**CCT TELECOM HOLDINGS LIMITED**

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

# ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

## CHAIRMAN'S LETTER

On behalf of the board of directors (the "**Board**") of CCT Telecom Holdings Limited (the "**Company**"), I report the annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2012.

CCT Telecom made significant progress in 2012, despite its operating environment remained challenging. Amidst a backdrop of a weak world economy, the Group's turnover declined by 24.1% to $1,544 million in 2012, as compared to $2,034 million a year back. Reported net loss attributable to owners of the parent was $31 million, reduced by 84.0% as compared to a net loss of $194 million in the last corresponding year. This favourable variance was led by Group's successful efforts to restructure and reshape its manufacturing business and good performance of its property investment business. The section headed "Review of Operations" below covers key elements of our performance in more detail.

## PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of $0.035 per share for the year 2012 to the shareholders whose names appear on the register of members of the Company on Thursday, 30 May 2013, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company. The proposed final dividend will be payable from the Company's distributable reserve and will be paid on or around Thursday, 13 June 2013 following the shareholders' approval at the forthcoming annual general meeting of the Company. Taking into account the $0.030 per share 2012 interim dividend paid in October 2012, the total dividend per ordinary share amounted to $0.065 per share for the financial year 2012, same dividend as 2011. We have been paying dividend consistently in the past few years despite our operating environment remains difficult. We recognize the importance of consistent dividend payments to our shareholders.

**REVIEW OF OPERATIONS**

During the year under review, the principal businesses of the Group were: (i) the manufacture and sale of telecom, electronic and child products ("**Telecom Product Business**"); (ii) the manufacture and sale of plastic components; (iii) the securities business; (iv) property development; and (v) property investment and holding.

**Telecom Product Business**

The Telecom Product Business is our largest business sector and contributes most of our revenue. This business is engaged by the Company's principal listed subsidiary, CCT Tech International Limited ("**CCT Tech**") and its subsidiaries (the "**CCT Tech Group**").

In 2012, we continued to see weakness in the major markets of CCT Tech, especially Europe the economy of which was seriously affected by the euro sovereign debt crisis. During the year, the CCT Tech Group's turnover dropped by 13.6% to $1,342 million, led by lower revenue from ODM (original design manufacturing) and the discontinuation of the GE license business. Sales of the traditional fixed-line phone declined most as the market for the traditional cordless phone is mature. The decrease in revenue was partially offset by strong growth of CMS (contract manufacturing services) and contribution from the child product business which CCT Telecom transferred to CCT Tech in March 2012.

The lower demand of traditional residential phones was partially offset by growing market interest in premium and advanced products. The Designer Phone manufactured by CCT Tech was one of most eye-catching products in Europe in 2012. CCT Tech also launched other smart design phones, Android based smart cordless phone and Android based tablet with communication and other functions, which received good market accolade.

CMS performed well in 2012, as its sales rose to $220 million, up 67.9% compared to $131 million in the previous year. The key CMS products including the FRS (family radio system), e-Books and tablets continued to deliver strong growth in sales and new products including Bluetooth handset, the Bluetooth headset products and the mobile phone inductive charger received good market response. The CMS business grew by gaining new customers and diversifying its product range. CCT Tech's effective productivity and excellent product quality have earned CCT Tech strong reputation in the industry and enable CCT Tech to build a long-term relationship with its major CMS customers.

The child product business has been successfully integrated into the CCT Tech Group's manufacturing operations and contributed to CCT Tech revenue of $159 million in 2012. This business was, however, affected by the weak economic conditions in its major markets, including the United States of America ("**US**") and Europe. Despite this negative factor, new customers were added, mostly in Europe and new models including baby monitor, standalone bottle warmer to complete kit set including bottle warmer, bottles, cleaning tools and water sterilizer, were introduced in 2012. It is also encouraging to see considerable improvement in the efficiency and productivity of the child product business as this business has benefited from the CCT Tech Group's strong production capability and economy of scale after integration.

In terms of market regions, sales to Europe - CCT Tech's largest market- dropped most to only $710 million, a decrease of 19.3%, led by deferred orders by customers amidst a stagnant European economy. Business in the Asian Pacific and other regions also suffered as sales declined by 23.4% to $400 million. Sales of the Telecom Product Business to the North American market, however, soared by 53.6%, reaching $232 million for the reporting year. Such increase was driven primarily by contribution from the child product business.

To combat the maturing residential phone market, CCT Tech continued to commit to research and development ("**R&D**") activities, enhancing its product innovation and offerings, focusing on technologically advanced and innovative products. Significant inroads have been made in these areas. Notably, the introduction of the screen communication tablet and the Android based multimedia phone has received market accolade. CCT Tech has also reorganised its R&D team and a new Advanced Product Team has been established in 2012. The Advanced Product Team will focus on development of home-use multimedia android devices and mobile phone accessories. CCT Tech believes these new products have huge business potential.

Rising input costs, especially, factory payroll and material costs remained major challenges in 2012. To combat cost challenges, CCT Tech continued to reform and restructuring its operations. It discontinued the US license business and continued to run off loss products. CCT Tech reorganized its senior management team and streamlined various production processes to optimize efficiency. CCT Tech also continued to manage costs and achieved sustainable cost savings. These efforts paid off as the CCT Tech Group managed to deliver a positive EBITDA (earnings before interest, tax, deprecation and amortization) of $38 million in the year, a strong turnaround compared with the negative EBITDA of $104 million in the previous year.

**Manufacturing of plastic components**

In 2012, the Group's component business continued to provide vertical support to the Telecom Product Business. Most of the components produced by this division were sold to the CCT Tech Group. During the year, turnover of the component business was $173 million, a decrease of 32.7% from the last corresponding year, primarily caused by the drop in turnover of the Telecom Product Business. Rising costs continued to pose major challenges to performance of this business segment as price of plastic resin increased and labor wages soared. We restructured this business division and reorganized its management team to enhance efficiency and to control costs tightly. We began to see certain benefits from these initiatives but they were not enough to counter the tough operating environment that the division faced. As a result, its operating loss was $20 million higher than in 2011.

**Securities business**

The financial market was volatile in 2012, caused by the euro sovereign crisis and slower economic development worldwide. We adjusted our investment strategy during the year and disposed of all our investment portfolios in listed shares, realising a net gain of $12 million. At the end of 2012, our remaining portfolio represented low-risk investment funds and RMB denominated bonds. The RMB bonds of $51 million have a maturity of two years and pay interest at a fixed rate. These bonds have been pledged to our principal banker in return for an equivalent amount of Hong Kong dollar loan facility, which in turn bears interest at floating rate on HIBOR basis. The arrangements on one hand enable us to release the investment funds for use in working capital or other investment purposes and on the other hand earn us interest income and allow us to enjoy exchange gain if RMB appreciates against Hong Kong dollar.

**Property development**

In 2012, the central government of the PRC did not lessen its tight grip on the housing market. Under a policy-led property market, speculation and investment on properties were effectively curbed while reduction in transaction volume and softening of house prices continued. Our property projects in Anshan, the Liaoning Province were adversely impacted by the slower market, especially in the second half. In response to the weaker market, we stepped up sale promotions and allowed more incentives to house buyers to boost sales. A total 23,071 square meters of gross floor area ("**GFA**") were sold in the year. This division reported revenue of $139 and operating profit of $15 million in 2012, down 46.3% and 68.8% respectively compared to the performance a year earlier. In 2012, we commenced development of the third phase of Landmark City comprising eight blocks of housing units with a total GFA of 106,000 square meters. Construction of the third phase made good progress as most of the building structure was completed before winter began. Certain units of the third phase have been pre-sold while construction will be resumed in April 2013.

**Property investment and holding**

We were active in Hong Kong property market in the past two years. Our decision to expand our property investment holdings was made in good timing as property prices in Hong Kong surged in the period. After our acquisition of two floors of the office properties at Fortis Tower, Wanchai at the end of 2011, we completed the purchase of the shopping arcade located at the Basement of Maximall, City Garden, North Point in November 2012. In October 2012, we disposed of the office property at 17/F CCT Telecom Building at Fotan, Shatin as this property was in excess of the needs of the Group. A gain of $35 million was made from the disposal. In the same month, we signed a sale and purchase agreement to acquire the 2-storey shops at Gramercy Hong Kong, the purchase of which was completed on 1 March 2013.

The shopping arcade at Maximall is situated in the densely populated North Point district and is adjacent to a number of large housing estates such as City Garden and Provident Centre and is in the middle of highly developed commercial areas around the Electric Road and King's

Road. The property has convenient access and is also within walking distance to the Fortress Hill and North Point MTR stations. There is currently scarce supply of retail properties of such a large scale similar to that of the property in the North Point district.

The retail shops at Gramercy Hong Kong are situated on the ground floor and first floor of a newly constructed composite building comprising multi-storey luxury residential building and the 2-storey shops located at Caine Road, Mid-level, Hong Kong. The building is adjacent to Soho (south of Hollywood Road) district and the Central-Mid-Levels escalator. The occupation permit of the building was issued in September 2012 and is available for occupation.

Benefited from the rising property prices, the property investment segment of the Group contributed net operating profit before tax of $118 million, as opposed to the $1 million operating loss in 2011. This notable positive variance was mainly driven by the property price hike in 2012, which gave rise to substantial unrealised revaluation gains on our investment properties. The segment's operating profit included a gain of $35 million made from the disposal of the office property at 17/F of the CCT Telecom Building and was partially offset by the related property expenses including mortgage loan interest, depreciation and non-cash provision for impairment of a vacant factory property in the Mainland China.

**Medical device business**

The medical device business was acquired by the Group in 2011, in which the Group had a 51% interest. The medical device business is in process of applying for the PRC State Food and Drug Administration ("**SFDA**") approval for its medical device products which include coronary dilation and peripheral dilation balloons and catheters. Due to the prolonged process of applying for SFDA approval, the medical device business has not yet commenced business and is expected to commence commercial operations in 2013. In view of the huge demand of medical devices in China, we are optimistic about the future prospects of this new business.

## OUTLOOK

The coming year looks like no easier. The global economy continues to face uncertainties. The US economy should continue its slow recovery, while euro sovereign debt crisis remains the biggest risk to world economy. China's economic performance will be inevitably affected by external factors, but it is expected that China's economic growth should continue to lead the developing economies while the PRC government is aiming to deliver a more steady and sustainable economic development.

The manufacturing businesses, the property development business, and the property investment business will continue to be the core businesses of the Group, each of which has good prospects and underlying challenges. We will focus our energy and resources in these core businesses. We will continue to capitalise our competitive edges in each of these business sectors, balancing returns and risks, targeting for enhancing long term value rather than short term speculative gain.

CCT Tech aims at a steady and sustainable annual growth in revenue for its manufacturing businesses in the coming years as an aggressive growth target will involve significant risk and huge investment. CCT Tech will continue our track record of strong product innovation and offerings. It will leverage its core strength – its strong R&D capability and talented team- in developing and introducing break-through products that can address consumer needs with high performance and at competitive prices. CCT Tech will focus on expansion in the niche market of premium products and the emerging markets of residential multimedia android device and mobile phone accessories.

CCT Tech plans for a stable growth of the CMS business in coming years as its base has become larger after several years of rapid growth in the past years. CCT Tech will enhance its market recognition as a reliable CMS manufacturer with superior performance and excellent product quality. CCT Tech will strive to gain new CMS customers and to expand its product mix and range.

We expect rising labour and production costs will remain the major challenges to the performance of CCT Tech. To combat cost challenges, CCT Tech will continue to streamline production process and control costs. To this end, CCT Tech will further reinforce its operation audit function and production costs will be critically reviewed and tightly monitored at each production process. CCT Tech believes significant cost savings can be achieved as costs are tightly controlled.

We recognise the problems of the component business and have taken proactive measures to resolve them. We have addressed most of the issues and will continue to reinforce restructuring and structural reform of the operations and to further tighten cost controls. These initiatives have begun to show benefits and we will strive to improve the segment's performance in 2013.

It is not expected that the Chinese leaders will relax their tightening policies on housing market in short term. In fact, the Chinese government just announced further measures to curb housing prices at the beginning of this month. We have an advantage over those medium to small sized property developers who are over-leveraged as our property projects are lowly geared. Our sound financial position enables us to plan sale of our housing projects more effectively to respond to market changes. In 2013, we will introduce new rounds of promotional programs to boost sales of the completed housing units. We will also explore opportunity to cooperate with other developers in the development of the second phase of Evian Villa and the Evian Gardens, situated at the Gao Xin (high-technological) district of Anshan. All these initiatives are intended to generate net cash inflow in order to further improve the financial position of our projects. We will continue to enhance our brand recognition in the city by offering house buyers with flats of quality, articulate design, suitable size mix and pleasant living environment. At end of 2012, our projects have a total GFA of approximately 500,000 square meters of completed and under-developed housing projects and vacant land. The Group's housing and land reserves are sufficient to support growth of our property development business in the next few years. We will grasp opportunities to replenish our land bank. We are confident in the long-term outlook of the housing market in the Mainland China due to urbanization and rising incomes of Chinese people. We are confident in the prospects of our Anshan projects and expect that they will deliver strong results in the coming years and will become a key driver for our revenue and profitability growth in the future.

The effect of the Hong Kong government's latest measures to widen its curbs to double stamp duty on both residential and non-residential properties in order to temper the overheated property market remains to be seen. The market has generally responded that the measures will be effective in driving away most speculators and transaction volume will be lowered in the near term. We believe these measures coupled with the government's commitment to increase long-term supply of land and flats will stabilise property prices and help promote a healthier property market in the long run. We are delighted about the acquisitions of the properties in past two years to expand our investment property business as both the rental yield and value of these properties has surged after acquisition. We will explore proposals to enhance value of these properties. We expect that our property investment will continue to perform in the future.

## APPRECIATION

On behalf of the Board, I want to thank the directors, the management and all our employees for their strong commitment and loyal support throughout a difficult year for the Group. I also want to thank our shareholders, investors, bankers, customers and suppliers for their continued encouragement and strong support to the Group.

**Mak Shiu Tong, Clement**
*Chairman*

Hong Kong, 27 March 2013

## FINANCIAL REVIEW

## HIGHLIGHTS ON FINANCIAL RESULTS AND OTHER COMPREHENSIVE INCOME

| **$ million** | **2012** | 2011 (Restated) | % increase/ (decrease) |
|---|---|---|---|
| Turnover | **1,544** | 2,034 | (24.1%) |
| EBITDA/(LBITDA) | **91** | (157) | N/A |
| Loss before tax | **(5)** | (256) | (98.0%) |
| Income tax expense | **(62)** | (20) | 210.0% |
| Loss after tax | **(67)** | (276) | (75.7%) |
| Loss attributable to: | | | |
| Owners of the parent | **(31)** | (194) | (84.0%) |
| Non-controlling interests | **(36)** | (82) | (56.1%) |
| **Loss for the year** | **(67)** | (276) | (75.7%) |
| Loss per share | **($0.051)** | ($0.320) | (84.1%) |
| Dividends per share | **$0.065** | $0.065 | - |
| **Other comprehensive income, net of tax** | **8** | 38 | (78.9%) |

### Discussion on Financial Results and Other Comprehensive Income

The Group's turnover was $1,544 million for the year ended 31 December 2012, a decrease of 24.1% as compared to $2,034 million for the last corresponding year. Against a backdrop of difficult operating environment, the Group was able to deliver an EBITDA of $91 million, a notable turnaround from the negative EBITDA of $157 million in 2011.

Income tax expense was $42 million higher than in 2011, caused by a one-time compromise settlement in relation to Hong Kong tax review for past years. Despite all these, the Group successfully narrowed the loss after tax by 75.7% from $276 million in 2011 to only $67 million in 2012. The improvement in results was largely driven by good performance of the property investment division, offset by losses of the manufacturing businesses and other corporate items. Excluding the share of loss of the non-controlling interest mainly in CCT Tech, the loss attributable to owners of the parent was $31 million, significantly reduced by 84.0% as compared to the previous corresponding year's loss of $194 million.

Other comprehensive income of $8 million represented unrealised exchange gains on translation of the accounts of the property subsidiaries in the PRC, driven by appreciation of RMB.

## ANALYSIS BY BUSINESS SEGMENT

| | **Turnover** | | | | |
|---|---|---|---|---|---|
| | **2012** | | 2011 | | % increase/ |
| **$ million** | **Amount** | **Relative %** | Amount | Relative % | (decrease) |
| Telecom Product Business | **1,388** | **89.9%** | 1,759 | 86.5% | (21.1%) |
| Component business | **173** | **11.2%** | 257 | 12.6% | (32.7%) |
| Securities business | **13** | **0.8%** | (9) | (0.4%) | N/A |
| Property development | **139** | **9.0%** | 259 | 12.7% | (46.3%) |
| Property investment and holding | **5** | **0.3%** | 5 | 0.2% | - |
| Intersegment transactions | **(174)** | **(11.2%)** | (237) | (11.6%) | (26.6%) |
| Total | **1,544** | **100.0%** | 2,034 | 100.0% | (24.1%) |

| | **(Loss)/profit before tax** | | |
|---|---|---|---|
| | | | % increase/ |
| **$ million** | **2012** | 2011 | (decrease) |
| Telecom Product Business | **(33)** | (179) | (81.6%) |
| Component business | **(31)** | (11) | 181.8% |
| Securities business | **12** | (42) | N/A |
| Property development | **15** | 48 | (68.8%) |
| Property investment and holding | **118** | (1) | N/A |
| Unallocated items | **(86)** | (71) | 21.1% |
| Total | **(5)** | (256) | (98.0%) |

The Telecom Product Business continued to be the largest business segment of the Group, contributed 89.9% of the Group's total turnover in 2012. This business segment was able to narrow its operating loss before tax from $179 million in 2011 to only $33 million in 2012, despite a decrease in turnover in the year. This notable favourable variance was mainly caused by absence of exceptional losses incurred in 2011 and cost savings achieved in 2012.

The component business reported revenue of $173 million, down 32.7%, primarily led by the decrease in sales of the Telecom Product Business to which it supplied most of its component products. This business segment incurred an operating loss before tax of $31 million, up 181.8% as compared to $11 million in 2011. The adverse movement in result was largely due to rise in production costs, notably plastic resin costs and factory payroll.

The Group's securities business delivered a gain of $12 million, primarily from divestment of its share portfolio in the year, as opposed to a net loss of $42 million in the last corresponding year.

The property development business reported turnover of $139 million in 2012 against $259 million in 2011. The decrease in turnover was caused by weaker market, especially in the second half due to further market correction under tightening government policies on the housing market. This segment delivered a net operating profit before tax of $15 million, representing $33 million lower than the year earlier, due to less sales.

The property investment and holding business outperformed all other business segments in 2012. This division recognised a net operating profit before tax of $118 million in 2012, a significant positive swing from the operating loss of $1 million in 2011. This solid result was mainly driven by surging property prices in Hong Kong, which gave rise to unrealised fair value gains arising from revaluation of the Group's investment properties.

Unallocated items, representing the head office administrative expenses and other expenses not allocated to the business segments, increased by 21.1% to $86 million. This increase was largely caused by the unrealised fair value loss of $59 million on the Group's interest in the shares of Merdeka Resources Holdings Limited ("Merdeka Resources") due to decline of its share price in 2012.

## ANALYSIS BY GEOGRAPHICAL SEGMENT

| | Turnover | | | | |
|---|---|---|---|---|---|
| | **2012** | | 2011 | | % increase/ |
| **$ million** | **Amount** | **Relative %** | Amount | Relative % | (decrease) |
| Europe | **712** | **46.1%** | 896 | 44.1% | (20.5%) |
| Asian Pacific and others | **571** | **37.0%** | 855 | 42.0% | (33.2%) |
| North America | **261** | **16.9%** | 283 | 13.9% | (7.8%) |
| Total | **1,544** | **100.0%** | 2,034 | 100.0% | (24.1%) |

Europe - the Group's largest market - contributed 46.1% of the Group's total turnover in 2012. Sales to Europe dropped by 20.5% to $712 million in the year, caused mainly by deferred orders from customers as the debt-stricken euro countries remained in deep recession. Turnover from the Asian Pacific and other regions accounted for 37.0% of the Group's total turnover and contributed revenue of $571 million, dropped 33.2% from $855 million in the last corresponding year. The lower revenue in these regions was caused by adverse impact of the slower economic growth environment on revenue of our manufacturing business and lower revenue of the property projects in Anshan. The business in the North American market decreased slightly and reported revenue of $261 million in the year.

## HIGHLIGHTS ON SIGNIFICANT MOVEMENT OF FINANCIAL POSITION

| $ million | 2012 | 2011 (Restated) | % increase/ (decrease) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | **772** | 882 | (12.5%) |
| Investment properties | **745** | 254 | 193.3% |
| Available-for-sale investments | **18** | 79 | (77.2%) |
| Held-to-maturity debt securities | **51** | - | N/A |
| **CURRENT ASSETS** | | | |
| Inventories | **102** | 156 | (34.6%) |
| Properties under development | **248** | 192 | 29.2% |
| Completed properties held for sale | **356** | 437 | (18.5%) |
| Investment property classified as held for sale | **-** | 147 | N/A |
| Trade receivables | **349** | 375 | (6.9%) |
| Financial assets at fair value through profit or loss | **10** | 135 | (92.6%) |
| Pledged time deposits | **186** | 300 | (38.0%) |
| Cash and cash equivalents | **459** | 573 | (19.9%) |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | **360** | 562 | (35.9%) |
| Current interest-bearing bank and other borrowings | **507** | 549 | (7.7%) |
| **EQUITY AND NON-CURRENT LIABILITIES** | | | |
| Non-current interest-bearing bank and other borrowings | **522** | 412 | 26.7% |
| Non-controlling interests | **253** | 284 | (10.9%) |
| Equity attributable to owners of the parent | **1,833** | 1,900 | (3.5%) |

### Discussion on Financial Position

As at 31 December 2012, balance of property, plant and equipment was $772 million, a decrease of 12.5%. This decrease was mainly attributable to the disposal of one floor of the office building at Fotan, Shatin, and the deprecation charge during the year.

Investment properties at end of 2012 stood at $745 million, $491 million or 193.3% higher than at the beginning of the year. The increase represented the combined effect of: (i) unrealised fair value gains arising from the revaluation of the investment properties at year end; (ii) reclassification of a luxury house property from investment properties classified as held for sale to investment property account and (iii) the acquisition of shopping arcade situated at the Basement of Maximall City Garden, North Point. This significant movement reflected expansion in our property investment.

Available-for-sale investments represented largely our holdings of shares in Merdeka Resources. The decrease of the account balance in the year was led mainly by the unrealised fair value loss on our investment in that company.

Held-to-maturity debt securities were the two-year RMB bonds of $51 million bought during the year, as an arrangement to hedge against RMB appreciation risk. The bonds have been pledged to a bank to secure equivalent amount of Hong Kong dollar loan facilities.

Inventory decreased 34.6% in the year under review, driven by decrease in sales and improvement in inventory control. The inventory turnover period for the year maintained at a reasonable low level of 34.9 days (2011: 30.5 days).

Balance of the properties under development was $248 million, up 29.2% during the year. This was mainly attributable to the construction and development expenditure incurred on the Anshan property projects.

As at 31 December 2012, completed properties held for sale amounted to $356 million, representing the costs of the completed housing projects in Anshan, which have not yet sold at the year end. The account balance decreased by 18.5% due to housing units sold in the year.

Balance of the investment property classified as held for sale classified under the current asset category reduced to zero at the end of 2012 from a balance of $147 million at the beginning of the year. The movement was attributable to a reclassification of a residential property from the current asset category to the investment property account under the non-current asset category during the year.

Trade receivables amounted to $349 million, down 6.9% from $375 million at last corresponding year end, as turnover dropped.

The decrease in the balance of the financial assets at fair value through profit or loss reflected the disposals of our holdings in Hong Kong listed shares during the year. The remaining balance of $10 million represented the low-risk investment funds.

Pledged time deposits dropped from $300 million at 2011 balance sheet date to $186 million at end of 2012, as some of the Reminbi ("**RMB**") hedging arrangements were unwound in order to realize some of the exchange gains. Of the pledged deposits, a total amount of $101 million (equivalent to RMB81 million) were RMB deposits which were pledged to a banker to secure equivalent amount of Hong Kong dollar loans. Such arrangements are aimed at hedging RMB appreciation risk under which the Group is entitled to benefit from exchange appreciation of the pledged RMB deposits whilst the Group can continue to use the funds borrowed in Hong Kong dollars for business purpose.

Cash and cash equivalents dropped by 19.9% to $459 million as at 31 December 2012. The net decrease was used to fund operations of the Group and payment of the dividend, net of cash from disposals of investments during the year.

Trade and bills payables decreased by 35.9% to $360 million, largely reflecting reduction of purchases following drop in sales.

The aggregate amount of the current and non-current interest-bearing bank and other borrowings increased from $961 million as at 31 December 2011 to $1,029 million as at 31 December 2012, up 7.1%. The net increase represented additional working-capital bank loans, less part repayment of Hong Kong dollar loans.

Decrease in the non-controlling interests was mainly attributable to the share of loss in the CCT Tech Group for the year by the minority shareholders of CCT Tech.

Equity attributable to owners of the parent at end of the year stood at $1,833 million, a decrease of 3.5% compared to $1,900 at beginning of the year. This change was the combined result of the net loss for the year and the dividend paid during the year.

## CAPITAL STRUCTURE AND GEARING RATIO

| | **2012** | | 2011 | |
|---|---|---|---|---|
| **$ million** | **Amount** | **Relative %** | Amount (Restated) | Relative % |
| Bank borrowings | **1,027** | **35.9%** | 958 | 33.5% |
| Finance lease payable | **2** | **0.1%** | 3 | 0.1% |
| Total borrowings | **1,029** | **36.0%** | 961 | 33.6% |
| Equity | **1,833** | **64.0%** | 1,900 | 66.4% |
| Total capital employed | **2,862** | **100.0%** | 2,861 | 100.0% |

The Group's gearing ratio was 36.0% as at 31 December 2012 (2011: 33.6%). The slight increase in the gearing ratio was led by the net increase of the bank borrowings during the year.

Outstanding bank borrowings amounted to $1,027 million at 31 December 2012 (2011: $958 million). Approximately 49.3% of these bank borrowings were arranged on a short-term basis for the manufacturing business activities of the Group and were repayable within one year. The remaining 50.7% of the bank borrowings were of long-term nature, primarily representing mortgage loans on properties held by the Group. Out of the Group's bank borrowings, bank loans of $927 million (2011: $763 million) were borrowed to finance ordinary businesses of the Group and the balance of $100 million (2011: $195 million) represented Hong Kong dollar loans fully secured by equivalent amount of RMB deposits and bonds for hedging against RMB appreciation exposure.

Acquisition of certain of the Group's assets was financed by way of finance leases and the total outstanding finance lease payables as at 31 December 2012 were approximately $2 million (2011: $3 million).

As at 31 December 2012, 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 beyond five years amounted to $507 million, $263 million and $259 million, respectively (2011: $549 million, $251 million and $161 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

## LIQUIDITY AND FINANCIAL RESOURCES

| **$ million** | **2012** | 2011 |
|---|---|---|
| Current assets | **1,961** | 2,622 |
| Current liabilities | **1,106** | 1,397 |
| Current ratio | **177.3%** | 187.7% |

The Group's current ratio as at 31 December 2012 was 177.3% (2011: 187.7%). This liquid position reflected the healthy financial position of the Group.

As at 31 December 2012, the Group's cash balance amounted to $653 million (2011: $881 million), which included pledged deposits of $186 million (2011: $300 million) to secure general banking facilities and for arrangement to hedge against RMB appreciation. 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 banking facilities available, the Group continued to maintain a sound financial position and has sufficient resources to finance its operations and its future expansion plan.

## CAPITAL COMMITMENTS

As at 31 December 2012, capital commitment of the Group amounted to $216 million (2011: $9 million) mainly for acquisition for investment properties and construction cost of property development projects in Anshan. 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 financial year 2012, the Group's business receipts were mainly denominated in US dollar and RMB (largely from property development business) with some in Hong Kong dollar. Payments were mainly made in Hong Kong dollar, RMB and US dollar. Cash was generally placed in short-term deposits denominated in Hong Kong dollar, RMB and US dollar. In 2012, the Group's borrowings were mainly denominated in Hong Kong dollar, RMB and US dollar and interest on the Group's borrowings was principally determined 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 RMB in terms of the production costs (including workers' wages and overhead) in the PRC. Regarding 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 dollar, the management considers that the foreign exchange exposure risk for the US dollar is not material.

As for RMB exposure, since our factory wages and overhead are paid in RMB, our production costs will rise due to the further appreciation of RMB. During the year, we continued to use the arrangements as described in the review of financial position above as a means to hedge our RMB appreciation exposure. Despite the fluctuation in RMB in 2012, we consider such arrangements can hedge part of our exposure against RMB appreciation in the long run.

## ACQUISITION AND DISPOSAL OF MATERIAL SUBSIDIARIES AND ASSOCIATES

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

## SIGNIFICANT INVESTMENT

The Group did not hold any significant investment as at 31 December 2012 (2011: Nil).

## PLEDGE OF ASSETS

As at 31 December 2012, certain of the Group's assets with a net book value of $1,575 million (2011: $1,305 million) and time deposits of $186 million (2011: $300 million) were pledged to secure the general banking facilities granted to the Group and for hedging RMB exposure.

## CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any significant contingent liabilities.

## EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group as at 31 December 2012 was 5,971 (2011: 6,458). 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 31 December 2012, there were no outstanding share options issued by the Company.

## PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company during the year.

## CORPORATE GOVERNANCE

The Company has always recognised the importance of the shareholders' transparency and accountability. It is the belief of the Board that the shareholders of the Company can maximise their benefits from good corporate governance. The Company is committed to maintaining and ensuring high standards of corporate governance in the interests of the shareholders of the Company.

In the opinion of the directors of the Company (the "**Director(s)**"), the Company has complied with all the Code Provisions under (i) the Code on Corporate Governance Practices as set out in Appendix 14 before 1 April 2012 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") (the "**Old Code**") throughout the period from 1 January 2012 to 31 March 2012 and (ii) the Corporate Governance Code as set out in Appendix 14 after 31 March 2012 to the Listing Rules (the "**CG Code**") throughout the period from 1 April 2012 to 31 December 2012, except for the following deviations from the Code Provisions of the Old Code and the CG Code:-

(1) A.2.1: the roles of chairman and chief executive officer should be separate;

(2) A.4.1: non-executive directors should be appointed for a specific term; and (Note)

(3) A.4.2: all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director should be subject to retirement by rotation at least once every three years.

Note: Up to 31 March 2012, all of the independent non-executive directors of the Company (the "**INED(s)**") were not appointed for a specific term. However, all INEDs entered into letters of appointment with the Company during 2012 for a term of three years commencing from 1 April 2012, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company. The Company therefore deviated from the Code Provision A.4.1 of the Old Code throughout the period from 1 January 2012 to 31 March 2012 and subsequently complied with Code Provision A.4.1 of the CG Code throughout the period from 1 April 2012 to 31 December 2012.

Detailed information of such deviations and their respective considered reasons as well as other information on the corporate governance practices of the Company have been disclosed in the interim report of the Company for the six months ended 30 June 2012 and will be disclosed in the corporate governance report contained in the 2012 annual report of the Company, which will be despatched to the shareholders of the Company on or before 30 April 2013.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS OF THE COMPANY

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 for Securities Transactions by Directors of Listed Issuers (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 financial year under review.

## AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") since 2000 with specific written terms of reference formulated in accordance with the requirements of the Listing Rules. During 2012, the Audit Committee was composed of three members who were the three independent non-executive Directors, namely Mr. Tam King Ching, Kenny (also as chairman of the Audit Committee), Mr. Chen Li and Mr. Lau Ho Man, Edward (the "**late Mr. Lau**") who passed away on 12 January 2013, of whom Mr. Tam is and the late Mr. Lau was a qualified accountant. After the late Mr. Lau had passed away on 12 January 2013, the Audit Committee was composed of the remaining two INEDs until 8 March 2013 when Mr. Chow Siu Ngor was appointed as a member of the Audit Committee (and he was also appointed as an INED and a member of other board committees) to replace the late Mr. Lau.

The Audit Committee has reviewed the adopted accounting principles and practices and discussed the auditing, internal control and financial reporting matters of the Company. The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2012. Regular meetings have been held by the Audit Committee since its establishment and the Audit Committee held three meetings in 2012.

Further information of the Audit Committee will be disclosed in the corporate governance report contained in the 2012 annual report of the Company, which will be despatched to the shareholders of the Company on or before 30 April 2013.

## REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "**Remuneration Committee**") since 2005 with specific written terms of reference formulated in accordance with the requirements of the Listing Rules. During 2012, the Remuneration Committee was composed of five members comprising three INEDs, namely Mr. Tam King Ching, Kenny, Mr. Chen Li and the late Mr. Lau (also acted as chairman of the Remuneration Committee), and two executive Directors, namely Mr. Mak Shiu Tong, Clement and Mr. Tam Ngai Hung, Terry. Mr. Tam King Ching, Kenny was re-designated as chairman of the Remuneration Committee to replace the late Mr. Lau after he had passed away on 12 January 2013. After that date, the Remuneration Committee was only composed of two INEDs and two executive Directors until 8 March 2013 when Mr. Chow Siu Ngor was appointed as a member of the Remuneration Committee to replace the late Mr. Lau. Mr. Chow Siu Ngor has also been designated to be the chairman of the Remuneration Committee to replace Mr. Tam King Ching, Kenny with effect from 8 March 2013. The Remuneration Committee held one meeting in 2012.

Further information of the Remuneration Committee will be disclosed in the corporate governance report contained in the 2012 annual report of the Company, which will be despatched to the shareholders of the Company on or before 30 April 2013.

## NOMINATION COMMITTEE

The Company has established a nomination committee (the "**Nomination Committee**") since 29 March 2012 with specific written terms of reference in line with the Code Provisions under the CG Code. During 2012, the Nomination Committee was composed of five members comprising three INEDs, namely Mr. Tam King Ching, Kenny, Mr. Chen Li and the late Mr. Lau, and two executive Directors, namely Mr. Mak Shiu Tong, Clement (also as chairman of the Nomination Committee) and Mr. Tam Ngai Hung, Terry. After the late Mr. Lau had passed away on 12 January 2013, the Nomination Committee was only composed of two INEDs and two executive Directors until 8 March 2013 when Mr. Chow Siu Ngor was appointed as a member of the Nomination Committee to replace the late Mr. Lau. The Nomination Committee held one meeting in 2012.

Further information of the Nomination Committee will be disclosed in the corporate governance report contained in the 2012 annual report of the Company, which will be despatched to the shareholders of the Company on or before 30 April 2013.

## INDEPENDENT NON-EXECUTIVE DIRECTORS OF THE COMPANY

Each of Mr. Tam King Ching, Kenny and Mr. Chen Li has filed a written confirmation to the Company confirming his independence pursuant to Rule 3.13 of the Listing Rules and has undertaken to inform The Stock Exchange of Hong Kong Limited and the Company as soon as practicable if there is any subsequent change in circumstances which may affect his independence. In addition, Mr. Chow Siu Ngor has filed a Confirmation of Compliance with Rule 3.13 to the Company and The Stock Exchange of Hong Kong Limited to confirm his independence after he was appointed on 8 March 2013. Throughout the year of 2012, and as at the date of this announcement, all of the INEDs are considered to be independent.

The Company complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of a minimum number of INEDs, at least an INED with appropriate professional qualifications or accounting or related financial management expertise and the number of INEDs representing at least one-third of the Board throughout the financial year ended 31 December 2012. The Company did not comply with Rule 3.10 (1) of the Listing Rules in relation to appointment of a minimum number of independent non-executive directors after the late Mr. Lau had passed away on 12 January 2013 but has compiled with such rule since 8 March 2013 when Mr. Chow Siu Ngor was appointed as the INED.

## PUBLICATION OF THE ANNUAL RESULTS, ANNUAL REPORT AND CORPORATE GOVERNANCE REPORT

The results announcement of the Company for the year ended 31 December 2012 is published on the websites of the Company at www.cct.com.hk/eng/investor/announcements.php and The Stock Exchange of Hong Kong Limited at www.hkexnews.hk. The annual report, corporate governance report and notice of the annual general meeting of the Company (the "**AGM**") will be despatched to the shareholders of the Company and made available on the websites of the Company and The Stock Exchange of Hong Kong Limited on or before 30 April 2013.

## ANNUAL GENERAL MEETING

The 2013 AGM will be held at 31/F., Fortis Tower, 77-79 Gloucester Road, Hong Kong on Wednesday, 22 May 2013 at 10:45 a.m. and the notice of the AGM will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

1. For determining shareholders' eligibility to attend and vote at the AGM:

| | |
|---|---|
| Latest time to lodge transfer documents for registration: | 4:00 p.m., Thursday, 16 May 2013 |
| Closure of register of members: | Monday, 20 May 2013 to Wednesday, 22 May 2013 (both days inclusive) |
| Record date: | Wednesday, 22 May 2013 |

2. For determining shareholders' entitlement to the proposed final dividend:

| | |
|---|---|
| Latest time to lodge transfer documents for registration: | 4:00 p.m., Monday, 27 May 2013 |
| Closure of register of members: | Tuesday, 28 May 2013 to Thursday, 30 May 2013 (both days inclusive) |
| Record date: | Thursday, 30 May 2013 |

During the above closure periods, no transfer of share(s) will be effected. In order to be eligible to attend and vote at the AGM and to qualify for the proposed final dividends, 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 the aforementioned latest time.

## BOARD OF DIRECTORS

As at the date of this announcement, 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 are Mr. Tam King Ching, Kenny, Mr. Chen Li and Mr. Chow Siu Ngor.

By Order of the Board
**Mak Shiu Tong, Clement**
*Chairman*

Hong Kong, 27 March 2013

## ANNUAL RESULTS

The Board presents the consolidated annual results of the Group for the year ended 31 December 2012, together with the comparative amounts for the previous year as follows:

**Consolidated Income Statement**
*For the year ended 31 December 2012*

| HK$ million | *Notes* | **2012** | 2011 (Restated) |
|---|---|---|---|
| **REVENUE** | *4,5* | **1,544** | 2,034 |
| Cost of sales | | **(1,463)** | (1,894) |
| Gross profit | | **81** | 140 |
| Other income and gains | *5* | **232** | 88 |
| Selling and distribution expenses | | **(37)** | (73) |
| Administrative expenses | | **(146)** | (239) |
| Other expenses | | **(113)** | (156) |
| Finance costs | *6* | **(22)** | (16) |
| **LOSS BEFORE TAX** | *7* | **(5)** | (256) |
| Income tax expense | *8* | **(62)** | (20) |
| **LOSS FOR THE YEAR** | | **(67)** | (276) |
| **Attributable to:** | | | |
| Owners of the parent | | **(31)** | (194) |
| Non-controlling interests | | **(36)** | (82) |
| | | **(67)** | (276) |
| **LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | *10* | | |
| Basic | | **(HK$0.05)** | (HK$0.32) |
| Diluted | | **(HK$0.05)** | (HK$0.32) |

Details of the dividends payable and proposed for the year are disclosed in note 9 below.

**Consolidated Statement of Comprehensive Income**
*For the year ended 31 December 2012*

| **HK$ million** | **2012** | 2011 (Restated) |
|---|---|---|
| **LOSS FOR THE YEAR** | **(67)** | (276) |
| Other comprehensive income, net of tax: | | |
| Available-for-sale investments: | | |
| Change in fair value | **-** | 1 |
| Reclassification adjustment for losses included in the consolidated income statement | | |
| - impairment losses | **-** | 9 |
| | **-** | 10 |
| Exchange differences on translation of foreign operations | **8** | 28 |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | **(59)** | (238) |
| **Attributable to:** | | |
| Owners of the parent | **(23)** | (156) |
| Non-controlling interests | **(36)** | (82) |
| | **(59)** | (238) |

## Consolidated Statement of Financial Position

*31 December 2012*

| HK$ million | Notes | 31 December 2012 | 31 December 2011 (Restated) | 1 January 2011 (Restated) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | | **772** | 882 | 696 |
| Prepayments for acquisition of property, plant and equipment | | **-** | 7 | 11 |
| Investment properties | | **745** | 254 | 325 |
| Prepayments for acquisition of investment properties | | **23** | - | - |
| Prepaid land lease payments | | **97** | 100 | 239 |
| Goodwill | | **87** | 87 | 55 |
| Available-for-sale investments | | **18** | 79 | 106 |
| Held-to-maturity debt securities | | **51** | - | - |
| Other receivable | | **-** | 14 | - |
| Deferred tax assets | | **1** | 1 | 1 |
| Total non-current assets | | **1,794** | 1,424 | 1,433 |
| | | | | |
| **CURRENT ASSETS** | | | | |
| Inventories | | **102** | 156 | 129 |
| Properties under development | | **248** | 192 | 305 |
| Completed properties held for sale | | **356** | 437 | 99 |
| Investment property classified as held for sale | | **-** | 147 | 137 |
| Non-current assets held for sale | | **-** | 20 | 159 |
| Trade receivables | 12 | **349** | 375 | 433 |
| Prepayment, deposits and other receivables | | **243** | 279 | 278 |
| Financial assets at fair value through profit or loss | | **10** | 135 | 234 |
| Pledged time deposits | | **186** | 300 | 83 |
| Time deposits with original maturity of more than three months | | **8** | 8 | - |
| Cash and cash equivalents | | **459** | 573 | 610 |
| Total current assets | | **1,961** | 2,622 | 2,467 |
| | | | | |
| **TOTAL ASSETS** | | **3,755** | 4,046 | 3,900 |

**Consolidated Statement of Financial Position (Continued)**

*31 December 2012*

| **HK$ million** | Notes | **31 December 2012** | 31 December 2011 (Restated) | 1 January 2011 (Restated) |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| **Equity attributable to owners of the parent** | | | | |
| Issued capital | | **61** | 61 | 61 |
| Reserves | | **1,751** | 1,818 | 2,013 |
| Proposed final dividend | | **21** | 21 | 21 |
| | | **1,833** | 1,900 | 2,095 |
| **Non-controlling interests** | | **253** | 284 | 352 |
| **Total equity** | | **2,086** | 2,184 | 2,447 |
| **NON-CURRENT LIABILITIES** | | | | |
| Derivative financial instrument | | **14** | 14 | - |
| Interest-bearing bank and other borrowings | | **522** | 412 | 250 |
| Other payable | | **-** | 16 | - |
| Deferred tax liabilities | | **27** | 23 | 21 |
| Total non-current liabilities | | **563** | 465 | 271 |
| **Current liabilities** | | | | |
| Trade and bills payables | 13 | **360** | 562 | 502 |
| Tax payable | | **34** | 39 | 32 |
| Other payables and accruals | | **203** | 244 | 198 |
| Receipts in advance | | **2** | 3 | 39 |
| Interest-bearing bank and other borrowings | | **507** | 549 | 411 |
| Total current liabilities | | **1,106** | 1,397 | 1,182 |
| **Total liabilities** | | **1,669** | 1,862 | 1,453 |
| **Total equity and liabilities** | | **3,755** | 4,046 | 3,900 |
| **Net current assets** | | **855** | 1,225 | 1,285 |
| **Total assets less current liabilities** | | **2,649** | 2,649 | 2,718 |

**Notes :**

## 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") (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, investment property classified as held for sale, derivative financial instrument, certain available-for-sale investments and financial assets at fair value through profit or loss, which have been measured at fair value. Non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest million except when otherwise indicated.

## 2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| HKFRS 1 Amendments | Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* |
| HKAS 12 Amendments | Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* |

Other than as further explained below regarding the impact of amendments to HKAS 12 , the adoption of the revised HKFRSs has had no significant financial effect on the these financial statements.

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. Prior to the adoption of the amendments, deferred tax with respect to the Group's investment properties was provided on the basis that the carrying amount will be recovered through use, and accordingly the profits tax rate had been applied to the calculation of deferred tax arising on the revaluation of the Group's investment properties. Upon the adoption of the HKAS 12 Amendments, deferred tax in respect of the Group's investment properties is provided on the presumption that the carrying amount will be recovered through sale. The effects of the above change are summarised below:

| **HK$ million** | **2012** | 2011 |
|---|---|---|
| ***Consolidated income statement for the year ended 31 December*** | | |
| Decrease in income tax expenses | **(23)** | (1) |
| Decrease in loss for the year | **(23)** | (1) |
| Decrease in basic loss per share | **(HK$0.038)** | (HK$0.002) |
| Decrease in diluted loss per share | **(HK$0.038)** | (HK$0.002) |
| ***Consolidated statement of financial position at 31 December*** | | |
| Decrease in deferred tax liabilities and total non-current liabilities | **(34)** | (11) |
| Increase in net assets and reserves | **34** | 11 |
| ***Consolidated statement of financial position at 1 January*** | | |
| Decrease in deferred tax liabilities and total non-current liabilities | | (10) |
| Increase in net assets and reserves | | 10 |

## 3. 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 Amendments | Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2] |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments*: *Disclosures – Offsetting Financial Assets and Financial Liabilities*[2] |
| HKFRS 9 | *Financial Instruments*[4] |
| HKFRS 10 | *Consolidated Financial Statements*[2] |
| HKFRS 11 | *Joint Arrangements*[2] |
| HKFRS 12 | *Disclosure of Interests in Other Entities*[2] |
| HKFRS 10, HKFRS 11 and HKFRS 12 Amendments | Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*[2] |
| HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments | Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[3] |
| HKFRS 13 | *Fair Value Measurement*[2] |
| HKAS 1 Amendments | Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1] |
| HKAS 19 (2011) | *Employee Benefits*[2] |
| HKAS 27 (2011) | *Separate Financial Statements*[2] |
| HKAS 28 (2011) | *Investments in Associates and Joint Ventures*[2] |
| HKAS 32 Amendments | Amendments to HKAS 32 Financial Instruments: *Presentation – Offsetting Financial Assets and Financial Liabilities*[3] |
| HK(IFRIC)-Int 20 | *Stripping Costs in the Production Phase of a Surface Mine*[2] |
| *Annual Improvements 2009-2011 Cycle* | Amendments to a number of HKFRSs issued in June 2012[2] |

1 Effective for annual periods beginning on or after 1 July 2012

2 Effective for annual periods beginning on or after 1 January 2013

3 Effective for annual periods beginning on or after 1 January 2014

4 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

## 4. 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, electronic and child products segment which is the manufacture and sale of telecom, electronic and child products;

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

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

(d) the property development segment which is engaged in the development and sale of properties; and

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

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 head office and corporate expenses are excluded from such measurement.

Segment assets exclude non-current assets held for sale, deferred tax assets 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.

During the year, the Group changed the structure of its internal organisation in a manner that causes the combination of the telecom and electronic products segment and the baby and child products into the telecom, electronic and child products segments. Following this change in the composition of the reportable segments of the Group, the corresponding items of segment information of the prior year have been restated.

| HK$ million | Telecom, electronic and child products 2012 | Telecom, electronic and child products 2011 (Restated) | Components 2012 | Components 2011 | Securities business 2012 | Securities business 2011 | Property development 2012 | Property development 2011 | Property investment and holding 2012 | Property investment and holding 2011 | Reconciliations 2012 | Reconciliations 2011 | Group total 2012 | Group total 2011 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Segment revenue: | | | | | | | | | | | | | | |
| Sales to external customers | **1,363** | 1,740 | **28** | 44 | **13** | (9) | **139** | 259 | **1** | - | **-** | - | **1,544** | 2,034 |
| Other revenue | **13** | 10 | **6** | 2 | **-** | - | **-** | - | **-** | - | **-** | 9 | **19** | 21 |
| Intersegment revenue | **25** | 19 | **145** | 213 | **-** | - | **-** | - | **4** | 5 | **(174)** | (237) | **-** | - |
| | **1,401** | 1,769 | **179** | 259 | **13** | (9) | **139** | 259 | **5** | 5 | **(174)** | (228) | **1,563** | 2,055 |
| Operating (loss)/profit | **(31)** | (161) | **(36)** | (28) | **13** | (41) | **15** | 48 | **134** | 2 | **-** | - | **95** | (180) |
| Interest income | **6** | 3 | **1** | - | **-** | - | **-** | - | **-** | - | **-** | - | **7** | 3 |
| Finance costs | **(16)** | (12) | **-** | - | **(1)** | (1) | **-** | - | **(5)** | (3) | **-** | - | **(22)** | (16) |
| Reconciled items: | | | | | | | | | | | | | | |
| Corporate and other unallocated expenses | **-** | - | **-** | - | **-** | - | **-** | - | **-** | - | **(27)** | (34) | **(27)** | (34) |
| Gain on disposal of subsidiaries | **-** | 13 | **-** | - | **-** | - | **-** | - | **-** | - | **-** | - | **-** | 13 |
| Gain on disposal of prepaid land lease payments | **-** | - | **-** | 23 | **-** | - | **-** | - | **-** | - | **-** | - | **-** | 23 |
| Gain/(loss) on disposal of items of property, plant and equipment | **8** | (6) | **4** | - | **-** | - | **-** | - | **35** | - | **-** | - | **47** | (6) |
| Impairment loss on available-for-sale investments | **-** | - | **-** | - | **-** | - | **-** | - | **-** | - | **(59)** | (37) | **(59)** | (37) |
| Impairment of items of property, plant and equipment | **-** | - | **-** | - | **-** | - | **-** | - | **(46)** | - | **-** | - | **(46)** | - |
| Write-off of items of property, plant and equipment | **-** | (16) | **-** | (6) | **-** | - | **-** | - | **-** | - | **-** | - | **-** | (22) |
| (Loss)/profit before tax | **(33)** | (179) | **(31)** | (11) | **12** | (42) | **15** | 48 | **118** | (1) | **(86)** | (71) | **(5)** | (256) |
| **Other segment information:** | | | | | | | | | | | | | | |
| Expenditure for non-current assets | **8** | 29 | **1** | 1 | **-** | - | **-** | 2 | **185** | 177 | **3** | 2 | **197** | 211 |
| Depreciation and amortisation | **(46)** | (54) | **(15)** | (19) | **-** | - | **-** | - | **(12)** | (9) | **(1)** | (1) | **(74)** | (83) |
| **Other material non-cash items:** | | | | | | | | | | | | | | |
| Net reversal of impairment/ (impairment) of trade receivables | **-** | 7 | **-** | (4) | **-** | - | **-** | - | **-** | - | **-** | - | **-** | 3 |
| Provision for slow-moving and obsolete inventories | **(9)** | (15) | **-** | - | **-** | - | **-** | - | **-** | - | **-** | - | **(9)** | (15) |
| Fair value gain on investment properties and investment property classified as held for sale | **-** | - | **-** | - | **-** | - | **-** | - | **166** | 20 | **-** | - | **166** | 20 |
| Fair value loss on financial assets at fair value through profit or loss | **-** | - | **-** | - | **-** | (32) | **-** | - | **-** | - | **-** | - | **-** | (32) |
| Write-off of items of property, plant and equipment | **-** | (16) | **-** | (6) | **-** | - | **-** | - | **-** | - | **-** | - | **-** | (22) |
| Impairment of items of property, plant and equipment | **-** | - | **-** | - | **-** | - | **-** | - | **(46)** | - | **-** | - | **(46)** | - |

| HK$ million | Telecom, electronic and child products 2012 | 2011 (Restated) | Components 2012 | 2011 | Securities business 2012 | 2011 | Property development 2012 | 2011 | Property investment and holding 2012 | 2011 | Reconciliations 2012 | 2011 | Group total 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Segment assets | **1,362** | 1,694 | **150** | 198 | **61** | 135 | **856** | 881 | **1,145** | 835 | **(20)** | (45) | **3,554** | 3,698 |
| Reconciled items: | | | | | | | | | | | | | | |
| Non-current assets held for sale | - | - | - | - | - | - | - | - | - | - | - | 20 | - | 20 |
| Corporate and other unallocated assets | - | - | - | - | - | - | - | - | - | - | **201** | 328 | **201** | 328 |
| Total assets | **1,362** | 1,694 | **150** | 198 | **61** | 135 | **856** | 881 | **1,145** | 835 | **181** | 303 | **3,755** | 4,046 |
| Segment liabilities | **902** | 1,170 | **52** | 60 | **48** | 56 | **116** | 199 | **471** | 313 | **(20)** | (45) | **1,569** | 1,753 |
| Reconciled items: | | | | | | | | | | | | | | |
| Corporate and other unallocated liabilities (as restated) | - | - | - | - | - | - | - | - | - | - | **100** | 109 | **100** | 109 |
| Total liabilities (as restated) | **902** | 1,170 | **52** | 60 | **48** | 56 | **116** | 199 | **471** | 313 | **80** | 64 | **1,669** | 1,862 |

## Geographical information

*(a)* *Revenue from external customers*

| **HK$ million** | **2012** | 2011 |
|---|---|---|
| Europe | **712** | 896 |
| Asian Pacific and others | **571** | 855 |
| North America | **261** | 283 |
| | **1,544** | 2,034 |

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** | **2012** | 2011 |
|---|---|---|
| Hong Kong | **1,154** | 693 |
| Mainland China | **640** | 731 |
| | **1,794** | 1,424 |

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

### Information about major customers

For the year ended 31 December 2012, revenue from each of two major customers of the telecom, electronic and child products segment was HK$304 million and HK$185 million, respectively, representing 20% and 12% of the Group's total revenue, respectively.

For the year ended 31 December 2011, revenue from each of two major customers of the telecom, electronic and child products segment was HK$398 million and HK$393 million, respectively, representing 20% and 19% of the Group's total revenue, respectively.

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, 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 (net of business tax) from sale of properties and rental income from investment properties.

An analysis of revenue, other income and gains is as follows:

| **HK$ million** | **2012** | 2011 |
|---|---|---|
| Revenue | | |
| Manufacture and sale of telecom, electronic and child products | **1,384** | 1,781 |
| Realised gain/(loss) from sale of securities investment, net | **13** | (9) |
| Sale of properties | **139** | 259 |
| Rental income from investment properties | **1** | - |
| Bank interest income | **7** | 3 |
| | **1,544** | 2,034 |
| Other income and gains | | |
| Investment and other income | **232** | 88 |

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

| **HK$ million** | **2012** | 2011 |
|---|---|---|
| Interest on bank loans wholly repayable within five years | **17** | 7 |
| Interest on bank loans wholly repayable beyond five years | **5** | 9 |
| Total interest expense on financial liabilities not at fair value through profit or loss | **22** | 16 |

## 7. LOSS BEFORE TAX

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

| **HK$ million** | **2012** | 2011 |
|---|---|---|
| Cost of inventories sold | **1,348** | 1,703 |
| Cost of properties sold | **106** | 185 |
| Depreciation | **71** | 77 |
| Amortisation of prepaid land lease payments | **3** | 6 |
| Fair value loss on financial assets at fair value through profit or loss | **-** | 32 |
| Fair value gain on investment properties and investment property classified as held for sale | **(166)** | (20) |
| Gain on disposal of subsidiaries | **-** | (13) |
| Impairment loss on available-for-sales investments | **59** | 37 |
| Impairment of items of property, plant and equipment | **46** | - |
| (Gain)/loss on disposal of items of property, plant and equipment | **(47)** | 6 |
| Write-off of items of property, plant and equipment | **-** | 22 |
| Gain on disposal of prepaid land lease payments | **-** | (23) |
| Provision for slow-moving and obsolete inventories | **9** | 15 |

## 8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

| **HK$ million** | **2012** | 2011 (Restated) |
|---|---|---|
| Current – Hong Kong | | |
| Under provision in prior years (represented one-time compromise tax settlement for past years) | **59** | - |
| Current – Elsewhere | | |
| Charge of the Mainland China income tax for the year | **5** | 13 |
| Over provision in prior years | **(9)** | - |
| Mainland China land appreciation tax | **3** | 5 |
| Deferred tax | **4** | 2 |
| Total tax charge for the year | **62** | 20 |

## 9. DIVIDENDS

| **HK$ million** | **2012** | 2011 |
|---|---|---|
| Paid interim – HK$0.030 (2011: HK$0.030) per ordinary share | **18** | 18 |
| Proposed final – HK$0.035 (2011: HK$0.035) per ordinary share | **21** | 21 |
| Total | **39** | 39 |

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

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

The calculation of the basic and diluted 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$31 million (2011: HK$194 million (restated)), and the weighted average number of 606,144,907 (2011: 606,144,907) ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2012 and 2011 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 loss per share amounts presented.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2012, the Group acquired fixed assets of approximately HK$19 million (2011: HK$118 million). During the year, the Group disposal of fixed assets of HK$12 million (2011: HK$10 million).

## 12. 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:

| | **2012** | | 2011 | |
|---|---|---|---|---|
| **HK$ million** | **Balance** | **Percentage** | Balance | Percentage |
| Current to 30 days | **126** | **36** | 142 | 38 |
| 31 to 60 days | **86** | **25** | 108 | 28 |
| 61 to 90 days | **78** | **22** | 100 | 26 |
| Over 90 days | **59** | **17** | 25 | 8 |
| | **349** | **100** | 375 | 100 |

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

## 13. 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:

| | **2012** | | 2011 | |
|---|---|---|---|---|
| **HK$ million** | **Balance** | **Percentage** | Balance | Percentage |
| Current to 30 days | **93** | **26** | 233 | 41 |
| 31 to 60 days | **64** | **18** | 101 | 18 |
| 61 to 90 days | **52** | **14** | 73 | 13 |
| Over 90 days | **151** | **42** | 155 | 28 |
| | **360** | **100** | 562 | 100 |

## 14. COMPARATIVE AMOUNTS

As further explained in note 2, due to the adoption of the revised HKFRS during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 January 2011 has been presented.

As further explained in note 4, due to the change in composition of the reportable segments of the Group, the corresponding items of segment information of the prior year have been restated.

## 15. EVENT AFTER THE REPORTING PERIOD

On 17 October 2012, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement for the acquisition of an investment property in Hong Kong at a purchase price of HK$228 million, of which a deposit of HK$23 million was paid by the Group as at 31 December 2012. The transaction was completed on 1 March 2013.

*This announcement will remain on the "Latest Listed Company Information" page of the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk for at least seven days from the day of its publication and will be published and remains on the website of the Company at www.cct.com.hk/eng/investor/announcements.php.*