CCT TELECOM

中建電訊集團有限公司

2010 INTERIM REPORT

Stock Code : 138

chairman's letter

On behalf of the board of CCT Telecom Holdings Limited, I am pleased to announce the interim results of the Group for the six months ended 30 June 2010.

In the first half of 2010, the global economy slowly regained its momentum and signs of early recovery have been emerging. The global economy appears to be on its way walking out of the unprecedented financial tsunami, however in a rather slow pace. Taking advantage of the gradual recovery of the global economy and benefiting from the Group's restructuring and streamlining initiatives and measures, in the current reporting period, the Group recorded an increase of 14.5% in turnover to $819 million. The Group's profit for the period has also enhanced slightly by 4.0% to $26 million as compared to $25 million in last corresponding period.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.03 per Share for 2010 (30 June 2009: HK$0.03 per Share) to be payable from the Company's distributable reserve. The interim dividend of HK$0.03 per Share will be payable on or around Wednesday, 22 September 2010 to the Shareholders whose names appear on the register of members of the Company on Friday, 10 September 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 8 September 2010 to Friday, 10 September 2010 (both days inclusive), during which period no transfer of Share(s) will be effected. In order to qualify for the interim dividend of HK$0.03 per Share, all transfer of Share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 7 September 2010.

REVIEW OF OPERATIONS

During the period under review, the principal businesses of the Group are (i) the manufacture and sale of telecom and electronic products; (ii) the manufacture and sale of electronic and plastic components; (iii) the manufacture and sale of infant and child products; (iv) the securities business; (v) the property development and holding; and (vi) the forestry resources business engaged by the Company's listed associate, CCT Resources.

Telecom product business

The telecom product business representing manufacturing and sale of telecom and electronic products on an ODM basis is engaged by the Company's principal listed subsidiary, CCT Tech and its subsidiaries. The business segment remains the largest business sector of the Group, in terms of turnover.

Since the exit of the CCT Tech Group's previous single largest customer from the North American telephony market at the end of 2008 (the "**Discontinuation**"), the CCT Tech Group has been putting greater emphasis on expanding the European market. Despite the debt crisis of certain European countries, the CCT Tech Group managed to record a substantial growth of revenue of its telecom product business in the region from $388 million in the last corresponding period to $572 million in current period, up 47.4%. It is encouraging to see that the CCT Tech Group's market niche of supplying mass-market medium value and price competitive products sustained turnover growth of telecom products in the generally adverse market condition. The CCT Tech Group in fact recorded substantial increase in order placement from two major European branded customers during the period. The CCT Tech Group's sales of telecom products to North America further decreased by 78.0% from approximately $118 million for the first half of 2009 to approximately $26 million for the first half of 2010, caused mainly by the Discontinuation. Sales of telecom products to the Asian Pacific and other regions dropped by 12.3% to HK$100 million for the period, caused by the weak market demand after the global financial tsunami. With continuous effort to nurturing our business in emerging markets, the CCT Tech Group has achieved good progress in penetrating into new markets including Australia.

The CCT Tech Group's initiatives and efforts in restructuring and revitalising its manufacturing operations in 2009 has continued to improve operational efficiency and reduce overhead in the current period. The significant saving from streamlining operations has continued to impact favourably the CCT Tech Group's costing structure in the current period. As a result, the telecom products business recorded double digit growth of 31.0% in gross profit margin ratio from 5.8% in the last corresponding period to 7.6% in the current period. The CCT Tech Group's commitment to optimisation of efficiency and achievement so far has been enhancing a lot to the CCT Tech Group's profitability as well as its competitiveness.

The CCT Tech Group remains committed to product research and development. Its strong research and development team continues to be its key strength which has continued to bring in new technology to our product development as well as in the areas of the costs and efficiency improvement. The CCT Tech Group has also adopted a wide range of product strategies to gain our competitive edge and to deliver new and innovative products that meet the market needs and expectation.

The License agreement with GE

Since two indirect wholly-owned subsidiaries of CCT Tech (the "**Licensees**") entered into the GE Trademark License Agreement (the "**License Agreement**") with GE Trademark Licensing, Inc. ("**GE**") in February 2010, the CCT Tech Group has achieved great progress in developing this potentially high-growth branded business. The CCT Tech Group has already established its distribution company in the US and has hired experienced sales and marketing people in the US to manage this new distribution business. The CCT Tech Group has developed new lines of GE products that it expects will meet the US market expectation in the current weak economic environment. As the buying season of US retailers for the current year has passed, the CCT Tech Group expects that it will re-enter the US market in 2011, which was the CCT Tech Group's largest market and contributed more than 50% of CCT Tech Group's total annual revenue before the global financial crisis occurred. With regard to development of the markets outside North America for distribution of GE products, in order to save development costs and overhead, the CCT Tech Group has already appointed experienced distributor to develop the branded distribution business for the rest of world markets.

Manufacturing of electronic and plastic components

The Group's component business (representing manufacture of plastic casing, power supply and transformer) continues to provide vertical support to the CCT Tech Group for production of telecom and electronic products during the period. Most of these components are sold to the CCT Tech Group and some of the plastic component products are sold to independent third parties. Despite the difficult business environment, the component business has managed to reduce its operating costs by streamlining production and operations and the operating loss of the segment has therefore been reduced by approximately 35.0% to only $13 million in 2010.

Infant and child product business

The infant and child product business has continued to deliver satisfactory results during the period and reported a net profit of $8 million in the first half of 2010. Despite weak global consumer demand, turnover surged 75.8% from $62 million in the last corresponding period to $109 million in the current period, caused mainly by the increase in orders from two of the segment's major customers by more than 50% in the current period. The new series of childcare products like baby monitor, milk bottle warmer and sterilisers continued to sell well in the current period. During the period, this business segment has moved its manufacturing facilities from the Huiyang factory (which houses CCT Tech Group's telecom product manufacturing business) to the Group's Dongguan factory in order to provide more manufacturing space for the expansion of the business segment. As a result of the removal, certain production overhead and one-off costs have incurred and as a result, the gross margin has declined. The management of the segment has already taken steps and measures to restructure and streamline the operations of the segment and it is expected that the gross margin will regain its growth momentum in the future. The Group will continue to dedicate more resources for development of high quality baby products at competitive prices. We believe the infant and child product business has plenty of room for future growth as this business is less subjective to economic cycle and downturn.

New product lines

The Group has recently set up two new product lines for design, development, manufacture and sale of (i) electronic wise toy products such as interactive & multimedia products and electronic game products; and (ii) home health care products such as humidifier, air purifier, blood pressure gauge and blood glucose monitor. During the period, the Group has entered into a license agreement in relation to a popular TV cartoon series in the PRC for the manufacture and sale of electronic wise toy products using the popular cartoon characters in the cartoon series. Experienced management teams have been hired and it is expected that the new business will generate revenue in the latter part of this year. We believe these two new product lines have good potential to grow as demand for high quality electronic wise toy products and home health care products is high.

Securities business

Notwithstanding that the investment environment has begun to improve since 2009, the global financial markets remain volatile during the first half of 2010. Since mid-April this year, the Hang Seng Index reversed its previous gain at the beginning of this year and declined to so far this year trough of about 19,500 points in June, caused mainly by adverse news from the debt crisis in Europe. Because of the downturn in the stock market, the Group's securities business incurred an operating loss of $9 million for six months ended 30 June 2010 mainly attributable to unrealised loss of $10 million on securities held. For the corresponding period in 2009, the Group's securities business, however, benefited from the strong rebound of Hong Kong stock market and achieved a positive contribution of $89 million.

The Group continues to closely monitor the performance of its securities portfolio which comprises Hang Seng Index constituent stocks and H-shares in large Chinese corporation and is confident that the securities portfolio will return to positive contribution and provide satisfactory returns in the future.

Properties development and holding

The austerity measures initialed by the central government of PRC to regulate residential property prices has limited effect on our property development projects in Anshan City, the Liaoning Province. Pre-sale of the first phase of one of our property projects that started last December continued with encouraging market response in the first half of this year. Up to 31 July 2010, a total of 231 units have been pre-sold, represented more than 40% of the total units of the first phase. A total of RMB42 million has been received so far as deposit. We expect that most of the first phase units will be pre-sold in the near future. The first phase of the property project will be completed and delivered for occupation latter this year, at which time the property development business will start to generate revenue to the Group.

The residential property market in Hong Kong picked up steam in the first half of this year. Both property prices and volume have escalated substantially, fueled by strong results of the recent government land auctions. The Group's residential property holdings include three luxury residential properties situated in the prime luxury residential areas in the southern side of the Hong Kong Island. The luxury residential market benefits most from the current hot property market and prices have escalated a lot in the first half. As such, an unrealised revaluation gain of $95 million was recorded for the first half of 2010 and contributed a net gain of HK$82 million for the segment as compared to a loss of HK$4 million for the last corresponding period. We expect the prices of prime luxury housing, benefiting from the current extremely low interest rate environment, will continue to rise in second half of 2010. We are looking for suitable opportunity to sell one of these properties which will likely realise some of revaluation gains to the Group.

Forestry resources business

The forestry resource business carried on by the Company's listed associate, CCT Resources, has achieved satisfactory progress in the development of its forestry business in the first half of this year. CCT Resources plans to commence commercial operations of its timber business in the second half of the year. Besides the timber business, CCT Resources has also achieved good progress in its business of plantation of oil palm. We believe that the forestry resource business of CCT Resources has good potential in view of the huge size of the forest concessions and the high demand and increasing prices of its timber and palm oil products. We believe the businesses will become one of the key drivers for business growth and profitability to the CCT Resources group, which will in turn benefit the Group as its major shareholder.

OUTLOOK

We are encouraging to see the global economy might have broken away the worst period of the financial crisis. Although the global economy has stabilised, we do not expect global consumer confidence to rebound substantially this year especially when the unemployment rates are still in high level in US. Meanwhile, the debt crisis occurred in certain European countries whose governments have committed to cut fiscal deficit by tightening fiscal expenditure and increasing taxes and the current fragile base of global financial stability could slow the economic recovery pace of US and Europe inevitably. Prices of commodity and materials are expected to rise amidst market recovery and inflation is expected to go up especially in the PRC. The recent labor unrests and the shortage of labor in the Guangdong Province has already pushed up labour wages in general. The potential appreciation of Renminbi against the US dollar is another risk that may affect performance of our manufacturing business. All these uncertain factors may increase our production costs and affect our profit margin in the future.

On the positive side, as we have streamlined and slimmed our organisation and our operating costs, we are in a good position to seize the opportunity arising from market turnaround and strive to improve sales in the coming years. We believe that the license of the GE trademark under the License Agreement will open a new avenue for the future business growth of the Group and will deliver significant potential benefits to the Group. Our ODM business, especially in Europe, has recovered substantially and we expect our ODM business will continue to grow in the second half of the year. We are cautiously optimistic about the future outlook of our telecom product business. With our resilient management team and healthy financial position, we believe that the Group's telecom product business is well positioned not only to withstand the current difficult operating environment, but to regain a strong financial foothold.

We believe the infant and child product business has excellent growth potential. We are committed to put in more resources in expanding such business and to streamline the operations to improve its efficiency. We are confident about our newly developed electronic wise toy products and home health care products and believe that the new products will receive good response from customers. We believe the infant and child product business and the new product lines will become one of our core drivers for future growth.

The stock market in Hong Kong has started to rebound in July 2010 as the debt crisis in Europe appears to ease to a certain extent. However, recent Federal Reserve's grimmer economic outlook and recent economic data indicating softening economic growth of the PRC has caused the stock market to drop after the news. We anticipate that the stock market is still volatile and uncertain towards the latter part of this year. Nevertheless, we are optimistic in the long-term economic outlook in Hong Kong and the PRC. As most of our securities holdings are Hang Seng Index constituent stocks and H-shares in large Chinese corporations, we believe that they will benefit from the stabilised global economy and the recovery of the stock market. We will consider to realise some of our securities investments as when suitable opportunities arises.

The strength of the economy of the PRC is evident. We have adopted more prudent strategies in respect of property development projects to preserve our capital resources. We plan to start the second phase of the first property project and then the other projects by phases after most of the first phase units have been pre-sold. Given the optimistic long-term economic outlook in the PRC, we are confident of the prospect of our property development business and believe that it will become a key driver for our revenue and profitability growth in the future. Our residential property portfolio in Hong Kong has already recorded significant revaluation gain. The Board intends to sell one of these properties to realise part of these fruitful gains as when suitable opportunities arises.

APPRECIATION

On behalf of the Board, I would like to express our gratitude to the directors, the management and all employees of the Group for their strong commitment and contribution towards the execution of the Group's strategies and operations. We would also like to express our sincere thanks to our shareholders, bankers, investors, customers and suppliers for their continued encouragement and strong support to the Group.

Mak Shiu Tong, Clement
Chairman

Hong Kong, 24 August 2010

financial review

HIGHLIGHTS ON FINANCIAL RESULTS

HK$ million	Six months ended 30 June **2010 (Unaudited)**	2009 (Unaudited)	% increase/ (decrease)
Turnover	**819**	715	14.5%
Profit for the period	**26**	25	4.0%
Profit/(loss) attributable to:			
Owners of the parent	**28**	38	(26.3%)
Non-controlling interests	**(2)**	(13)	(84.6%)
	26	25	4.0%
Earnings per share	**HK$0.046**	HK$0.052	(11.5%)
Dividends per share	**HK$0.030**	HK$0.030	–

Discussion on Financial Results

For the six month ended 30 June 2010, the Group reported a turnover of $819 million, 14.5% increase when compared to the last corresponding period. This was mainly due to the growth of telecom product business and the infant and child product business, reflecting success of our market strategy.

The Group reported profit after tax of $26 million for the period, slightly increased from the profit after tax approximately $25 million in the last corresponding period, caused by the revaluation gain of our property portfolio in Hong Kong.

ANALYSIS BY BUSINESS SEGMENT

Turnover
Six months ended 30 June

HK$ million	**2010** Amount (Unaudited)	**2010** Relative %	2009 Amount (Unaudited)	2009 Relative %	% increase/ (decrease)
Telecom product business	**698**	**85.2%**	625	87.4%	11.7%
Component business	**124**	**15.1%**	108	15.1%	14.8%
Infant and child product business	**109**	**13.3%**	62	8.7%	75.8%
Securities business	**2**	**0.3%**	24	3.4%	(91.7%)
Property development and holding	**2**	**0.3%**	3	0.4%	(33.3%)
Intersegment transactions	**(116)**	**(14.2%)**	(107)	(15.0%)	8.4%
Total	**819**	**100.0%**	715	100.0%	14.5%

Profit/(loss) before tax
Six months ended 30 June

HK$ million	**2010 (Unaudited)**	2009 (Unaudited)	% increase/ (decrease)
Telecom product business	**2**	(19)	N/A
Components business	**(13)**	(20)	(35.0%)
Infant and child product business	**8**	9	(11.1%)
Securities business	**(9)**	89	N/A
Property development and holding	**82**	(4)	N/A
Unallocated items	**(26)**	(28)	(7.1%)
Total	**44**	27	63.0%

During the period, the telecom product business continued to be the largest business segment of the Group. It contributed approximately 85.2% of the Group's total turnover, due to the success of modified marketing strategies which resulted in significant growth in ODM business in Europe. The business segment's operating results improved significantly during the period and turned from an operating loss before tax of $19 million for the first half of 2009 to an operating profit before tax of $2 million for first half of 2010. The improvement in results is caused mainly by the success of the Group's initiatives and measures to restructure and streamline operations to reduce operating costs and improve efficiency.

Revenues derived from the components business increased 14.8% to $124 million for six months ended 30 June 2010, in line with the increase in sales of the telecom product business to which the component business supplies most of its components. The components business sector reported an operating loss of approximately $13 million in first half of 2010, a decrease of 35.0% as compared to the operating loss of approximately $20 million in previous corresponding period, which demonstrates again positive effect of our restructure actions.

Amidst weak business environment, performance of our infant and child products business in the period is however encouraging. Turnover of the segment jumped 75.8% to HK$109 million for the period due to additional orders from customers. Profit before tax contributed by the infant and child product business was HK$8 million, a slight decrease of HK$1 million from last period, due to additional costs and overhead caused by removal of its factory.

The Group's securities business recorded operating loss of $9 million for six months ended 30 June 2010 mainly attributable to unrealised mark-to-market loss of $10 million in the first half of 2010, as compared to a net profit of $89 million from the same period last year. The change in result reflects poor performance of the stock market in Hong Kong in the first half of this year as compared to the strong recovery of the market in the last corresponding period.

The property business segment delivered a net profit of approximately $82 million for the period ended 30 June 2010 (2009: loss of $4 million), mainly due to the unrealised fair value gain of $95 million arising from revaluation of our residential property portfolio in Hong Kong, net off against the depreciation and mortgage loan interest on the properties held.

Unallocated items mainly represent the head office administrative expenses and share of loss of an associate which decreased by 7.1% to $26 million.

ANALYSIS BY GEOGRAPHICAL SEGMENT

	Turnover Six months ended 30 June				
	2010		2009		
HK$ million	**Amount (Unaudited)**	**Relative %**	Amount (Unaudited)	Relative %	% increase/ (decrease)
Europe	**603**	**73.6%**	395	55.2%	52.7%
North America	**91**	**11.1%**	167	23.4%	(45.5%)
Asian Pacific and others	**125**	**15.3%**	153	21.4%	(18.3%)
Total	**819**	**100.0%**	715	100.0%	14.5%

Since the European market took over the North America to become the Group's largest market in 2009, it continued to remain the largest market of the Group during the period under review and contributed approximately 73.6% of its total turnover. The sales to the North America and the Asian Pacific regions accounted for 11.1% and 15.3%, respectively, of the Group's total turnover.

The performance in the European market was extremely well, achieving a growth of 52.7% in turnover. Caused by the Discontinuation, sales to North America declined further by 45.5% to only HK$91 million for the period. Sales to the Asian Pacific and other regions dropped by 18.3% to HK$125 million, caused by weak market demand.

HIGHLIGHTS ON FINANCIAL POSITION

HK$ million	30 June 2010 (Unaudited)	31 December 2009 (Audited)	% increase/ (decrease)
NON-CURRENT ASSETS			
Property, plant and equipment	**770**	796	(3.3%)
Investment properties	**310**	227	36.6%
Interest in an associate	**176**	187	(5.9%)
CURRENT ASSETS			
Inventories	**140**	98	42.9%
Trade receivables	**370**	401	(7.7%)
Prepayment, deposits and other receivables	**450**	405	11.1%
Property under development	**148**	129	14.7%
Financial assets at fair value through profit or loss	**242**	255	(5.1%)
Pledged time deposits	**85**	65	30.8%
Cash and cash equivalents	**670**	566	18.4%
CURRENT LIABILITIES			
Trade and bills payables	**443**	418	6.0%
Other payables and accruals	**215**	193	11.4%
Current interest-bearing bank and other borrowings	**347**	284	22.2%
EQUITY AND NON-CURRENT LIABILITIES			
Non-current interest-bearing bank and other borrowings	**255**	144	77.1%
Non-controlling interests	**353**	355	(0.6%)
Equity attributable to owners of the parent	**2,082**	2,073	0.4%

Discussion on Financial Position

As at 30 June 2010, the amount of the property, plant and equipment decreased by 3.3% to approximately $770 million. The decrease was mainly attributable to the depreciation charge of $41 million net off against net additions to fixed assets of approximately $16 million during the period.

The investment properties increased from $227 million as at 31 December 2009 to $310 million as at 30 June 2010. The increase represents mainly the unrealised fair value gain of $83 million arising from the revaluation of the Group's investment properties as at 30 June 2010.

Decrease in the amount of the interest in an associate was due to the share of loss of CCT Resources for the six months ended 30 June 2010.

As at 30 June 2010, inventories of the Group increased to $140 million. Inventory turnover period of the Group for the period maintained at a reasonable low level of 29.0 days (31 December 2009: 28.9 days).

Trade receivables of the Group amounted to $370 million as at 30 June 2010, a slight decrease of 7.7% from $401 million as at 31 December 2009.

Prepayments, deposits and other receivables balance as at 30 June 2010 included prepayment for the acquisition of land use rights in Mainland China amounting to approximately $323 million (31 December 2009: $321 million).

As at 30 June 2010, the balance of the property under development increase by 14.7% to approximately $148 million. The increase mainly attributable to the additional construction expenditure incurred relating to first phase of the property projects located in Anshan City, the Liaoning Province, the PRC.

The decrease in the balance of the financial assets at fair value through profit or loss was attributable to the aggregate effect of the disposal of part of our holdings in Hong Kong listed shares during the period and decrease in fair value of the listed shares held as at 30 June 2010.

Pledged time deposits increased from $65 million as at 31 December 2009 to $85 million as at 30 June 2010 mainly due to increase in pledged time deposits for banking facilities.

Cash and cash equivalents increased by 18.4% to $670 million as at 30 June 2010. The net increase in cash and bank balance represents net cash inflow due primarily to increase in bank borrowings during the period.

Trade and bills payables increased by approximately 6.0% to $443 million, reflecting increase of purchases in line with the growth in sales.

The amount of interest-bearing bank and other borrowings increased from approximately $428 million as at 31 December 2009 to approximately $602 million as at 30 June 2010, up 40.7%. The increase represents net increase of the bank borrowings during the period in order to cope with the working capital requirements for increase in sales and potential future expansion in business.

Decrease in the non-controlling interests was mainly due to the sharing of loss by the minority shareholders in CCT Tech.

The increase of the equity attributable to owners of the parent from $2,073 million as at 31 December 2009 to $2,082 million as at 30 June 2010 was primarily due to the profit attributable to the owners of the parent for the period net off against the dividend paid in cash during the period.

CAPITAL STRUCTURE AND GEARING RATIO

HK$ million	30 June 2010 Amount (Unaudited)	30 June 2010 Relative %	31 December 2009 Amount (Audited)	31 December 2009 Relative %
Bank borrowings	**601**	**22.4%**	426	17.0%
Finance lease payable	**1**	**0.1%**	2	0.1%
Total borrowings	**602**	**22.5%**	428	17.1%
Equity	**2,082**	**77.5%**	2,073	82.9%
Total capital employed	**2,684**	**100.0%**	2,501	100.0%

The Group's gearing ratio was approximately 22.5% as at 30 June 2010 (31 December 2009: 17.1%). The slight increase in gearing ratio was mainly caused by the net increase of bank borrowings during the six months ended 30 June 2010. Taking into account the cash on hand, the Group in fact did not have any net borrowings.

Outstanding bank borrowings amounted to $601 million at 30 June 2010 (31 December 2009: $426 million). Approximately 57.6% of these bank borrowings was arranged on a short-term basis for the ordinary business activities of the Group and was repayable within one year. The remaining 42.4% of the bank borrowings was of long-term nature, principally comprised of mortgage loans on properties held by the Group.

Acquisition of certain of the Group's assets was financed by way of finance leases and the total outstanding finance lease payables for the Group as at 30 June 2010 amounted to approximately $1 million (31 December 2009: $2 million).

As at 30 June 2010, the maturity profile of the bank and other borrowings of the Group falling due within one year, in the second to the fifth year and in the sixth to the tenth year amounted to $347 million, $227 million and $28 million, respectively (31 December 2009: $284 million, $110 million and $34 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

LIQUIDITY AND FINANCIAL RESOURCES

HK$ million	30 June 2010 (Unaudited)	31 December 2009 (Audited)
Current assets	**2,237**	2,039
Current liabilities	**1,040**	933
Current ratio	**215.1%**	218.5%

The Group's current ratio as at 30 June 2010 was 215.1% (31 December 2009: 218.5%). The strong liquid position was attributable to the effective financial management of the Group.

As at 30 June 2010 the Group's cash balance amounted to $755 million (31 December 2009: $631 million), of which $85 million (31 December 2009: $65 million) was pledged for general banking facilities. Almost all of the Group's cash was placed on deposits with licensed banks in Hong Kong. In view of the Group's current cash position and the unutilised banking facilities available, the Group is maintaining in a sound financial position and have sufficient resources to finance its operations and its future expansion plan.

CAPTIAL COMMITMENTS

As at 30 June 2010, capital commitment of the Group amounted to approximately $62 million (31 December 2009: $46 million) mainly on construction cost of a property development project. The capital commitment will be funded partly by internal resources and partly by bank borrowings.

TREASURY MANAGEMENT

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

During the period under review, the Group's receipts were mainly denominated in US dollar, with some in Hong Kong dollar and the Euro. Payments were mainly made in Hong Kong dollar, US dollar and Renminbi and some made in Euro. Cash was generally placed in short-term deposits and medium-term deposits denominated in Hong Kong dollar and US dollar. As at 30 June 2010, the Group's borrowings were mainly denominated in Hong Kong dollar and US dollar. As at 30 June 2010, the Group's borrowings were principally made on a floating rate basis.

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

For Renminbi exposure, as wages and overhead in our factories in the PRC are paid in Renminbi, our production costs will rise due to the possible further appreciation of Renminbi. Despite call from the US for faster appreciation of Renminbi against the US dollar, the Group believes that the PRC government will only allow Renminbi to appreciate against the US dollar modestly in 2010 and in the future years in order not to cause too much damage to the Chinese economy.

ACQUISITION AND DISPOSAL OF MATERIAL SUBSIDIARIES AND ASSOCIATES

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

SIGNIFICANT INVESTMENT

The Group did not hold any significant investment as at 30 June 2010 (31 December 2009: Nil).

PLEDGE OF ASSETS

As at 30 June 2010, certain of the Group's assets with a net book value of $860 million (31 December 2009: $775 million) and time deposits of approximately $85 million (31 December 2009: $65 million) were pledged to secure the general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 June 2010, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group as at 30 June 2010 was 9,397 (31 December 2009: 8,212). The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitive remuneration package to employees. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. At 30 June 2010, there were no outstanding share options issued by the Company.

interim results

The Board of the Company is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2010 together with the comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

		Six months ended 30 June	
HK$ million	Notes	**2010 (Unaudited)**	2009 (Unaudited)
REVENUE	3	**819**	715
Cost of sales		**(744)**	(641)
Gross profit		**75**	74
Other income and gains	4	**126**	86
Selling and distribution costs		**(21)**	(12)
Administrative expenses		**(106)**	(105)
Other expenses		**(14)**	(11)
Finance costs		**(5)**	(3)
Share of loss of an associate		**(11)**	(2)
PROFIT BEFORE TAX	5	**44**	27
Income tax expense	6	**(18)**	(2)
PROFIT FOR THE PERIOD		**26**	25
Profit/(loss) attributable to:			
Owners of the parent		**28**	38
Non-controlling interests		**(2)**	(13)
		26	25
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**HK$0.046**	HK$0.052
Diluted		**HK$0.046**	HK$0.052

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

HK$ million	Six months ended 30 June **2010 (Unaudited)**	 2009 (Unaudited)
PROFIT FOR THE PERIOD	**26**	25
Other comprehensive income, net of tax:		
Exchange differences on translation of foreign operations	**1**	5
Share of other comprehensive income/(loss) of an associate	**1**	(24)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**28**	6
Total comprehensive income/(loss) attributable to:		
Owners of the parent	**30**	19
Non-controlling interests	**(2)**	(13)
	28	6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2010

HK$ million	Notes	30 June 2010 (Unaudited)	31 December 2009 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**770**	796
Investment properties		**310**	227
Prepaid land lease payments		**205**	208
Goodwill		**55**	55
Interest in an associate		**176**	187
Available-for-sale financial assets		**4**	4
Deferred tax assets		**1**	1
Total non-current assets		**1,521**	1,478
Current assets			
Inventories		**140**	98
Property under development		**148**	129
Investment property classified as held for sale		**132**	120
Trade receivables	10	**370**	401
Prepayment, deposits and other receivables		**450**	405
Financial assets at fair value through profit or loss		**242**	255
Pledged time deposits		**85**	65
Cash and cash equivalents		**670**	566
Total current assets		**2,237**	2,039
Total assets		**3,758**	3,517

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

30 June 2010

HK$ million	Notes	30 June 2010 (Unaudited)	31 December 2009 (Audited)
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital	12	**61**	61
Reserves		**2,021**	2,012
		2,082	2,073
Non-controlling interests		**353**	355
Total equity		**2,435**	2,428
Non-current liabilities			
Interest-bearing bank and other borrowings		**255**	144
Deferred tax liabilities		**28**	12
Total non-current liabilities		**283**	156
Current liabilities			
Trade and bills payables	11	**443**	418
Tax payable		**35**	34
Other payables and accruals		**215**	193
Derivative financial instrument		**–**	4
Interest-bearing bank and other borrowings		**347**	284
Total current liabilities		**1,040**	933
Total liabilities		**1,323**	1,089
Total equity and liabilities		**3,758**	3,517
Net current assets		**1,197**	1,106
Total assets less current liabilities		**2,718**	2,584

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Attributable to owners of the parent												
HK$ million	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital reserve (Unaudited)	Distributable reserve (Unaudited)	Investment revaluation reserve (Unaudited)	Equity component of convertible bonds (Unaudited)	Share option reserve (Unaudited)	Capital redemption reserve (Unaudited)	Exchange fluctuation reserve (Unaudited)	Retained profits/ (accumulated losses) (Unaudited)	Total (Unaudited)	Non-controlling interests (Unaudited)	Total equity (Unaudited)
At 1 January 2010	61	12	745	1,339	1	44	9	24	48	(210)	2,073	355	2,428
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	–	–	2	28	30	(2)	28
Deemed disposal of interest in an associate	–	–	–	–	–	(8)	–	–	–	8	–	–	–
2009 final dividend	–	–	–	(21)	–	–	–	–	–	–	(21)	–	(21)
At 30 June 2010	61	12	745	1,318	1	36	9	24	50	(174)	2,082	353	2,435
At 1 January 2009	85	125	745	1,417	1	86	2	–	47	(295)	2,213	364	2,577
Total comprehensive income/(loss) for the period	–	–	–	–	–	(30)	–	–	11	38	19	(13)	6
Repurchase of shares	(20)	(101)	–	–	–	–	–	20	–	–	(101)	–	(101)
2008 final dividend	–	–	–	(20)	–	–	–	–	–	–	(20)	–	(20)
At 30 June 2009	65	24	745	1,397	1	56	2	20	58	(257)	2,111	351	2,462

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Six months ended 30 June	
HK$ million	**2010 (Unaudited)**	2009 (Unaudited)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**(15)**	(176)
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	**(36)**	86
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**153**	(230)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**102**	(320)
Cash and cash equivalents at beginning of period	**566**	786
Effect of foreign exchange rate changes, net	**2**	5
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**670**	471
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**390**	411
Non-pledged time deposits with original maturity of less than three months when acquired	**280**	60
	670	471

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 2009 (the "**2009 Annual Report**").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's 2009 Annual Report.

The following new and revised HKFRSs have been adopted by the Company with effect from 1 January 2010. The adoption of the new and revised HKFRSs does not have any significant financial effect on the interim financial statements.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

(a) the telecom and electronic products segment which is the manufacture and sale of telecom and electronic products;

(b) the components segment which is the manufacture and sale of electronic and plastic components;

(c) the infant and child products segment which is the manufacture and sale of infant and child products;

(d) the securities business segment which is the trading in securities and the holding of securities and treasury products; and

(e) the property development and holding segment which is the holding of properties and property development.

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

Segment assets exclude deferred tax assets, interest in an associate and corporate and other unallocated assets as these assets are managed on a group basis.

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

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment information about the business segment of the Group for the period ended 30 June 2010 and 2009 is presented as below:

2010

HK$ million	Telecom and electronic products (Unaudited)	Components (Unaudited)	Infant and child products (Unaudited)	Securities business (Unaudited)	Property development and holding (Unaudited)	Reconciliations (Unaudited)	Group total (Unaudited)
Segment revenue:							
Sales to external customers	697	11	109	2	-	-	819
Other revenue	9	1	1	-	1	17	29
Intersegment revenue	1	113	-	-	2	(116)	-
	707	125	110	2	3	(99)	848
Operating profit/(loss)	5	(13)	8	(9)	82	-	73
Interest income	1	-	-	-	-	-	1
Finance costs	(4)	-	-	-	-	(1)	(5)
Reconciled items:							
Corporate and other unallocated expenses	-	-	-	-	-	(14)	(14)
Share of loss of an associate	-	-	-	-	-	(11)	(11)
Profit/(loss) before tax	2	(13)	8	(9)	82	(26)	44
Expenditures for non-current assets	9	1	3	-	1	2	16
Depreciation and amortisation	(27)	(11)	(1)	-	(4)	(1)	(44)
Other material non-cash items:							
Net impairment of trade receivables	(3)	-	-	-	-	-	(3)
Fair value gain on investment properties	-	-	-	-	83	-	83
Fair value gain on investment property classified as held for sale	-	-	-	-	12	-	12
Fair value loss on financial assets at fair value through profit or loss	-	-	-	(10)	-	-	(10)

3. OPERATING SEGMENT INFORMATION *(continued)*

2009

HK$ million	Telecom and electronic products (Unaudited)	Components (Unaudited)	Infant and child products (Unaudited)	Securities business (Unaudited)	Property development and holding (Unaudited)	Reconciliations (Unaudited)	Group total (Unaudited)
Segment revenue:							
Sales to external customers	625	3	62	24	1	–	715
Other revenue	10	–	–	–	–	2	12
Intersegment revenue	–	105	–	–	2	(107)	–
	635	108	62	24	3	(105)	727
Operating profit/(loss)	(17)	(20)	9	89	(3)	–	58
Finance costs	(2)	–	–	–	(1)	–	(3)
Reconciled items:							
Corporate and other unallocated expenses	–	–	–	–	–	(26)	(26)
Share of loss of an associate	–	–	–	–	–	(2)	(2)
Profit/(loss) before tax	(19)	(20)	9	89	(4)	(28)	27
Expenditures for non-current assets	4	–	–	–	–	–	4
Depreciation and amortisation	(33)	(12)	(1)	–	(4)	(1)	(51)
Other material non-cash items:							
Net impairment of trade receivables	(11)	–	–	–	–	–	(11)
Fair value gain on derivative financial instruments	–	–	–	13	–	–	13
Fair value gain on investment properties	–	–	–	–	7	–	7
Fair value gain on financial assets at fair value through profit or loss	–	–	–	52	–	–	52

3. OPERATING SEGMENT INFORMATION *(continued)*

30 June 2010

HK$ million	Telecom and electronic products (Unaudited)	Components (Unaudited)	Infant and child products (Unaudited)	Securities business (Unaudited)	Property development and holding (Unaudited)	Reconciliations (Unaudited)	Group total (Unaudited)
Segment assets	1,523	354	118	243	1,185	(70)	3,353
Reconciled items:							
Interest in an associate	–	–	–	–	–	176	176
Corporate and other unallocated assets	–	–	–	–	–	229	229
Total assets	1,523	354	118	243	1,185	335	3,758
Segment liabilities	884	73	43	98	229	(70)	1,257
Reconciled items:							
Corporate and other unallocated liabilities	–	–	–	–	–	66	66
Total liabilities	884	73	43	98	229	(4)	1,323

31 December 2009

HK$ million	Telecom and electronic products (Audited)	Components (Audited)	Infant and child products (Audited)	Securities business (Audited)	Property development and holding (Audited)	Reconciliations (Audited)	Group total (Audited)
Segment assets	1,433	380	87	318	1,012	(71)	3,159
Reconciled items:							
Interest in an associate	–	–	–	–	–	187	187
Corporate and other unallocated assets	–	–	–	–	–	171	171
Total assets	1,433	380	87	318	1,012	287	3,517
Segment liabilities	786	76	32	51	163	(71)	1,037
Reconciled items:							
Corporate and other unallocated liabilities	–	–	–	–	–	52	52
Total liabilities	786	76	32	51	163	(19)	1,089

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
HK$ million	**2010 (Unaudited)**	2009 (Unaudited)
Europe	**603**	395
North America	**91**	167
Asian Pacific and others	**125**	153
	819	715

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

(b) Non-current assets

HK$ million	**30 June 2010 (Unaudited)**	31 December 2009 (Audited)
Hong Kong	**586**	500
Mainland China	**934**	977
Other countries	**1**	1
	1,521	1,478

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

Information about major customers

For the six months ended 30 June 2010, revenue from each of two major customers of the telecom and electronic products segment was HK$287 million and HK$220 million, respectively, representing 35% and 27% of the Group's total revenue, respectively.

For the six months ended 30 June 2009, revenue from each of three major customers of the telecom and electronic products segment was HK$145 million, HK$144 million and HK$89 million, respectively, representing 20%, 20% and 12% of the Group's total revenue, respectively.

4. OTHER INCOME AND GAINS

HK$ million	Six months ended 30 June 2010 (Unaudited)	2009 (Unaudited)
Fair value gain on financial assets at fair value through profit or loss	–	52
Fair value gain on derivative financial instrument	–	13
Fair value gain on investment properties	83	7
Fair value gain on investment property classified as held for sale	12	–
Foreign exchange gain	2	2
Others	29	12
	126	86

5. PROFIT BEFORE TAX

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

HK$ million	Six months ended 30 June 2010 (Unaudited)	2009 (Unaudited)
Cost of inventories sold	744	622
Depreciation	41	48
Amortisation of prepaid land lease payments	3	3

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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.

	Six months ended 30 June	
HK$ million	**2010 (Unaudited)**	2009 (Unaudited)
Current – Hong Kong	**1**	1
Current – Elsewhere	**1**	1
Deferred tax	**16**	–
Total tax charge for the period	**18**	2

7. DIVIDENDS

The board of directors has declared an interim dividend for 2010 of HK$0.03 per Share (30 June 2009: HK$0.03 per Share) to be payable from the Company's distributable reserve. The interim dividend will be paid on or around Wednesday, 22 September 2010 to Shareholders whose names appear on the register of members of the Company on Friday, 10 September 2010. The register of members of the Company will be closed from Wednesday, 8 September 2010 to Friday, 10 September 2010 (both date inclusive).

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

The calculation of the basic and diluted earnings per Share amount for the period is based on the profit for the period attributable to owners of the parent of HK$28 million (30 June 2009: HK$38 million) and the weighted average number of 606,144,927 (30 June 2009: 731,846,823) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the period ended 30 June 2010 in respect of a dilution as the impact of the outstanding share options granted by a subsidiary of the Company had an anti-dilutive effect on the basic earnings per share amount presented.

No adjustment has been made to the basic loss per share amount presented for the period ended 30 June 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during that period.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, the Group acquired fixed assets of approximately HK$16 million (six months ended 30 June 2009: HK$4 million).

10. TRADE RECEIVABLES

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

	30 June 2010 (Unaudited)		31 December 2009 (Audited)	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**172**	**47**	136	34
31 to 60 days	**109**	**29**	104	26
61 to 90 days	**81**	**22**	124	31
Over 90 days	**8**	**2**	37	9
	370	**100**	401	100

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

11. TRADE AND BILLS PAYABLES

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

	30 June 2010 (Unaudited)		31 December 2009 (Audited)	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**134**	**30**	106	25
31 to 60 days	**115**	**26**	95	23
61 to 90 days	**72**	**16**	80	19
Over 90 days	**122**	**28**	137	33
	443	**100**	418	100

12. SHARE CAPITAL

HK$ million	**30 June 2010 (Unaudited)**	31 December 2009 (Audited)
Authorised:		
2,000,000,000 (31 December 2009 : 2,000,000,000) ordinary shares of HK$0.10 each	**200**	200
Issued and fully paid:		
606,144,907 (31 December 2009: 606,144,907) ordinary shares of HK$0.10 each	**61**	61

There were no transactions involving the Company's issued ordinary share capital during the six months ended 30 June 2010.

13. CONTINGENT LIABILITIES

As at 30 June 2010, the Group did not have any significant contingent liabilities (31 December 2009: Nil).

14. PLEDGE OF ASSETS

At 30 June 2010, the Group's interest-bearing bank borrowings were secured by:

(a) mortgage over the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of approximately HK$310 million (31 December 2009: HK$226 million);

(b) mortgage over the Group's leasehold land and buildings situated in Hong Kong and the PRC, which had an aggregate carrying value at the end of the reporting period of approximately HK$418 million (31 December 2009: HK$429 million);

(c) mortgage over an investment property classified as held for sale situated in Hong Kong, which had a carrying value at the end of the reporting period of approximately HK$132 million (31 December 2009: HK$120 million); and

(d) the pledge of certain of the Group's time deposits approximately amounting to HK$85 million (31 December 2009: HK$65 million).

15. 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 seven years.

At 30 June 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

HK$ million	**30 June 2010 (Unaudited)**	31 December 2009 (Audited)
Within one year	**1**	1
In the second to fifth years, inclusive	**2**	2
After five years	**1**	1
	4	4

(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 30 June 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

HK$ million	**30 June 2010 (Unaudited)**	31 December 2009 (Audited)
Within one year	**6**	7
In the second to fifth years, inclusive	**1**	3
	7	10

15. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee (continued)

At 30 June 2010, the Group had total future minimum lease payments under non-cancellable operating leases with initial lease terms ranging from fifty to fifty one years in respect of land on which certain of the Group's factories are situated falling due as follows:

HK$ million	**30 June 2010 (Unaudited)**	31 December 2009 (Audited)
Within one year	**3**	3
In the second to fifth years, inclusive	**11**	11
After five years	**124**	125
	138	139

16. COMMITMENTS

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

HK$ million	**30 June 2010 (Unaudited)**	31 December 2009 (Audited)
Contracted, but not provided for:		
Construction in progress	**2**	1
Purchase of a building	**–**	3
Construction cost for property under development	**60**	42
	62	46

17. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

HK$ million	Six months ended 30 June **2010** **(Unaudited)**	 2009 (Unaudited)
Short term employee benefits	**12**	13
Post-employment benefits	**–**	–
Total compensation paid to key management personnel	**12**	13

18. COMPARATIVE FIGURES

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

disclosure of interests

DIRECTORS' INTERESTS

As at 30 June 2010, the Directors and chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company:

(a) Interests and short positions in the Shares and the underlying Shares as at 30 June 2010

Long positions in the Shares:

Name of the Directors	Number of the Shares interested and nature of interest Personal	 Corporate	Total	Approximate percentage of the total issued share capital of the Company
				(%)
Mak Shiu Tong, Clement (Note)	4,251,652	294,775,079	299,026,731	49.33
Tam Ngai Hung, Terry	500,000	–	500,000	0.08
William Donald Putt	591,500	–	591,500	0.10

Note: Of the shareholding in which Mr. Mak Shiu Tong, Clement was interested, an aggregate of 294,775,079 Shares were beneficially held by Capital Force International Limited, New Capital Industrial Limited and Capital Winner Investments Limited, all of which are corporations wholly-owned by him, his spouse and his two sons. Mr. Mak Shiu Tong, Clement is deemed to be interested in such Shares under the SFO as he controls the exercise of one-third or more of the voting power at general meetings of Capital Force International Limited, New Capital Industrial Limited and Capital Winner Investments Limited.

(b) Interests and short positions in the shares and the underlying shares of the share options of an associated corporation – CCT Tech as at 30 June 2010

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

Name of the Directors	Number of the shares interested and nature of interest Personal	Corporate	Total	Approximate percentage of the total issued share capital of CCT Tech
				(%)
Mak Shiu Tong, Clement (Note)	120,000,000	33,026,391,124	33,146,391,124	50.67
Tam Ngai Hung, Terry	20,000,000	–	20,000,000	0.03
Cheng Yuk Ching, Flora	18,000,000	–	18,000,000	0.03
Chen Li	10,000,000	–	10,000,000	0.02

Note: Of the shareholding in which Mr. Mak Shiu Tong, Clement was interested, 33,026,391,124 shares of CCT Tech were held by the Company through its indirect wholly-owned subsidiaries. Mr. Mak Shiu Tong, Clement is deemed to be interested in such shares of CCT Tech under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of the Company through his interest in the shareholding of 49.33% of the total issued share capital in the Company as at 30 June 2010.

(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	Number of the share options outstanding	Number of the total underlying shares	Approximate percentage of the total issued share capital of CCT Tech
			HK$			(%)
Tam Ngai Hung, Terry	23/7/2009	23/7/2009 – 6/11/2012	0.01	223,000,000	223,000,000	0.34
Cheng Yuk Ching, Flora	23/7/2009	23/7/2009 – 6/11/2012	0.01	245,000,000	245,000,000	0.37
William Donald Putt	23/7/2009	23/7/2009 – 6/11/2012	0.01	8,000,000	8,000,000	0.01
Chen Li	23/7/2009	23/7/2009 – 6/11/2012	0.01	8,000,000	8,000,000	0.01

(c) **Interests and short positions in the shares and the underlying shares of the share options of an associated corporation – CCT Resources as at 30 June 2010**

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

Name of the Directors	Number of the shares interested and nature of interest Personal	Corporate	Total	Approximate percentage of the total issued share capital of CCT Resources
				(%)
Mak Shiu Tong, Clement (Note)	19,344,000	2,031,764,070	2,051,108,070	38.50
Tam Ngai Hung, Terry	7,500,000	–	7,500,000	0.14

Note: Of the shareholding in which Mr. Mak Shiu Tong, Clement 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 Shiu Tong, Clement is deemed to be interested in such shares of CCT Resources under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of the Company through his interest in the shareholding of 49.33% of the total issued share capital in the Company as at 30 June 2010.

(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	Number of the share options outstanding	Number of the total underlying shares	Approximate percentage of the total issued share capital of CCT Resources
			HK$			(%)
Mak Shiu Tong, Clement	5/7/2006	14/8/2006 – 13/8/2011	0.038	22,500,000	22,500,000	0.42
Tam Ngai Hung, Terry	5/7/2006	14/8/2006 – 13/8/2011	0.038	18,000,000	18,000,000	0.34
	7/7/2009	11/8/2009 – 6/3/2012	0.160	40,500,000	40,500,000	0.76
Cheng Yuk Ching, Flora	5/7/2006	14/8/2006 – 13/8/2011	0.038	5,000,000	5,000,000	0.09
	7/7/2009	11/8/2009 – 6/3/2012	0.160	46,000,000	46,000,000	0.86
William Donald Putt	5/7/2006	14/8/2006 – 13/8/2011	0.038	5,000,000	5,000,000	0.09
	7/7/2009	11/8/2009 – 6/3/2012	0.160	3,500,000	3,500,000	0.07

Save as disclosed above, as at 30 June 2010, none of the Directors and chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the sections headed "Directors' Interests" above and "Share Option Schemes" below, at no time during the period for the six months ended 30 June 2010 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2010, the following persons (not being the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the Shares as at 30 June 2010:

Name of the Shareholders	Number of the Shares held	Approximate percentage of the total issued share capital of the Company
		(%)
Capital Force International Limited (Note)	96,868,792	15.98
New Capital Industrial Limited (Note)	171,357,615	28.27

Note: Capital Force International Limited and New Capital Industrial Limited are corporations wholly-owned by Mr. Mak Shiu Tong, Clement, his spouse and his two sons. Mr. Mak Shiu Tong, Clement's interest in such Shares has also been disclosed under the section headed "Directors' Interests" above.

Save as disclosed above, the Directors and chief executive of the Company are not aware that there is any party who, as at 30 June 2010, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

share option schemes

SHARE OPTION SCHEME OF THE COMPANY

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 30 June 2010, there were no share options outstanding under the Share Option Scheme. No share option has been granted, exercised, cancelled and has lapsed under the Share Option Scheme during the period for the six months ended 30 June 2010.

SHARE OPTION SCHEME OF CCT TECH

CCT Tech's current share option scheme was effective on 7 November 2002. Unless otherwise cancelled or amended, the share option scheme of CCT Tech will remain in force for a period of 10 years from the date of its adoption.

Details of the movements of the share options granted to the Directors and other eligible participants under the share option scheme of CCT Tech during the period were as follows:

Name or category of the participants	Number of share options					Date of grant of the share options	Exercise period of the share options	Exercise price of the share options (Note 1)
	Outstanding as at 1 January 2010	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 30 June 2010			
								HK$ per share
Executive Directors								
Tam Ngai Hung, Terry	223,000,000	–	–	–	223,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Cheng Yuk Ching, Flora	245,000,000	–	–	–	245,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
William Donald Putt	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
	476,000,000	–	–	–	476,000,000			
Independent non-executive Directors								
Chen Li	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
	8,000,000	–	–	–	8,000,000			
Other eligible participants								
Chow Siu Ngor (Note 2)	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Lau Ho Kit, Ivan (Note 2)	8,000,000	–	–	–	8,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
Others	100,000,000	–	–	–	100,000,000	23/7/2009	23/7/2009 – 6/11/2012	0.01
	116,000,000	–	–	–	116,000,000			
	600,000,000	–	–	–	600,000,000			

Notes:

1. The exercise price of the share options is subject to adjustment in the case of capitalisation issue, rights issue, sub-division or consolidation of the shares of CCT Tech, or other similar changes in CCT Tech's share capital.

2. Mr. Chow Siu Ngor and Mr. Lau Ho Kit, Ivan are both INEDs of CCT Tech.

The closing market price of the shares of CCT Tech immediately before the date of grant in relation to the outstanding share options as quoted in the Stock Exchange's daily quotation sheet was HK$0.011.

As at 30 June 2010 and the date of this report, there were 600,000,000 share options outstanding under the share option scheme of CCT Tech. Based on these outstanding share options, the total number of shares of CCT Tech available for issue is 600,000,000, which represents approximately 0.92% of the total issued share capital of CCT Tech as at 30 June 2010 and the date of this report. The exercise in full of the outstanding share options would, under the present capital structure of CCT Tech, result in the issue of 600,000,000 additional ordinary shares of CCT Tech and additional share capital of HK$6,000,000.

other information

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed Shares during the period for the six months ended 30 June 2010.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Corporate Governance Practices

In the opinion of the Directors, the Company has complied with the code provisions under the Code set out in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 June 2010, except for the following deviations from the code provisions of the Code:

Code Provision A.2.1

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

There is no separation of the roles of chairman and chief executive officer as set out in the Code Provision A.2.1.

Mr. Mak Shiu Tong, Clement currently assumes the roles of both the Chairman and the CEO. Mr. Mak has substantial experience and a firmly established reputation in the telecom industry that is essential to fulfilling the role of the Chairman. At the same time, Mr. Mak has the appropriate management skills and business acumen that are the pre-requisites for assuming the role of the CEO in the day-to-day management of the Group. The Board is composed of four executive directors (including the Chairman) and three INEDs with a balance of skills and experience appropriate for the requirements of the Group. Furthermore, the roles of the managing director and the general managers of the Company's major operating subsidiaries are performed by other individuals. The Board believes that there is no need to segregate the roles of the Chairman and the CEO as the balance of power and authority is already ensured by the current structure. The Board does not believe that the separation of the roles of the Chairman and the CEO will improve the corporate performance.

Code Provision A.4.1

The Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election.

None of the existing INEDs of the Company is appointed for a specific term. However, all INEDs of the Company are subject to retirement by rotation and re-election at least once every three years at the AGM of the Company in accordance with the bye-laws of the Company.

Code Provision A.4.2

The Code Provision A.4.2 provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

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

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

Other information on the corporate governance practices of the Company has been disclosed in the corporate governance report contained in the 2009 Annual Report of the Company issued in April 2010.

Audit Committee

The Company has established the Audit Committee with specific written terms of reference formulated in accordance with the requirements of the Listing Rules. The primary duties of the Audit Committee are to ensure the objectivity and credibility of the Company's financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company. The Audit Committee consists of three members comprising three INEDs, namely Mr. Tam King Ching, Kenny, Mr. Lau Ho Man, Edward and Mr. Chen Li, two of whom are qualified accountants and have extensive experience in accounting and financial matters. The chairman of the Audit Committee is subject to rotation each year.

The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2010 and the 2010 Interim Report of the Company.

Remuneration Committee

The Company has established the Remuneration Committee with specific written terms of reference in line with the code provisions under the Code. The Remuneration Committee consists of five members comprising three INEDs, namely Mr. Tam King Ching, Kenny, Mr. Lau Ho Man, Edward and Mr. Chen Li, and two executive directors, namely Mr. Mak Shiu Tong, Clement and Mr. Tam Ngai Hung, Terry. The Remuneration Committee is chaired by one of the members who must be an INED. The chairman of the Remuneration Committee is subject to rotation each year, provided that he/she must be an INED.

Model Code for Securities Transactions by the Directors

The Company has adopted its code of conduct regarding the securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code adopted by the Company throughout the period for the six months ended 30 June 2010.

Independent Non-executive Directors

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of a sufficient number of the INEDs and at least an INED with appropriate professional qualifications or accounting or related financial management expertise throughout the period for the six months ended 30 June 2010. The Board comprises three INEDs, two of whom have accounting and financial expertise, and the three INEDs bring strong independent judgement, knowledge and experience to the Board.

DISCLOSURE ON CHANGE OF INFORMATION OF DIRECTOR(S) PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Mr. Tam King Ching, Kenny was appointed on 29 July 2010 as an INED of West China Cement Limited, a company formerly listed on the Alternative Investment Market of the London Stock Exchange plc. West China Cement Limited commenced listing on the Main Board of the Stock Exchange on 23 August 2010 whereas the said company was delisted from the Alternative Investment Market of the London Stock Exchange plc on the same date.

BOARD OF DIRECTORS

As at the date of the 2010 Interim Report, the executive Directors are Mr. Mak Shiu Tong, Clement, Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt and the INEDs of the Company are Mr. Tam King Ching, Kenny, Mr. Lau Ho Man, Edward and Mr. Chen Li.

By Order of the Board
Mak Shiu Tong, Clement
Chairman

Hong Kong, 24 August 2010

glossary of terms

GENERAL TERMS

AGM	Annual general meeting
Audit Committee	The audit committee of the Company
Board	The board of Directors
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
CCT Tech Group	CCT Tech and its subsidiaries
CEO	The chief executive officer of the Company
Chairman	The chairman of the Company
Code	The Code on Corporate Governance Practices under the Listing Rules
Company	CCT Telecom Holdings Limited
Director(s)	The director(s) of the Company
Group	The Company and its subsidiaries
HK or Hong Kong	The Hong Kong Special Administrative Region of PRC
HK$	Hong Kong dollar(s), the lawful currency of Hong Kong
INED(s)	Independent non-executive director(s)
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
Model Code	The Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules
N/A	Not applicable
ODM	Original design manufacturing

PRC	The People's Republic of China
Remuneration Committee	The remuneration committee of the Company
RMB	Renminbi, the lawful currency of PRC
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	The ordinary share(s) of HK$0.10 each in the share capital of the Company
Shareholder(s)	The holder(s) of the Share(s)
Share Option Scheme	A share option scheme adopted by the Company on 28 February 2002
Stock Exchange	The Stock Exchange of Hong Kong Limited
US	The United States of America
%	Per cent.

FINANCIAL TERMS

Gearing Ratio	Total borrowings (representing bank & other borrowings and finance lease payable) divided by total capital employed (i.e. total Shareholders' fund plus total borrowings)
Earnings/(Loss) Per Share	Profit/(loss) attributable to the owners of the parent divided by weighted average number of Shares in issue during the period
Current Ratio	Current assets divided by current liabilities