Of the shareholdings in which Ms. Cheng Yuk Ching, Flora was interested, 160,000 Shares were beneficially owned 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 share options of an associated corporation — CCT Tech as at the Latest Practicable Date

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

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

Note: Of the shareholdings in which Mr. Mak was interested, 33,026,391,124 shares of CCT Tech were held by the Company through its indirect wholly-owned subsidiaries. Mr. Mak is deemed to be interested in such shares of CCT Tech under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of the Company through his interest in the shareholdings of 45.11% of the total issued share capital in the Company as at the Latest Practicable Date.

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

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

(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 Directors	Number of the shares interested and nature of interest			Approximate percentage of the total issued share capital of CCT Resources (%)
	Personal	Corporate	Total	
Mr. Mak *(Note)*	19,344,000	2,031,764,070	2,051,108,070	46.37
Mr. Tam	7,500,000	—	7,500,000	0.17

Note: Of the shareholdings in which Mr. Mak was interested, 2,031,764,070 shares of CCT Resources were beneficially held by Manistar Enterprises Limited, an indirect wholly-owned subsidiary of the Company. Mr. Mak is deemed to be interested in such shares of CCT Resources under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of the Company through his interest in the shareholdings of 45.11% of the total issued share capital in the Company as at the Latest Practicable Date.

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

Name of the Directors	Date of grant of the share options	Exercise period of the share options	Exercise price per share *HK$*	Number of the share options outstanding	Number of the total underlying shares	Approximate percentage of the total issued share capital of CCT Resources *(%)*
Mr. Mak	5/7/2006	14/8/2006 – 13/8/2011	0.038	22,500,000	22,500,000	0.51
Mr. Tam	5/7/2006	14/8/2006 – 13/8/2011	0.038	18,000,000	18,000,000	0.41
	7/7/2009	11/8/2009 – 6/3/2012	0.160	40,500,000	40,500,000	0.92
Cheng Yuk Ching, Flora	5/7/2006	14/8/2006 – 13/8/2011	0.038	5,000,000	5,000,000	0.11
	7/7/2009	11/8/2009 – 6/3/2012	0.160	46,000,000	46,000,000	1.04
Dr. Putt	5/7/2006	14/8/2006 – 13/8/2011	0.038	5,000,000	5,000,000	0.11
	7/7/2009	11/8/2009 – 6/3/2012	0.160	3,500,000	3,500,000	0.08

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short

positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which were required, pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, or were required to be disclosed by the Takeovers Code.

(b) Substantial Shareholders' interests

As at the Latest Practicable Date, so far as was known to, or could be ascertained after reasonable enquiries by, the Directors, the following persons (not being the Directors or the chief executive of the Company) had interests or short positions in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the Shares as at the Latest Practicable Date:

Name of the Shareholders	**Number of the Shares held**	**Approximate percentage of the total issued share capital of the Company** *(%)*
Capital Force International Limited *(Note)*	96,868,792	14.79
New Capital Industrial Limited *(Note)*	171,357,615	26.16

Note: Capital Force International Limited and New Capital Industrial Limited are corporations wholly-owned by Mr. Mak, his spouse and his two sons, whose interest 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 share options of the Company and its associated corporations" in this section.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any party who, as at the Latest Practicable Date, had an interests or short positions in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

OTHER INTERESTS IN THE COMPANY

As at the Latest Practicable Date:

(i) none of the subsidiaries of the Company, nor pension funds of the Company or of any of the Company's subsidiaries, nor any advisers to the Company as specified in class (2) of the definition of associate (as defined in the Takeovers Code) but excluding exempt principal traders had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

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

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

DEALINGS IN SECURITIES

(a) By the Company

Save for the repurchase of 198,558,635 Shares on 2 March 2009 by way of offer (details of which are included in the offer document of the Company dated 23 January 2009) at the offer price of HK$0.50 per Share, the Company has not repurchased any Shares in the 12-month period immediately preceding 2 March 2009 and the date of the Offer Document. The Company will not conduct any on-market share repurchase from the Latest Practicable Date up to and including the date the Offer closes, lapses or is withdrawn, as the case may be.

(b) By the Directors

Mr. Mak has confirmed (for himself and on behalf of parties acting in concert with him) that there has been no dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company by him and parties acting in concert with him in the six months immediately prior to the date of the Announcement and from the date of the Announcement up to and including the Latest Practicable Date.

Each of Mr. Tam, Ms. Cheng Yuk Ching, Flora and Dr. Putt has confirmed (for himself/herself and on behalf of parties acting in concert with him/her) that there has been no dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company by them and parties acting in concert with any of them in the six months immediately prior to the date of the Announcement and from the date of the Announcement up to and including the Latest Practicable Date.

(c) Others

Prior to the posting of the Offer Document, as at the Latest Practicable Date, save for the irrevocable undertaking given by each of Mr. Mak (for himself and parties acting in concert with him), Mr. Tam and Dr. Putt that each of them will not accept the Offer, neither the Company nor parties acting in concert with it has received any irrevocable commitment from any persons to irrevocably accept or reject the Offer. Each of Mr. Mak (for himself and parties acting in concert with him), Mr. Tam and Dr. Putt, who has irrevocably committed himself to reject the Offer, has confirmed that he has not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the six months prior to the date of the Announcement and ending on the Latest Practicable Date.

Except in the case where the Offer does not become unconditional, there is no circumstance in which each of the irrevocable undertakings given by Mr. Mak (for himself and parties acting in concert with him), Mr. Tam and Dr. Putt will cease to be binding.

Prior to the posting of the Offer Document, as at the Latest Practicable Date, no persons have irrevocably committed to accept the Offer. As such, no persons who have irrevocably committed to accept the Offer have dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the six months prior to the date of the Announcement and ending on the Latest Practicable Date.

No person with whom the Offeror or any person acting in concert with the Offeror has control or owns the Company has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company.

As at the Latest Practicable Date, there was no shareholding in the Company owned or controlled by any person with whom the Offeror or any person acting in concert with the Offeror has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code.

As at the Latest Practicable Date, no person with whom the Offeror or any person acting in concert with the Offeror has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code has dealt with any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company in the six months immediately prior to the date of the Announcement and from the date of the Announcement up to and including the Latest Practicable Date.

No person has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate (as defined in the Takeovers Code).

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

As at the Latest Practicable Date, no person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate (as defined in the Takeovers Code) has dealt with any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company in the six months immediately prior to the date of the Announcement and from the date of the Announcement up to and including the Latest Practicable Date.

As at the Latest Practicable Date, none of the Company, the Directors, Mr. Mak or parties acting in concert with any of them has borrowed or lent any Shares. As such, there has been no dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company by any person who has borrowed or lent any Shares in the six months immediately prior to the date of the Announcement and from the date of the Announcement up to and including the Latest Practicable Date.

As at the Latest Practicable Date, none of the subsidiaries of the Company, nor pension funds of the Company or of any of the Company's subsidiaries, nor any advisers to the Company as specified in class (2) of the definition of associate (as defined in the Takeovers Code) but excluding exempt principal traders had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. As such, there has been no dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company by any of the subsidiaries of the

Company, or pension funds of the Company or of any of the Company's subsidiaries, or any advisers to the Company as specified in class (2) of the definition of associate (as defined in the Takeovers Code) but excluding exempt principal traders in the six months immediately prior to the date of the Announcement and from the date of the Announcement up to and including the Latest Practicable Date.

As at the Latest Practicable Date, no shareholding in the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company. As such, there has been no dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company by any fund manager (other than exempt fund managers) connected with the Company who manages the shareholding in the Company on a discretionary basis in the six months immediately prior to the date of the Announcement and from the date of the Announcement up to and including the Latest Practicable Date.

As at the Latest Practicable Date, the Company, being the offeror, had no agreement or understanding to transfer, charge or pledge any of the Shares acquired pursuant to the Offer to any other persons.

MARKET PRICES

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

Date	**Closing price per Share** *HK$*
29 April 2009	0.530
29 May 2009	0.660
30 June 2009	0.670
31 July 2009	0.780
31 August 2009	0.780
30 September 2009	0.830
Last Trading Day	0.850
Latest Practicable Date	1.000

Highest and Lowest Share Prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the six-month period from 9 April 2009, being the date falling six months prior to 8 October 2009, being the date the Offer Period commenced, up to and including the Latest Practicable Date, were HK$1.02 per Share on 23 October 2009 and HK$0.465 per Share on 16 April 2009.

ARRANGEMENTS AFFECTING DIRECTORS

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

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

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

DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, there was no material contract entered into by the Company or Mr. Mak or parties acting in concert with him in which any Director has a material personal interest.

LITIGATION

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

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contracts with any member of the Group or associated corporations of the Company: (i) which (including both continuous and fixed term contracts) have been entered into or been amended within six months before the commencement of the Offer Period, being 8 October 2009; (ii) which are continuous contracts with a notice period of 12 months or more and which will not expire or are not determinable within 12 months without payment of compensation (other than statutory compensation); or (iii) which are fixed term contracts with more than 12 months to run from the Latest Practicable Date irrespective of the notice period.

MATERIAL CONTRACTS

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

(i) 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 the Company as vendor and CCT Tech (a non wholly-owned subsidiary of the Company) as purchaser in respect of the proposed acquisition by CCT Tech of one share of US$1.00 each in CCT Industrial Products Holdings Limited (''CCT Industrial''), a direct wholly-owned subsidiary of the Company, representing the entire issued share capital of CCT Industrial and the outstanding interest-free loan due from CCT Industrial to the Company at a consideration of HK$346,311,000 (the transaction contemplated thereunder was not proceeded as one of the conditions precedent was not fulfilled);

(ii) the placing and subscription agreement dated 13 November 2007 entered into between the vendors including Manistar Enterprises Limited (''Manistar'', a direct wholly-owned subsidiary of the Company) and three employees of a subsidiary of CCT Resources (an associated corporation of the Company), the Company, CCT Resources and the placing agent (OSK Asia Securities Limited, an independent third party) 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 (an associated corporation of the Company), Merdeka Commodities Limited (''MCL'') and Merdeka Timber Group Ltd. (''MTG'') (both were independent third parties), 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 at a total consideration of US$117,400,000. As at the Latest Practicable Date, out of the aggregate principal amount of HK$776,880,000 of the convertible bonds issued under the above-mentioned agreements to satisfy part of the consideration, convertible bonds in the aggregate principal amount of HK$182,000,000 have been converted into shares of CCT Resources; and

(v) the subscription agreement dated 4 October 2007 (the "Manistar Initial Subscription Agreement") entered into between CCT Resources (an associated corporation of the Company) and Manistar (a direct wholly-owned subsidiary of the Company), 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 in the aggregate principal amount of HK$138,840,000 by CCT Resources to Manistar (the "Manistar CB"). As at the Latest Practicable Date, the Manistar CB has been converted in full.

EXPERTS AND CONSENTS

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

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

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

As at the Latest Practicable Date, each of VC Brokerage, VC Capital, First Shanghai, Ernst & Young and Grant Sherman did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

MISCELLANEOUS

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

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

(c) 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.

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

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

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

(g) VC Capital is the financial adviser to the Company in respect of the Offer. The address of VC Capital is 28/F. The Centrium, 60 Wyndham Street, Central, Hong Kong.

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

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

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

(k) 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.

(l) All time references contained in the Offer Document refer to Hong Kong time.

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

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours (public holidays excepted) at the office of the Company at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong; (ii) on the website of the Securities and Futures Commission at www.sfc.hk; and (iii) on the website of the Company at www.cct.com.hk, from the date of the Offer Document until the end of the Offer Period:

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

(b) the annual reports of the Company for the three years ended 31 December 2008;

(c) the interim report of the Company for the six months ended 30 June 2009;

(d) the letter from VC Brokerage, the text of which is set out on pages 17 to 25 of the Offer Document;

(e) the letter from the Independent Board Committee, the text of which is set out on pages 26 to 27 of the Offer Document;

(f) the letter from First Shanghai, the text of which is set out on pages 28 to 46 of the Offer Document;

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

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

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

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

(k) the irrevocable undertakings from each of Mr. Mak (for himself and parties acting in concert with him), Mr. Tam and Dr. Putt not to accept the Offer.

CCT TELECOM HOLDINGS LIMITED

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

(Stock Code: 00138)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of 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 Wednesday, 18 November 2009 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the conditional cash offer (the "**Offer**") by VC Brokerage Limited on behalf of the Company to repurchase up to 80,000,000 shares of nominal value HK$0.10 each in the issued share capital of the Company (the "**Shares**") held by the shareholders of the Company (the "**Shareholders**") at a price of HK$1.00 per Share to be paid in cash and subject to the terms and conditions set out in the offer document despatched to the Shareholders and dated 29 October 2009 together with the accompanying form of acceptance (a copy of which marked "A" has been produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) be approved, without prejudice and in addition to the existing authority of the Company under the general mandate to repurchase Shares granted by the Shareholders at the annual general meeting of the Company on 2 June 2009, and that any one of the directors of the Company be and is hereby authorised to execute all such documents with or without amendments and do all such things as he/she considers desirable, necessary or expedient in connection with or to give effect to any matters relating to or in connection with the Offer including without limitation, completion of the repurchase of Shares pursuant to the Offer; and

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

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

Hong Kong, 29 October 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.*