



中建資源集團有限公司  
Interim Report 2008



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## BUSINESS REVIEW

### Overview

In August 2008, CCT Resources Holdings Limited (the “Company”) successfully completed a milestone acquisition of 100% equity interest in Merdeka Timber Group Ltd. (“MTG”). MTG and its subsidiaries (the “MTG Group”) will be engaged in upstream and downstream forestry operations in the natural forest concessions of approximately 313,500 hectares, located in the Papua Province of Indonesia. Following the completion of the disposal of the loss-making e-commerce business (the “B2B Business”) in September 2008, the Company and its subsidiaries (the “Group”), will continue to be engaged in the trading business and will expand its core business into the promising forestry business. This strategic move demonstrates the Group’s commitment to create value to our shareholders.

In view of the recent business development of the Company, the board of directors of the Company (the “Board”) is pleased to announce that the change of the name of the Company from “Tradeeasy Holdings Limited” to “CCT Resources Holdings Limited” and the adoption of the Chinese name “中建資源集團有限公司” to replace “易貿通集團有限公司” for identification purposes took effect on 22 September 2008.

### Review of operations

For the six months ended 30 September 2008, the Group incurred a loss of approximately HK\$12,966,000 for the period under review as compared to a loss of approximately HK\$1,419,000 in the same period last year. The increase in loss was mainly due to (i) charging of non-cash imputed interest in the amount of approximately HK\$7,372,000 on the liability components of the zero coupon convertible bonds issued in August 2008 for the acquisition of the forestry business; (ii) inclusion of the operating costs of the forestry business in the amount of approximately HK\$1,504,000 since its acquisition; and (iii) the increased operating loss from the discontinued B2B Business due to the global financial crisis and the worsening operating environment. The increased loss has been partly offset by the realised gain of approximately HK\$3,362,000 arising from the disposal of the B2B Business.

## Forestry Business and the Trading Business

After completion of the acquisition of the forestry business, the Group has entered into the high-growth natural resources business. The Group will be engaged through the MTG Group in the upstream operations of logging and harvest of timber in the natural forests with total areas of approximately 313,500 hectares in Papua, Indonesia. The MTG Group will also be engaged in the downstream operations of producing timber and other wood products for export out of Indonesia. Business plans have been drawn up and implemented according to schedule to develop and establish the forestry business. During the period under review, the forestry business reported a loss of approximately HK\$1,504,000 representing start-up costs since acquisition.

The Company will continue to expand the trading business. The Board believes that the trading business has good potential to grow.

## B2B Business

The B2B Business were affected by the financial turmoil in the United States and its operating loss for the six months ended 30 September 2008 widened to HK\$7,081,000 as compared to a loss of HK\$1,325,000 for the six months ended 30 September 2007. In order to dispose of the loss-making business, the Company entered into an agreement on 8 August 2008 to sell the B2B Business to an independent third party. The disposal was completed in September 2008, enabling the Group to focus on redirecting its resources into the trading business and the forestry business which the Board believes have better potential.

After taking into account the realised gain arising from the disposal of the B2B Business, the net loss of the B2B business amounted to approximately HK\$3,572,000 for the six months ended 30 September 2008.

## OUTLOOK

The Board is optimistic about its forestry business given the increasing price and global demands for timber and wood products. In consequence of huge demand of timber and wood products versus diminishing supply, the price of timber and wood products are expected to maintain at a high level. We will dedicate more resources to the development and exploration of the forestry project which will become the major driver of growth in revenue and profitability of the Group. The Board believes that the forestry business that the Group has acquired will have huge potential and good future trading prospect. The Board further believes that the trading business has good potential to grow and it is expected that its contribution to the Group will increase in the future.

### Capital Structure and Gearing Ratio

HK\$'000	30 September 2008		31 March 2008	
	Amount (Unaudited)	Relative %	Amount (Audited)	Relative %
Convertible bonds (liability component)	749,657	77.6%	-	-
Total borrowings	749,657	77.6%	-	-
Equity	215,992	22.4%	57,843	100.0%
Total capital employed	965,649	100.0%	57,843	100.0%

The Group's gearing ratio was approximately 77.6% as at 30 September 2008 (31 March 2008: nil). The increase in the gearing ratio was due to the issue to Merdeka Commodities Limited ("MCL") of the zero coupon convertible bonds in the principal amount of HK\$776,880,000 (the "MCL Convertible Bonds") as part of consideration to acquire the forestry business and the issue to Manistar Enterprises Limited ("Manistar") of the zero coupon convertible bonds in the principal amount of HK\$138,840,000 (the "Manistar Convertible Bonds") to provide funds for the development and operations of the forestry business. Manistar is a wholly-owned subsidiary of CCT Telecom Holdings Limited ("CCT Telecom"), which is the Company's ultimate holding company. The total amount of the liability component of the MCL Convertible Bonds and the Manistar Convertible Bonds is estimated to be HK\$749,657,000. Both the MCL Convertible Bonds and the Manistar Convertible Bonds are interest free, have a maturity date of 12 August 2011 and are convertible into shares of the Company at the initial conversion price of HK\$0.1 per share (subject to adjustment according to the terms of the convertible bonds). As

the conversion price of the MCL Convertible Bonds and the Manistar Convertible Bonds is still below the current market price of the Company's share, it is likely that the convertible bonds will be converted into shares of the Company by the bondholders in the future and thus relieving the obligations of the Company to repay the convertible bonds. Other than the convertible bonds, the Group has no other borrowings.

As at 30 September 2008, the maturity profile of all the convertible bonds of the Group is falling due in the second to the fifth year. There was no material effect of seasonality on the Group's borrowing requirements.

On 2 October 2008, part of the MCL Convertible Bonds in the principal amount of HK\$20,000,000 was converted by MCL into 200,000,000 new shares of the Company and part of the Manistar Convertible Bonds in the principal amount of HK\$60,000,000 was converted by Manistar into 600,000,000 new shares of the Company.

### Liquidity and Financial Resources

	<b>30 September 2008 (Unaudited) HK\$'000</b>	31 March 2008 (Audited) HK\$'000
Current assets	<b>169,165</b>	58,885
Current liabilities	<b>10,920</b>	9,752
Current ratio	<b>1,549.1%</b>	603.8%

Current ratio as at 30 September 2008 was 1,549.1% (31 March 2008: 603.8%). The strong liquid position was mainly attributable to the cash proceeds derived from the issue of the Manistar Convertible Bonds in order to provide funds for the development and operations of the forestry business.

As at 30 September 2008, the Group's total cash balance amounted to approximately HK\$165,638,000 (31 March 2008: HK\$37,303,000). Almost all of the Group's cash was placed on Hong Kong dollar deposits with licensed banks in Hong Kong.

## **Foreign currency exposure**

The Group's reporting currency is in Hong Kong dollars. During the reporting period for the six months ended 30 September 2008, most of the transactions, assets and liabilities of the Group were denominated in Hong Kong dollars and Renminbi. During the period under review, since the Group had both Renminbi receipts and payments, the net Renminbi exposure was not significant. The transactions denominated in Renminbi were entered into by the Group in relation to the B2B Business and its disposal will therefore eliminate our exposure to Renminbi in the future. The Board considers that the Group's exposure to foreign exchange risk was not significant, therefore, no hedging transaction was made during the period under review.

## **Contingent liabilities**

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

## **Acquisition and disposal of subsidiaries and affiliated companies**

Save for the acquisition of the MTG Group in August 2008 and the disposal of the B2B Business in September 2008, the Group did not acquire or dispose of any material subsidiaries and affiliated companies during the period under review.

## **Significant investments**

Save for the acquisition of the MTG Group and its forestry project, during the six months ended 30 September 2008, the Group did not acquire or hold any significant investment.

## **Pledge of assets**

As at 30 September 2008, the Group did not have any pledge of assets.

## **Future plans for material investments or capital assets**

The Group's authorised but not yet contracted capital commitments amounted to approximately HK\$20,000,000 (31 March 2008: HK\$nil) as at 30 September 2008, which was mainly related to capital expenditure for the forestry business of the Group and all of which will be financed by internal resources.

## **Employees**

As at 30 September 2008, the Group employed 27 staff (31 March 2008: 233). Total staff costs (including directors' remuneration) of the Group for the six months ended 30 September 2008 were approximately HK\$10.0 million (six months ended 30 September 2007: HK\$12.6 million). Staff is remunerated according to their performance and working experience. In addition to the basic salaries and participation in the mandatory provident fund scheme, staff benefits include share options scheme. The remuneration policy and packages of the Group are reviewed from time to time.

## UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

The Board of the Company hereby announces that the unaudited consolidated interim results of the Group for the three months and the six months ended 30 September 2008, together with the comparative unaudited figures for the corresponding periods in 2007, are as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

	Notes	Three months ended		Six months ended	
		30 September		30 September	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
REVENUE	3	7,354	11,174	15,838	22,166
Cost of sales		(4,837)	(6,602)	(11,064)	(13,989)
Gross profit		2,517	4,572	4,774	8,177
Other income and gains		3,563	336	3,876	720
Selling and distribution expenses		(772)	(696)	(1,443)	(1,375)
General and administrative expenses		(7,668)	(3,775)	(10,548)	(7,158)
Advertising and promotion expenses		(1,240)	(1,188)	(1,708)	(1,732)
Other expenses		(549)	(22)	(686)	(41)
Share of profits and losses of associates		-	(34)	141	(10)
Finance costs	6	(7,372)	-	(7,372)	-
LOSS BEFORE TAX	5	(11,521)	(807)	(12,966)	(1,419)
Tax	7	-	-	-	-
LOSS FOR THE PERIOD		(11,521)	(807)	(12,966)	(1,419)
Profit/(loss) attributable to:					
Equity holders of the parent		(11,355)	(845)	(12,678)	(1,355)
Minority interests		(166)	38	(288)	(64)
LOSS FOR THE PERIOD		(11,521)	(807)	(12,966)	(1,419)

	Notes	Three months ended 30 September		Six months ended 30 September	
		2008	2007	2008	2007
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Represented by:					
Loss for the period from continuing operations		(8,341)	(171)	(9,394)	(113)
Loss for the period from discontinued operations		(3,180)	(636)	(3,572)	(1,306)
		(11,521)	(807)	(12,966)	(1,419)
DIVIDEND	9	-	-	-	-
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT ( <i>HK cents</i> )	10				
Basic					
- For loss for the period		(0.94)	(0.08)	(1.05)	(0.13)
- For loss for the period from continuing operations		(0.68)	(0.02)	(0.77)	(0.01)
Diluted		N/A	N/A	N/A	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2008

		30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		16,990	3,367
Other intangible asset	11	832,294	–
Deferred development expenditure		–	4,929
Interest in associates		–	410
Total non-current assets		849,284	8,706
<b>CURRENT ASSETS</b>			
Trade receivables	12	611	702
Financial assets at fair value through profit or loss		–	9,507
Prepayments, deposits and other receivables		2,916	11,318
Due from a related company		–	55
Cash and cash equivalents		165,638	37,303
Total current assets		169,165	58,885
<b>CURRENT LIABILITIES</b>			
Trade payables	13	669	–
Deferred service fees received in advance		–	3,318
Due to an associate		–	909
Other payables and accruals		10,251	5,525
Total current liabilities		10,920	9,752
<b>NET CURRENT ASSETS</b>		<b>158,245</b>	<b>49,133</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,007,529</b>	<b>57,839</b>
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds	14	749,657	–
<b>Net assets</b>		<b>257,872</b>	<b>57,839</b>
<b>EQUITY</b>			
Equity attributable to equity holders of the parent			
Issued capital	15	12,147	11,803
Reserves		203,845	46,040
		215,992	57,843
<b>Minority interests</b>		<b>41,880</b>	<b>(4)</b>
<b>Total equity</b>		<b>257,872</b>	<b>57,839</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Attributable to equity holders of the parent									
	Issued share capital	Share premium account	Contributed surplus	Share option reserve	Exchange fluctuation reserve	Equity component of convertible bonds	Accumulated losses	Total	Minority Interest	Total Equity
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
At 1 April 2008	11,803	75,006	66,710	1,605	169	-	(97,450)	57,843	(4)	57,839
Exercise of share options	344	2,264	-	(1,301)	-	-	-	1,307	-	1,307
Issue of convertible bonds	-	-	-	-	-	173,435	-	173,435	-	173,435
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	42,172	42,172
Exchange realignment	-	-	-	-	(3,915)	-	-	(3,915)	-	(3,915)
Net loss for the period	-	-	-	-	-	-	(12,678)	(12,678)	(288)	(12,966)
At 30 September 2008	12,147	77,270	66,710	304	(3,746)	173,435	(110,128)	215,992	41,880	257,872
At 1 April 2007	9,720	32,634	66,710	2,582	(8)	-	(88,347)	23,291	(51)	23,240
Issue of shares, net of share issue expenses	442	1,247	-	-	-	-	-	1,689	-	1,689
Exchange realignment	-	-	-	-	284	-	-	284	-	284
Net loss for the period	-	-	-	-	-	-	(1,355)	(1,355)	(64)	(1,419)
At 30 September 2007	10,162	33,881	66,710	2,582	276	-	(89,702)	23,909	(115)	23,794

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Net cash inflow from operating activities	1,782	6
Net cash inflow from investing activities	129,161	2,830
Net cash inflow from financing activities	1,307	1,689
Net increase in cash and cash equivalents	132,250	4,525
Effect of foreign exchange rate changes, net	(3,915)	-
Cash and cash equivalents at beginning of period	37,303	5,961
Cash and cash equivalents at end of period	165,638	10,486
Analysis of the balances of cash and cash equivalents:-		
Cash and bank balances	122,592	4,202
Non-pledged time deposits with original maturity of less than three months when acquired	43,046	6,284
	165,638	10,486

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

### 1. Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules. They have been prepared under the historical cost convention. These unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group’s audited annual financial statements for the year ended 31 March 2008. The unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2008 and the 2008 interim report of the Company have been reviewed by the Company’s audit committee.

### 2. Significant accounting policies

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

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

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>4</sup> Effective for annual periods beginning on or after 1 October 2008

### 3. Revenue

Revenue, which is also the Group's turnover, represents the value of services rendered during the three-month and six-month periods under review.

An analysis of revenue is as follows:

	Three months ended 30 September		Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Continuing operations:				
– Trading business	267	219	536	1,421
Discontinued operations:				
– B2B business	7,087	10,955	15,302	20,745
	<b>7,354</b>	<b>11,174</b>	<b>15,838</b>	<b>22,166</b>

### 4. Segment information

An analysis of the Group's revenue and operation results for the six months period by business and geographical segments is as follows:–

#### (a) Business segments

For the six months ended  
30 September 2008

HK\$'000	Continuing operations		Discontinued operations		Consolidated (Unaudited)
	Trading business (Unaudited)	Forestry business (Unaudited)	Total (Unaudited)	B2B business (Unaudited)	
Segment revenue:					
Sales to external customers	536	–	536	15,302	15,838
Segment results	(70)	(1,504)	(1,574)	(7,081)	(8,655)
Gain on disposal of the discontinued operations			–	3,362	3,362
Interest income			209	6	215
Share of result of associate			–	141	141
Unallocated expenses			(657)	–	(657)
Finance costs			(7,372)	–	(7,372)
Loss before tax			(9,394)	(3,572)	(12,966)
Tax			–	–	–
Loss for the period			(9,394)	(3,572)	(12,966)

#### 4. Segment information (continued)

##### (a) Business segments (continued)

For the six months ended  
30 September 2007

HK\$'000	Continuing operations			Discontinued operations	
	Trading business (Unaudited)	Forestry business (Unaudited)	Total (Unaudited)	B2B business (Unaudited)	Consolidated (Unaudited)
Segment revenue:					
Sales to external customers	1,421	-	1,421	20,745	22,166
Segment results	(295)	-	(295)	(1,325)	(1,620)
Interest income			182	29	211
Share of profits and losses of associates			-	(10)	(10)
Loss before tax			(113)	(1,306)	(1,419)
Tax			-	-	-
Loss for the period			(113)	(1,306)	(1,419)

##### (b) Geographical segments

	Six months ended 30 September					
	Hong Kong		Mainland China		Consolidated	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
<b>CONTINUING OPERATIONS</b>						
Segment revenue:						
Sales to external customers	536	1,421	-	-	536	1,421
<b>DISCONTINUED OPERATIONS</b>						
Segment revenue:						
Sales to external customers	10,302	13,278	5,000	7,467	15,302	20,745

## 5. Loss before tax

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

	Three months ended 30 September		Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
<b>CONTINUING OPERATION</b>				
Depreciation	6	-	6	-
<b>DISCONTINUED OPERATION</b>				
Depreciation	362	317	694	684
Amortisation of deferred development expenditure	-	229	235	457

## 6. Finance costs

	Three months ended 30 September		Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
<b>CONTINUING OPERATIONS</b>				
Interest on convertible bonds	7,372	-	7,372	-

## 7. Tax

No provision for Hong Kong profits tax has been made as the Group either did not generate any assessable profits arising in Hong Kong during the period (2007: Nil) or had available tax losses brought forward from prior years to offset the assessable profits generated during the period (2007: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

## 8. Discontinued operations

On 8 August 2008, the Company entered into a conditional sale and purchase agreement with an independent third party for the sale of the B2B Business (the "Sale Transaction") at a consideration of approximately HK\$12,000,000. The consideration was satisfied by way of cash.

The Sale Transaction was completed on 23 September 2008.

The results of the B2B business for the period are presented below:

	Three months ended 30 September		Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Revenue	7,087	10,955	15,302	20,745
Cost of sales	(4,662)	(6,485)	(10,687)	(12,805)
Gross profit	2,425	4,470	4,615	7,940
Other income and gains	62	35	243	54
Selling and distribution costs	(772)	(696)	(1,443)	(1,375)
General and administrative expenses	(6,468)	(3,201)	(8,096)	(6,142)
Advertising and promotion expenses	(1,240)	(1,188)	(1,708)	(1,732)
Other expenses	(549)	(22)	(686)	(41)
Share of profits and losses of associates	-	(34)	141	(10)
Loss before tax	(6,542)	(636)	(6,934)	(1,306)
Tax	-	-	-	-
Loss for the period from discontinued operations	(6,542)	(636)	(6,934)	(1,306)
Gain on disposal of the discontinued operations	3,362	-	3,362	-
	(3,180)	(636)	(3,572)	(1,306)
Loss per share (HK cents): (Note 10)				
Basic, from the discontinued operations	(0.25)	(0.07)	(0.28)	(0.12)
Diluted, from the discontinued operations	N/A	N/A	N/A	N/A

Dilutive loss per share amounts have not been disclosed as share options and convertible bonds outstanding have anti-dilutive effects on the basic loss per share amounts.

## 8. Discontinued operations *(continued)*

The net cash flows incurred by B2B business are as follows:

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Net cash inflow/(outflow) from operating activities	(7,993)	824
Net cash outflow from investing activities	(37)	(1,144)
Net cash inflow/(outflow) from financing activities	7,999	(105)
Total net cash outflow from discontinued operations	(31)	(425)

## 9. Dividend

No interim dividend has been paid or declared by the Company or any of its subsidiaries during the six months ended 30 September 2008 (2007: Nil).

## 10. Loss per share attributable to ordinary equity holders of the parent

The calculation of basic per share are based on:

	Three months ended 30 September		Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
<b>Loss</b>				
Loss attributable to ordinary equity holders of the parent				
– continuing operations	(8,266)	(171)	(9,319)	(113)
– discontinued operations	(3,089)	(674)	(3,359)	(1,242)
	(11,355)	(845)	(12,678)	(1,355)
<b>Shares</b>				
Weighted average number of ordinary shares in issue during the period	1,214,749,000	1,014,140,674	1,210,049,546	1,004,163,120

Dilutive loss per share amounts have not been disclosed as share options and convertible bonds outstanding have anti-dilutive effects on the basic loss per share amounts.

## 11. Other intangible asset

Other intangible asset represents the estimated fair value of the concession in relation to the acquired forestry project which is arrived at by allocating the cost of the acquisition of the MTG Group based on the relative fair values of the individual identifiable assets and liabilities of the MTG Group at the date of acquisition.

## 12. Trade receivables

An aged analysis of the trade receivables as at the balance sheet date is as follows:

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Current to 30 days	66	166
31 to 60 days	43	98
61 to 90 days	188	185
Over 90 days	314	253
	611	702

The Group normally allows credit terms for established customers ranging from 14 to 45 days.

## 13. Trade payables

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Current to 30 days	261	-
31 to 60 days	19	-
61 to 90 days	29	-
Over 90 days	360	-
	669	-

#### 14. Convertible Bonds

- (a) On 12 August 2008, the Company issued convertible bonds to Merdeka Commodities Limited (an independent third party) with aggregate nominal value of HK\$776,880,000 (the "MCL Convertible Bonds") as part of the consideration for the acquisition of the forestry project in Papua, Indonesia.

The MCL Convertible Bonds are convertible into ordinary shares in the Company in accordance with the terms of the MCL Convertible Bonds at the initial conversion price of HK\$0.10 per share (subject to adjustment as provided in the terms and conditions of the MCL Convertible Bonds). Pursuant to the terms of the MCL Convertible Bonds, the conversion of the MCL Convertible Bonds is subject to the following restrictions:

- (i) the bondholder(s) do not have rights to convert any principal amount of the MCL Convertible Bonds into new shares of the Company thereof if, upon such conversion, MCL and the parties acting in concert with it will be interested in 30% (or such percentage of shareholding as may from time to time be specified in the Takeovers Codes as being the level for triggering a mandatory general offer) or more of the enlarged issued share capital of the Company at the date of the relevant conversion;
- (ii) the conversion of MCL Convertible Bonds shall not cause the Company to be in breach of the minimum public float requirement as stipulated under Rule 11.23 of the GEM Listing Rules; and
- (iii) the bondholder(s) do not have rights to convert any principal amount of the MCL Convertible Bonds that falls between the range of the principal amount between HK\$350,000,000 to HK\$776,880,000 at any time during the period from 12 August 2008 to 12 August 2009.

The MCL Convertible Bonds are unsecured, interest-free and has a maturity date of 12 August 2011. There was no conversion of the MCL Convertible Bonds during the period ended 30 September 2008.

#### 14. Convertible Bonds (continued)

- (b) On 12 August 2008, the Company issued convertible bonds to Manistar Enterprises Limited (the holding company of the Company and a wholly-owned subsidiary of CCT Telecom) with a nominal value of HK\$138,840,000 (the "Manistar Convertible Bonds") to provide funds for the development and operations of the forestry business.

The Manistar Convertible Bonds are convertible into ordinary shares in the Company in accordance with the terms of the Manistar Convertible Bonds at the conversion price of HK\$0.10 per share (subject to adjustment as provided in the terms and conditions of the Manistar Convertible Bonds). Pursuant to the terms and conditions of the Manistar Convertible Bonds, the Manistar Convertible Bonds shall not be converted into the new shares of the Company if such conversion will cause the Company to be in breach of the minimum public float requirement as stipulated under Rule 11.23 of the GEM Listing Rules.

The Manistar Convertible Bonds are unsecured, interest-free and has a maturity date of 12 August 2011. There was no conversion of the Manistar Convertible Bonds during the period ended 30 September 2008.

The fair value of the liability component of the convertible bonds was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in the shareholders' equity.

The convertible bonds issued during the current period had been split as to the liability and equity components, as follows:

	30 September 2008 (Unaudited) HK\$'000
Nominal value of convertible bonds issued during the period	
– MCL Convertible Bonds	776,880
– Manistar Convertible Bonds	138,840
	915,720
Equity component:	
– MCL Convertible Bonds	(147,139)
– Manistar Convertible Bonds	(26,296)
Liability component at the issuance date	742,285
Effective interest expense	7,372
Liability component at 30 September 2008	749,657

## 15. Share Capital

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
<b>Authorised:</b>		
20,000,000,000 ordinary shares of HK\$0.01 each	200,000	200,000
<b>Issued and fully paid:</b>		
1,214,749,000 (31 March 2008: 1,180,349,000) ordinary shares of HK\$0.01 each	12,147	11,803

## 16. Contingent Liabilities

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

## 17. Operating Lease Arrangements

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

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

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Within one year	1,849	2,100
In the second to fifth years, inclusive	2,465	3,046
	4,314	5,146

## 18. Capital Commitments

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

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Authorised, but not contracted for	20,000	-

## 19. Comparative Figures

Certain comparative figures have been represented as a result of the reclassification of the discontinued operations.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2008, the directors and the chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 Rule 5.46 of the GEM Listing Rules:

### (a) Interests and short positions in the shares and the underlying shares of the share options and the convertible bonds of the Company as at 30 September 2008

- (i) Long positions in the shares of the Company:

Name of director	Number of the shares interested and nature of interest			Approximate percentage of the total issued share capital (%)
	Personal	Corporate	Total	
Mak Shiu Tong, Clement (Note)	19,344,000	643,364,070	662,708,070	54.56
Tam Ngai Hung, Terry	7,500,000	-	7,500,000	0.62
Fung Hoi Wing, Henry	550,000	-	550,000	0.05
Lau Ho Wai, Lucas	950,000	-	950,000	0.08
Ma Hang Kon, Louis (appointed on 3 October 2008)	1,180,000	-	1,180,000	0.10

*Note: Included in the shareholdings in which Mr. Mak Shiu Tong, Clement was interested, 643,364,070 shares of the Company were held by Manistar Enterprises Limited ("Manistar") (a wholly-owned subsidiary of CCT Telecom Holdings Limited ("CCT Telecom")). Mr. Mak Shiu Tong, Clement is deemed to be interested in such shares of the Company 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 CCT Telecom. The interest of Mr. Mak Shiu Tong, Clement in these shares of the Company has also been disclosed under the section headed "Substantial Shareholders' Interests in Shares and Underlying Shares of the Company" below.*

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES *(continued)*

(a) **Interests and short positions in the shares and the underlying shares of the share options and the convertible bonds of the Company as at 30 September 2008**  
*(continued)*

(ii) Long positions in the underlying shares of the share options of the Company:

Name of director	Date of grant of the share options	Exercise period of the share options	Exercise price per share HK\$	Number of the share options outstanding	Number of the underlying shares	Approximate percentage of the total issued share capital (%)
Mak Shiu Tong, Clement	14/8/2006	14/8/2006 – 13/8/2011	0.038	22,500,000	22,500,000	1.85
Tam Ngai Hung, Terry	14/8/2006	14/8/2006 – 13/8/2011	0.038	18,000,000	18,000,000	1.48
Cheng Yuk Ching, Flora	14/8/2006	14/8/2006 – 13/8/2011	0.038	5,000,000	5,000,000	0.41
William Donald Putt	14/8/2006	14/8/2006 – 13/8/2011	0.038	5,000,000	5,000,000	0.41

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

(a) **Interests and short positions in the shares and the underlying shares of the share options and the convertible bonds of the Company as at 30 September 2008**  
(continued)

- (iii) Long positions in the underlying shares of the convertible bonds of the Company:

Name of director	Description of equity derivatives	Number of the underlying shares	Approximate percentage of the total issued share capital (%)
Mak Shiu Tong, Clement	Manistar Convertible Bonds (Note)	1,388,400,000	114.30

*Note: The Manistar Convertible Bonds with an outstanding principal amount of HK\$138,840,000 as at 30 September 2008, were issued by the Company to Manistar (a wholly-owned subsidiary of CCT Telecom) on 12 August 2008 following the completion of the subscription agreement entered into between the Company and Manistar in relation to the subscription of the Manistar Convertible Bonds by Manistar (the "Manistar Subscription Agreement") on the same date. The Manistar Convertible Bonds, due on 12 August 2011, are interest-free and convertible into the shares of the Company (subject to conversion restriction pursuant to the terms of the Manistar Convertible Bonds) at the conversion price of HK\$0.10 per share of the Company (subject to adjustments pursuant to the terms of the Manistar Convertible Bonds). Mr. Mak Shiu Tong, Clement is deemed to be interested in such underlying shares of the Company 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 CCT Telecom. The interest of Mr. Mak Shiu Tong, Clement in these underlying shares of the Company has also been disclosed under the section headed "Substantial Shareholders' Interests in Shares and Underlying Shares of the Company" below.*

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES *(continued)*

### (b) Interests and short positions in the shares and the underlying shares of an associated corporation – CCT Telecom as at 30 September 2008

Long positions in the shares of CCT Telecom:

Name of director	Number of the shares interested and nature of interest			Total	Approximate percentage of the total issued share capital
	Personal	Family	Corporate		(%)
Mak Shiu Tong, Clement	715,652	-	294,775,079	295,490,731	34.62
Tam Ngai Hung, Terry	500,000	-	-	500,000	0.06
Cheng Yuk Ching, Flora <i>(Note)</i>	14,076,713	160,000	-	14,236,713	1.67
William Donald Putt	591,500	-	-	591,500	0.07

*Note: Included in the shareholdings in which Ms. Cheng Yuk Ching, Flora was interested, 160,000 shares of CCT Telecom were held by the spouse of Ms. Cheng Yuk Ching, Flora, who is deemed to be interested in such shares under the provisions of Part XV of the SFO or Rule 5.46 of the GEM Listing Rules.*

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

### (c) Interests and short positions in the shares and the underlying shares of an associated corporation – CCT Tech International Limited (“CCT Tech”) as at 30 September 2008

Long positions in the shares of CCT Tech:

Name of director	Number of the shares interested and nature of interest			Approximate percentage of the total issued share capital
	Personal	Corporate	Total	(%)
Mak Shiu Tong, Clement (Note)	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

*Note: Included in the shareholdings in which Mr. Mak Shiu Tong, Clement was interested, 33,026,391,124 shares of CCT Tech were held by CCT Telecom 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 CCT Telecom.*

Save as disclosed above, as at 30 September 2008, none of the directors and the chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) 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 Rule 5.46 of the GEM Listing Rules.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed “Directors’ Interests in Shares and Underlying Shares” above and “Share Option Scheme” below, at no time during the period for the six months ended 30 September 2008 was the Company, or any of its holding companies, subsidiaries or associated corporations, a party to any arrangement to enable the directors 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 IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2008, the following persons had interests or short positions in the shares or underlying shares of the Company 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:

- (i) Long positions in the shares of the Company as at 30 September 2008:

Name of shareholder	Capacity and nature of interest	Notes	Number of the shares interested	Approximate percentage of the total issued share capital (%)
Manistar	Directly beneficially owned	(1)	643,364,070	52.96
CCT Telecom	Through a controlled corporation	(1)	643,364,070	52.96
Mak Shiu Tong, Clement	Through a controlled corporation	(2)	662,708,070	54.56

Notes:

- (1) The shares of the Company were held by Manistar, which is a wholly-owned subsidiary of CCT Telecom.
- (2) Mr. Mak Shiu Tong, Clement is deemed to be interested in such shares of the Company 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 CCT Telecom. The details of interest of Mr. Mak Shiu Tong, Clement in these shares of the Company have also been disclosed under the section headed "Directors' Interests in Shares and Underlying Shares" above.

- (ii) Long positions in the underlying shares of the share options of the Company as at 30 September 2008:

Name of the holder of the share options	Date of grant of the share options	Exercise period of the share options	Exercise price per share HK\$	Number of the share options outstanding	Number of the underlying shares	Approximate percentage of the total issued share capital (%)
Mak Shiu Tong, Clement	14/8/2006	14/8/2006 - 13/8/2011	0.038	22,500,000	22,500,000	1.85

**SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY** *(continued)*

(iii) Long positions in the underlying shares of the convertible bonds of the Company as at 30 September 2008:

Name of the holder of the convertible bonds	Description of equity derivatives	Notes	Principal amount of the convertible bonds HK\$	Number of the underlying shares	Approximate percentage of the total issued share capital (%)
Merdeka Commodities Limited ("MCL")	MCL Convertible Bonds	(1)	776,880,000	7,768,800,000	639.54
Merdeka Finance Group Limited	MCL Convertible Bonds	(1)	776,880,000	7,768,800,000	639.54
Lai Wing Hung	MCL Convertible Bonds	(1)	776,880,000	7,768,800,000	639.54
Manistar	Manistar Convertible Bonds	(2)	138,840,000	1,388,400,000	114.30
CCT Telecom	Manistar Convertible Bonds	(2)	138,840,000	1,388,400,000	114.30
Mak Shiu Tong, Clement	Manistar Convertible Bonds	(2)	138,840,000	1,388,400,000	114.30

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY** *(continued)*

- (iii) Long positions in the underlying shares of the convertible bonds of the Company as at 30 September 2008: *(continued)*

Notes:

- (1) *The MCL Convertible Bonds with an outstanding principal amount of HK\$776,880,000 as at 30 September 2008, were issued by the Company to MCL on 12 August 2008 following the completion of the agreement entered into amongst the Company, MCL and Merdeka Timber Group Ltd. ("MTG") in connection with the acquisition and subscription by the Company of shares in MTG representing 100% shareholding in MTG on the same date. The MCL Convertible Bonds, due on 12 August 2011, are interest-free and convertible into the shares of the Company (subject to conversion restrictions and conversion lock-up provisions pursuant to the MCL Convertible Bonds) at the conversion price of HK\$0.10 per share of the Company (subject to adjustments pursuant to the MCL Convertible Bonds). Merdeka Finance Group Limited is deemed to be interested in such underlying shares of the Company under the SFO as it is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of MCL. Mr. Lai Wing Hung is deemed to be interested in such underlying shares of the Company 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 Merdeka Finance Group Limited.*
- (2) *The Manistar Convertible Bonds with an outstanding principal amount of HK\$138,840,000 as at 30 September 2008, were issued by the Company to Manistar (a wholly-owned subsidiary of CCT Telecom) on 12 August 2008 following the completion of the Manistar Subscription Agreement on the same date. The Manistar Convertible Bonds, due on 12 August 2011, are interest-free and convertible into the shares of the Company (subject to conversion restriction pursuant to the Manistar Convertible Bonds) at the conversion price of HK\$0.10 per share of the Company (subject to adjustments pursuant to the Manistar Convertible Bonds). Mr. Mak Shiu Tong, Clement is deemed to be interested in such underlying shares of the Company 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 CCT Telecom. The interest of Mr. Mak Shiu Tong, Clement in these underlying shares of the Company has also been disclosed under the section headed "Directors' Interests in Shares and Underlying Shares" above.*

Save as disclosed above, as at 30 September 2008, there were no other persons who had an interest or short position in the shares or underlying shares of the Company 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 SCHEME

The share option scheme of the Company (the "Share Option Scheme") was effective on 7 March 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 September 2008, there were 50,500,000 share options outstanding under the Share Option Scheme. Based on these outstanding share options, the total number of shares available for issue is 50,500,000, which represents approximately 4.16% and 2.51% of the total issued share capital of the Company as at 30 September 2008 and the date of the Interim Report 2008 respectively.

Details of the movements of the share options under the Share Option Scheme during the period were as follows:

Name or category of the participant	Number of share options					Outstanding as at 30 September 2008	Date of grant of the share options	Exercise period of the share options	Exercise price of the share options' HK\$ per share
	Outstanding as at 1 April 2008	Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period				
<b>Executive directors</b>									
Mak Shiu Tong, Clement	45,000,000	-	(22,500,000)	-	-	22,500,000	14/8/2006	14/8/2006 - 13/8/2011	0.038
Tam Ngai Hung, Terry	28,000,000	-	(10,000,000)	-	-	18,000,000	14/8/2006	14/8/2006 - 13/8/2011	0.038
Cheng Yuk Ching, Flora	5,000,000	-	-	-	-	5,000,000	14/8/2006	14/8/2006 - 13/8/2011	0.038
William Donald Putt	5,000,000	-	-	-	-	5,000,000	14/8/2006	14/8/2006 - 13/8/2011	0.038
	83,000,000	-	(32,500,000)	-	-	50,500,000			
<b>Independent non-executive directors</b>									
Lam Kin Kau, Mark	950,000	-	(950,000)	-	-	-	14/8/2006	14/8/2006 - 13/8/2011	0.038
Lau Ho Wai, Lucas	950,000	-	(950,000)	-	-	-	14/8/2006	14/8/2006 - 13/8/2011	0.038
	1,900,000	-	(1,900,000)	-	-	-			
<b>Others</b>									
In aggregate	20,000,000	-	-	(20,000,000)	-	-	22/4/2003	23/6/2003 - 22/6/2008	0.037
	20,000,000	-	-	(20,000,000)	-	-			
	104,900,000	-	(34,400,000)	(20,000,000)	-	50,500,000			

## SHARE OPTION SCHEME *(continued)*

*Note to the reconciliation of the share options outstanding as at 30 September 2008:*

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

The closing market price of the shares of the Company immediately before the date of grant in relation to the share options exercisable during the period from 14 August 2006 to 13 August 2011 as quoted in the Stock Exchange's daily quotation sheets was HK\$0.039.

The 34,400,000 share options exercised during the period resulted in the new issue of 34,400,000 shares of the Company, new share capital of HK\$344,000 and share premium of HK\$963,200 (before the share issue expenses).

As at 30 September 2008, the Company had 50,500,000 share options outstanding under the Share Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 50,500,000 additional ordinary shares of the Company, additional share capital of HK\$505,000 and share premium of HK\$1,414,000 (before the share issue expenses).

Subsequent to the interim balance sheet date, 10,000,000 share options were further granted by the Company on 6 October 2008 to Mr. Ma Hang Kon, Louis, the executive director of the Company who was appointed on 3 October 2008. The share options granted to Mr. Ma Hang Kon, Louis are subject to lock-up provision with 5,000,000 share options exercisable only during the period from 6 April 2009 to 13 August 2011 and the remaining 5,000,000 share options exercisable only during the period from 6 October 2009 to 13 August 2011. As a result, the Company had 60,500,000 share options outstanding under the Share Option Scheme, which represents approximately 3.00% of the Company's shares in issue as at the date of approval of these unaudited consolidated interim financial statements.

## COMPETING INTERESTS

During the period under review, none of the directors or the management shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates had any interests in a business that competed or might compete with the business of the Group either directly or indirectly.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company during the six months ended 30 September 2008.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

### Corporate Governance Practices

In the opinion of the directors of the Company, the Company has complied with the code provisions under the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 15 to the GEM Listing Rules throughout the period for the six months ended 30 September 2008, except for the following deviations from the code provisions of the CG Code:

#### ***Code Provision A.2.1***

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

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES *(continued)*

### Corporate Governance Practices *(continued)*

#### **Code Provision A.2.1** *(continued)*

During the six months period ended 30 September 2008, Mr. Mak Shiu Tong, Clement assumed the roles of both the chairman (the "Chairman") and the chief executive officer (the "CEO") of the Company. Mr. Mak has substantial experience 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. During the six months period ended 30 September 2008, the Board was composed of the four executive directors (including the Chairman) and the three independent non-executive directors of the Company (the "INED(s)") with a balance of skills and experience appropriate for the requirements of the Group. Furthermore, the general management of the Company's major operations is performed by other individuals. The Board believes that there was balance of power and authority in the corporate structure of the Company though there was no separation of the roles of the Chairman and the CEO.

On 3 October 2008, the deviation was rectified following Mr. Mak Shiu Tong, Clement's resignation as the CEO and the appointment of Mr. Ma Hang Kon, Louis as an executive director of the Company and the CEO. Mr. Mak Shiu Tong, Clement remains as the Chairman and an executive director of the Company after his resignation as the CEO.

### Corporate Governance Practices *(continued)*

#### **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 is appointed for a specific term. However, all INEDs are subject to retirement by rotation and re-election at every annual general meeting of the Company (the "AGM") in accordance with the articles of association 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 articles of association of the Company, any director appointed to fill a casual vacancy shall hold office only until the next following AGM 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 is less than one year and is considered to be short.

Pursuant to the articles of association of the Company, the Chairman and the managing director of the Company 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 of the Company other than the Chairman will rotate at least once every three years in order to comply with the code provision A.4.2.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES *(continued)*

### **Corporate Governance Practices** *(continued)*

Other information on the corporate governance practices of the Company has been disclosed in the corporate governance report contained in the Annual Report 2007/2008 of the Company issued in June 2008.

### **Model Code for Securities Transactions by the Directors of the Company**

The Company has not adopted a code of conduct regarding the securities transactions by the directors of the Company but has applied the principles of the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all directors of the Company and the Company is not aware of any non-compliance with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the period for the six months ended 30 September 2008.

### **Remuneration Committee**

The Company has established a remuneration committee (the "Remuneration Committee") with specific written terms of reference in line with the code provisions under the CG Code. The Remuneration Committee consists of five members comprising the three INEDs, namely Mr. Lam Kin Kau, Mark, Mr. Fung Hoi Wing, Henry and Mr. Lau Ho Wai, Lucas, and two executive directors of the Company, namely Mr. Mak Shiu Tong, Clement and Mr. Tam Ngai Hung, Terry. The Remuneration Committee is chaired by an INED who is subject to rotation each year.

### **Audit Committee**

The Company has established an audit committee (the "Audit Committee") with specific written terms of reference formulated in accordance with the requirements of the GEM 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 is mainly responsible for (i) reviewing the Company's quarterly results, half-yearly results and annual financial statements and making recommendations as to the approval of the Company's quarterly results, half-yearly results and annual financial statements by the Board; (ii) reviewing and making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and the terms of engagement including the remuneration of the external auditors; (iii) discussing with the external auditors the nature and scope of the audit; (iv) monitoring and assessing the independence and objectivity of the external auditors and the effectiveness of the audit process in accordance with applicable standards; (v) reviewing and monitoring financial reporting and the reporting judgment contained in them; and (vi) reviewing financial and internal control, accounting policies and practices with management of the Group, internal and external auditors of the Company.

The Audit Committee consists of three members comprising the three INEDs, namely Mr. Lam Kin Kau, Mark, Mr. Fung Hoi Wing, Henry and Mr. Lau Ho Wai, Lucas, one of whom is a qualified accountant and has extensive experience in accounting and financial matters. The chairman of the Audit Committee is elected by the members who are present at the meeting. All members of the Audit Committee hold the relevant industry or legal, accounting and financial experience necessary to advise on the Board's strategies and other related matters. All members of the Audit Committee have complete and unrestricted access to the external auditors and all employees of the Company.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES *(continued)*

### **Audit Committee** *(continued)*

The Audit Committee has reviewed the unaudited consolidated interim results of the Group for the six months ended 30 September 2008 and the Interim Report 2008 of the Company, and confirmed that the preparation of such complied with applicable accounting principles and practices adopted by the Company and the requirements of the Stock Exchange, and adequate disclosure had been made.

### **BOARD OF DIRECTORS**

As at the date of this report, the directors of the Company are:

#### *Executive Directors:*

Mr. Mak Shiu Tong, Clement (*Chairman*)

Mr. Ma Hang Kon, Louis (*Chief Executive Officer*)

Mr. Tam Ngai Hung, Terry

Ms. Cheng Yuk Ching, Flora

Dr. William Donald Putt

#### *Independent Non-Executive Directors:*

Mr. Lam Kin Kau, Mark

Mr. Fung Hoi Wing, Henry

Mr. Lau Ho Wai, Lucas

By Order of the Board of  
**CCT RESOURCES HOLDINGS LIMITED**  
**Mak Shiu Tong, Clement**  
*Chairman*

Hong Kong, 7 November 2008



