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**TRADE**easy  
interim report 2007

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*This report, for which the directors of Tradeeasy Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to Tradeeasy Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## HIGHLIGHTS

- Revenue of the Group for the six months ended 30 September 2007 was HK\$22,166,000, decreased 4.73% as compared to HK\$23,267,000 for the corresponding period in the previous financial year.
- Loss for the six months ended 30 September 2007 was HK\$1,419,000 as compared to loss of HK\$2,172,000 for the corresponding period in the previous financial year.
- Loss per share attributable to ordinary equity holders of the Company was HK0.14 cent for the six months ended 30 September 2007 as compared to loss per share of HK0.24 cent for the corresponding period in the previous financial year.
- The board of directors does not recommend the payment of any dividend for the six months ended 30 September 2007.

## UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

The board of directors (the "Directors" or "Board") of Tradeeasy Holdings Limited (the "Company") is pleased to announce that the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group" or "Tradeeasy") for the three months and the six months ended 30 September 2007, together with the comparative unaudited figures for the corresponding periods in 2006, are as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007

	Notes	Three months ended 30 September		Six months ended 30 September	
		2007	2006	2007	2006
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
REVENUE	2	<b>11,174</b>	12,745	<b>22,166</b>	23,267
Cost of sales		<b>(6,602)</b>	(7,855)	<b>(13,989)</b>	(14,361)
Gross profit		<b>4,572</b>	4,890	<b>8,177</b>	8,906
Other income and gains		<b>336</b>	203	<b>720</b>	339
Selling and distribution costs		<b>(696)</b>	(1,001)	<b>(1,375)</b>	(1,582)
General and administrative expenses		<b>(3,775)</b>	(3,035)	<b>(7,158)</b>	(5,881)
Equity-settled share option expenses		<b>-</b>	(2,227)	<b>-</b>	(2,260)
Advertising and promotion expenses		<b>(1,188)</b>	(1,084)	<b>(1,732)</b>	(1,615)
Other expenses		<b>(22)</b>	-	<b>(41)</b>	(49)
Share of profits and losses of associates		<b>(34)</b>	21	<b>(10)</b>	(30)
LOSS BEFORE TAX	4	<b>(807)</b>	(2,233)	<b>(1,419)</b>	(2,172)
Tax	5	<b>-</b>	-	<b>-</b>	-
LOSS FOR THE PERIOD		<b>(807)</b>	(2,233)	<b>(1,419)</b>	(2,172)
(Loss)/profit attributable to:					
Equity holders of the parent		<b>(845)</b>	(2,233)	<b>(1,355)</b>	(2,172)
Minority interests		<b>38</b>	-	<b>(64)</b>	-
		<b>(807)</b>	(2,233)	<b>(1,419)</b>	(2,172)
DIVIDEND	6	<b>-</b>	-	<b>-</b>	-
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (HK cents)	7				
Basic		<b>(0.08)</b>	(0.23)	<b>(0.14)</b>	(0.24)
Diluted		<b>(0.07)</b>	(0.23)	<b>(0.13)</b>	(0.24)

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 30 September 2007

		<b>30 September 2007 (Unaudited) HK\$'000</b>	31 March 2007 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>3,274</b>	3,721
Deferred development expenditure		<b>6,620</b>	4,974
Interest in associates		<b>411</b>	422
Total non-current assets		<b>10,305</b>	9,117
<b>CURRENT ASSETS</b>			
Trade receivables	8	<b>1,457</b>	2,153
Financial assets at fair value through profit or loss		<b>9,487</b>	13,717
Prepayments, deposits and other receivables		<b>2,105</b>	1,647
Due from a related company		<b>-</b>	25
Cash and cash equivalents		<b>10,486</b>	5,961
Total current assets		<b>23,535</b>	23,503
<b>CURRENT LIABILITIES</b>			
Trade payables	9	<b>802</b>	487
Deferred service fees received in advance		<b>3,808</b>	3,923
Due to an associate		<b>671</b>	392
Other payables and accruals		<b>4,765</b>	4,578
Total current liabilities		<b>10,046</b>	9,380
<b>NET CURRENT ASSETS</b>		<b>13,489</b>	14,123
Net assets		<b>23,794</b>	23,240
<b>EQUITY</b>			
Equity attributable to equity holders of the parent			
Issued capital		<b>10,163</b>	9,720
Reserves		<b>13,746</b>	13,571
		<b>23,909</b>	23,291
Minority interests		<b>(115)</b>	(51)
Total equity		<b>23,794</b>	23,240

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 September 2007

	Issued share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Minority Interest (Unaudited) HK\$'000	Total Equity (Unaudited) HK\$'000
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*	443	1,246	-	-	-	-	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	10,163	33,880	66,710	2,582	276	(89,702)	23,909	(115)	23,794
At 1 April 2006	4,210	17,125	66,710	302	(28)	(78,125)	10,194	-	10,194
Issue of shares, net of share issue expenses**	5,500	15,483	-	-	-	-	20,983	-	20,983
Equity-settled share option arrangements	-	-	-	2,260	-	-	2,260	-	2,260
Net loss for the period	-	-	-	-	-	(2,172)	(2,172)	-	(2,172)
At 30 September 2006	9,710	32,608	66,710	2,562	(28)	(80,297)	31,265	-	31,265

\* Shares issued during the period from 1 April 2007 to 30 September 2007 represent shares issued upon exercise of share options.

\*\* On 25 April 2006, 550,000,000 new ordinary shares were issued to CCT Telecom Holdings Limited ("CCT Telecom") for cash at a subscription price of HK\$0.04 per share pursuant to the subscription agreement dated 7 March 2006 for a total cash consideration before expenses, of HK\$22,000,000.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 30 September 2007

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash inflow from operating activities	<b>6</b>	432
Net cash inflow/(outflow) from investing activities	<b>2,830</b>	(2,069)
Net cash inflow from financing activities	<b>1,689</b>	20,983
Net increase in cash and cash equivalents	<b>4,525</b>	19,346
Cash and cash equivalents at beginning of period	<b>5,961</b>	4,964
Cash and cash equivalents at end of period	<b>10,486</b>	24,310
Analysis of the balances of cash and cash equivalents:-		
Cash and bank balances	<b>4,202</b>	5,111
Non-pledged time deposits with original maturity of less than three months when acquired	<b>6,284</b>	19,199
	<b>10,486</b>	24,310

Notes:

## 1. Basis of preparation and consolidation

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") (which also include the 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 GEM Listing Rules. They have been prepared under the historical cost convention. These unaudited condensed consolidated 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 2007. The unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2007 and the 2007 interim report of the Company have been reviewed by the Company's audit committee.

## 2. 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		Six months ended	
	30 September		30 September	
	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Integrated marketing solution services	<b>1,597</b>	2,025	<b>4,609</b>	3,867
ASP services	<b>5,466</b>	7,112	<b>10,090</b>	12,628
Technical consultancy services	<b>4,111</b>	3,608	<b>7,467</b>	6,772
	<b>11,174</b>	12,745	<b>22,166</b>	23,267



### 3. 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

	Six months ended 30 September							
	Integrated marketing				Technical			
	solution services		ASP services		consultancy services		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:								
Sales to external customers	4,609	3,867	10,090	12,628	7,467	6,772	22,166	23,267
Segment results	(319)	238	(698)	776	(1,116)	(924)	(2,133)	90
Interest income							211	321
Share of profits and losses of associates							(10)	(30)
Unallocated revenue							509	–
Unallocated expenses							4	(2,553)
Loss before tax							(1,419)	(2,172)
Tax							–	–
Loss for the period							(1,419)	(2,172)

#### (b) Geographical segments

	Six months ended 30 September					
	Hong Kong		Mainland China		Consolidated	
	2007	2006	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:						
Sales to external customers	14,699	16,495	7,467	6,772	22,166	23,267
Segment results	(1,017)	1,014	(1,116)	(924)	(2,133)	90

#### 4. Loss before tax

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

	Three months ended 30 September		Six months ended 30 September	
	2007	2006	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation	317	257	684	522
Amortisation of deferred development expenditure*	229	224	457	447

\* The amortisation of deferred development expenditure is included in "Cost of sales" on the face of the unaudited condensed consolidated income statement.

#### 5. 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 (2006: Nil) or had available tax losses brought forward from prior years to offset the assessable profits generated during the period (2006: 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.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which will become effective from 1 January 2008. The Group is in the process of making an assessment of the impact of the New CIT Law. So far, it has concluded that the New CIT Law is unlikely to have any significant impact on the results and financial position of the Group for the period ended 30 September 2007. At the date of approval of these financial statements, detailed implementation and administrative requirements relating to the New CIT Law have yet to be announced. These detailed requirements include regulations concerning the computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions. The Group will further evaluate the impact on its operating results and financial positions of future periods as more detailed requirements are issued.

#### 6. Dividend

No interim dividend has been paid or declared by the Company or any of its subsidiaries during the six months ended 30 September 2007 (2006: Nil).

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

The calculation of basic loss per share attributable to ordinary equity holders of the parent for the three months and the six months ended 30 September 2007 is based on the loss for the three months and the six months ended 30 September 2007 of HK\$807,000 and HK\$1,419,000 (2006: HK\$2,233,000 and HK\$2,172,000) respectively and the weighted average number of 1,014,140,674 and 1,004,163,120 ordinary shares in issue (2006: 971,000,000 and 898,868,852 ordinary shares) respectively during the period.

The calculation of diluted loss per share attributable to ordinary equity holders of the parent for the three months and six months ended 30 September 2007 is based on the loss for the three months and six months ended 30 September 2007 of HK\$807,000 and HK\$1,419,000 respectively. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the period, as used in the basic loss per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period.

The calculation of basic and diluted loss per share are based on:

	Three months ended 30 September 2007		Six months ended 30 September 2007	
	(Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	(Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
<b>Loss</b>				
Loss attributable to ordinary equity holders of the parent, used in the basic loss and diluted loss per share calculation	<b>(807)</b>	(2,233)	<b>(1,419)</b>	(2,172)
<b>Shares</b>				
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	<b>1,014,140,674</b>	971,000,000	<b>1,004,163,120</b>	898,868,852
Effect of dilution – weighted average number of ordinary shares:				
Share options	<b>95,525,555</b>	8,566,080	<b>93,767,607</b>	12,179,800
	<b>1,109,666,229</b>	979,566,080	<b>1,097,930,727</b>	911,048,652

## 8. Trade receivables

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

	<b>30 September 2007 (Unaudited) HK\$'000</b>	31 March 2007 (Audited) HK\$'000
Current to 30 days	<b>340</b>	896
31 to 60 days	<b>224</b>	145
61 to 90 days	<b>45</b>	138
Over 90 days	<b>848</b>	974
	<b>1,457</b>	2,153

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

## 9. Trade payables

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

	<b>30 September 2007 (Unaudited) HK\$'000</b>	31 March 2007 (Audited) HK\$'000
Current to 30 days	<b>387</b>	389
31 to 60 days	<b>103</b>	3
61 to 90 days	<b>143</b>	94
Over 90 days	<b>169</b>	1
	<b>802</b>	487

## 10. Subsequent Events

On 4 October 2007, the Company entered into a conditional sale and purchase agreement (as amended by a supplemental agreement dated 17 October 2007) (hereafter collectively be defined as the "Agreement"), pursuant to which the Company conditionally agreed to purchase and to subscribe the shares of Merdeka Timber Group Limited ("MTG") at a total consideration of approximately US\$185,000,000 (equivalent to approximately HK\$1,443,000,000). The consideration to acquire existing shares in MTG shall be satisfied by the cash consideration of HK\$7,800,000, the issue of two three-year zero-coupon convertible bonds (subject to adjustment) in the respective amount of HK\$776,880,000 and HK\$439,920,000 at the conversion price of HK\$0.10 per share of the Company. The consideration for subscription of new shares in MTG of US\$28,000,000 equivalent to HK\$218,400,000 shall be settled in cash to MTG and the proceeds shall be used by the MTG group to purchase machinery and facilities for and to fund other capital expenditure, the preparation costs and working capital of the forest projects. Upon completion, the Company will be beneficially interested in 100% equity interest of the then total issued share capital of MTG. MTG will hold a controlling interest in the forestry projects in Papua, Indonesia with natural forest concession of 613,500 hectares (approximately 5 times the size of Hong Kong) and the MTG group will be engaged in the upstream and downstream forestry businesses in Papua, Indonesia.

On 4 October 2007, the Company also entered into a subscription agreement (as amended by a supplemental agreement dated 17 October 2007) (hereafter collectively defined as the "Manistar Subscription Agreement") with Manistar Enterprises Limited ("Manistar", the holding company of the Company and a wholly-owned subsidiary of CCT Telecom), pursuant to which Manistar agreed to subscribe for and the Company agreed to issue Manistar with the three-year zero-coupon convertible bonds (the "Manistar Convertible Bonds") at the conversion price of HK\$0.10 per share in the aggregate principal amount of HK\$226,200,000. The proceeds from the issue of the Manistar Convertible Bonds will be used by Company to pay for the cash consideration and the subscription consideration under the Agreement.

The Agreement and the Manistar Subscription Agreement and the transactions contemplated thereunder are still pending the issue of the circulars in respect thereof and are subject to, inter alia, approval by the independent shareholders of the Company.

Details of the above transactions have been set out in the joint announcement of the Company and CCT Telecom dated 23 October 2007.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the six months ended 30 September 2007, the Group recorded a turnover of HK\$22.2 million, as compared to HK\$23.3 million for the same period in year 2006, representing a decrease of approximately 4.7%. The Group also reported a net loss of HK\$1.4 million as compared to HK\$2.2 million last year.

The revenue generated from Mainland China has continued to grow from HK\$6.8 million to HK\$7.5 million during the six months ended 30 September 2007 as compared to the corresponding period in the previous financial year by approximately 10.3%, while the revenue generated from Hong Kong has dropped approximately 10.9% from HK\$16.5 million to HK\$14.7 million as compared to the corresponding period in the previous financial year, due to keen competition. In respect of the segment performance in the period under review, the turnover of integrated marketing solution services has increased by approximately 17.9% to HK\$4.6 million (2006: HK\$3.9 million), the turnover of Application Service Provider services has decreased by approximately 19.8% to HK\$10.1 million (2006: HK\$12.6 million) and the turnover of technical consultancy services has increased by approximately 10.3% to HK\$7.5 million (2006: HK\$6.8 million).

During the six months under review, the Group has newly appointed five agents for the services in the central and northern parts of China. As a result, a total of fifteen agents have been appointed following the implementation of the channel sales program in China in mid 2006. In order to enhance the efficiency in marketing the Group's products, the agents should acquire updated professional knowledge on B2B international trade and be equipped with various soft skills. Therefore, the Group devoted substantial resources for the provision of proper training to the agents in this interim period and it was convincing that the channel sales program has generated revenue, which the revenue growth of the Group in China is attributable to.

The Group has paid much effort in both upgrading its software system and the application of new technology. Thanks to the launch of our new portal [www.tradeeasy.com](http://www.tradeeasy.com) in May 2007, the number of traffics to our site from overseas countries has increased by double. In terms of the content enrichment in our portal, our ranking in the public search engines has significantly advanced. The Group's research and development team has started the phase two development, which is focusing on the enhancement of the quality of our portal's search results as well as the improvement in its usability. The management expects the full version will be completed by the end of this financial year.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### Business Review *(continued)*

Deep Sourcing Services for buyers continue to be one of the Group's main activities. The number of buyer members has increased over 430,000. The participation of buyers in face-to-face meetings with sellers was encouraging in this interim period, whereas the number of buyers attended has recorded an increase of 15%.

The Group has organized and participated in various marketing events with Mainland China government and domestic trade associations in this period under review. We believe that the coverage and exposure of the Group in China mass media has increased and the brand awareness was enhanced.

In order to complement the highly competitive e-commerce business, the Group entered into a conditional sale and purchase agreement (as amended by the supplemental agreement) in October 2007 for the acquisition of the forestry projects in Papua, Indonesia in diversifying the existing business into new areas of high-growth business. The acquisition is a new expansion of the Group's business into the forestry businesses of harvesting and extraction of timber, forest land clearing, plantation of oil palms on forest land cleared by logging, production of palm oil, operations of sawmills, and production and export of sawn timber and other timber and wood products in the natural forest concession areas of over 600,000 hectares (approximately 5 times the size of Hong Kong) in the Papua Province of Indonesia. It is believed that the transactions will substantially enhance the assets, revenue and profitability of the Group. The transactions are still pending the issue of the circulars in respect thereof and are subject to, inter alia, approval by the independent shareholders of the Company.

### Outlook

The appreciation of Renminbi against the US dollar gives noticeable pressure to Tradeeasy seller members, in particular, the Hong Kong manufacturers. The shortage of labour, a rise of salary level and the tightening measures on environmental regulations by Mainland China government, are additional challenges for manufacturers in southern part of China. Responding this, Hong Kong manufacturers are cutting down their promotional budget to remain its competitiveness in the market.

In order to alleviate the pressure, the management intends to develop the new markets in both central and northern parts of China in full swing. The strategies of setting up channel sales management team and appointing agents are proved to be on the right track. The management will devote full efforts in accelerating the expansion plan, so as to diversify from our existing market in southern part of China.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### Outlook *(continued)*

With the implementation of different strategies, namely cost containment, continuous development of innovative products, and exploration of new markets, the Group will drive to remain competitive and to sustain a healthy growth.

### Liquidity, financial resources and capital structure

As at 30 September 2007, the Group's cash and cash equivalents amounted to HK\$10,486,000, of which 79.21% was denominated in Hong Kong dollars. The Group adopts a conservative approach to its treasury policy and funding needs are principally financed by cash flows generated internally.

The Group's net asset value as at 30 September 2007 amounted to HK\$23,794,000, representing HK2.34 cents per share. During the period under review, there was no borrowings or assets pledged during the six month period and as at 30 September 2007. The gearing ratio (i.e. total long-term external borrowings/total equity) of the Group as at 30 September 2007 was nil (31 March 2007: nil). As at 30 September 2007, the Group had total current assets of HK\$23,535,000 and total current liabilities of HK\$10,046,000. The current ratio of the Group was 234% as at 30 September 2007 as compared to 251% of 31 March 2007.

### Foreign currency exposure

The Group's reporting currency is in Hong Kong dollars. Most of the transactions, assets and liabilities of the Group are denominated in Hong Kong dollars and Renminbi. Since the Group has both Renminbi receipts and payments in our Mainland China operation and the net Renminbi exposure is not significant. The Board considers that the Group is not exposed to any significant exchange risk and accordingly, no hedging transaction was made during the period under review.

### Contingent liabilities

The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK\$1.1 million as at 30 September 2007 (31 March 2007: HK\$1.1 million). A provision has not been recognized in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.



## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **Contingent liabilities** *(continued)*

During the period under review and as at the period end date, a corporate guarantee of HK\$5 million was given by the Company to a bank in connection with banking facilities granted to a subsidiary. As at 30 September 2007, the relevant banking facilities under this guarantee remain unutilized.

### **Future plans for investment or capital assets**

The Group expects its primary capital expenditures to be investments in computer hardware, software and research and development required for operations and development of new or value-added services based on the current plan. The Board does not see the need to make any material borrowings and all of which will be financed by internal resources.

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

During the six months ended 30 September 2007, the Group had no material acquisition and disposal of subsidiaries and affiliated companies.

### **Significant investments**

During the six months ended 30 September 2007, the Group did not hold any significant investment.

### **Employees**

As at 30 September 2007, the Group employed 78 staff in Hong Kong (2006: 85) and 179 staff in Mainland China (2006: 175). Total staff costs (including directors' remuneration) of the Group for the six months ended 30 September 2007 were approximately HK\$12.6 million (six months ended 30 September 2006: HK\$11.3 million). Headcount in Mainland China increased during the period ended 30 September 2007 for research and development of new business opportunities. 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.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2007, 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 (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 of the Company as at 30 September 2007

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

Name of the Director	Number of the Shares directly beneficially held	Approximate percentage of the total issued share capital (%)
Fung Hoi Wing, Henry	950,000	0.09

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

Name of the Director	Date of grant of share options	Exercise period of share options	Exercise price per Share HK\$	Number of share options outstanding	Number of total underlying Shares	Approximate percentage of the total issued share capital (%)
Mak Shiu Tong, Clement	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	45,000,000	45,000,000	4.43
Tam Ngai Hung, Terry	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	28,000,000	28,000,000	2.76
Cheng Yuk Ching, Flora	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	5,000,000	5,000,000	0.49
William Donald Putt	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	5,000,000	5,000,000	0.49
Lam Kin Kau, Mark	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	950,000	950,000	0.09
Lau Ho Wai, Lucas	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	950,000	950,000	0.09
				84,900,000	84,900,000	8.35

**DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES** *(continued)***(b) Interests and short positions in the shares and the underlying shares of the convertible bonds of an associated corporation – CCT Telecom as at 30 September 2007**

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

Name of the Director	Number of the shares beneficially held and nature of interest				Total	Approximate percentage of the total issued share capital (%)
	Personal	Family	Corporate			
Mak Shiu Tong, Clement	715,652	–	238,283,758		238,999,410	29.98
Cheng Yuk Ching, Flora <i>(Note)</i>	14,076,713	120,000	–		14,196,713	1.78
Tam Ngai Hung, Terry	500,000	–	–		500,000	0.06
William Donald Putt	591,500	–	–		591,500	0.07

*Note:* Included in the shareholdings in which Ms. Cheng Yuk Ching, Flora was interested, 120,000 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)***(b) Interests and short positions in the shares and the underlying shares of the convertible bonds of an associated corporation – CCT Telecom as at 30 September 2007** *(continued)*

- (ii) Long positions in the underlying shares of the convertible bonds of CCT Telecom:

<b>Name of the Director</b>	<b>Description of equity derivatives</b>	<i>Notes</i>	<b>Number of the total underlying shares</b>	<b>Approximate percentage of the total issued share capital</b>
				( <i>%</i> )
Mak Shiu Tong, Clement	2010 convertible bonds	(1)	29,942,649	3.76
	2009 convertible bonds	(2)	26,548,672	3.33

*Notes:*

- (1) The 2010 convertible bonds with an outstanding principal amount of HK\$18,085,360 as at 30 September 2007, were issued by CCT Telecom to New Capital Industrial Limited (a company controlled by Mr. Mak Shiu Tong, Clement) on 25 April 2005. The 2010 convertible bonds, due on 25 April 2010, are interest free and convertible into the shares of CCT Telecom at the conversion price of HK\$0.604 per share of CCT Telecom (subject to adjustments according to the terms of the 2010 convertible bonds).
- (2) The 2009 convertible bonds with an outstanding principal amount of HK\$30,000,000 as at 30 September 2007, were issued by CCT Telecom to Capital Winner Investments Limited (a company controlled by Mr. Mak Shiu Tong, Clement) on 23 June 2006. The 2009 convertible bonds, due on 23 June 2009, are interest free and convertible into the shares of CCT Telecom at the conversion price of HK\$1.13 per share of CCT Telecom (subject to adjustments according to the terms of the 2009 convertible bonds).

**DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES** (continued)**(c) Interests and short positions in the shares and the underlying shares of the share options of an associated corporation – CCT Tech International Limited (“CCT Tech”), which is a fellow subsidiary of the Company, as at 30 September 2007**

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

<b>Name of the Director</b>	<b>Nature of interest</b>	<b>Number of the shares beneficially held</b>	<b>Approximate percentage of the total issued share capital</b>
			(%)
Mak Shiu Tong, Clement	Beneficial owner	120,000,000	0.18
Cheng Yuk Ching, Flora	Beneficial owner	18,000,000	0.03
Tam Ngai Hung, Terry	Beneficial owner	20,000,000	0.03

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

<b>Name of the Director</b>	<b>Date of grant of share options</b>	<b>Exercise period of share options</b>	<b>Exercise price per share</b>	<b>Number of share options outstanding</b>	<b>Number of total underlying shares</b>	<b>Approximate percentage of the total issued share capital</b>
			HK\$			(%)
William Donald Putt	8 Jun 2007	8 Jun 2007 to 7 Dec 2007	0.055	10,000,000	10,000,000	0.02

In addition to the above, as at 30 September 2007, certain Directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 30 September 2007, none of the Directors and the chief executive of the Company and/or any of their respective associates had registered an interest in the shares and the underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to 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 heading "Directors' Interests in Shares and Underlying Shares" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

At 30 September 2007, the following persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the Shares as at 30 September 2007:

<b>Name of the shareholder</b>	<b>Capacity and nature of interest</b>	<b>Number of the ordinary shares held</b>	<b>Approximate percentage of the Company's total issued share capital (%)</b>
Manistar Enterprises Limited <i>(Note)</i>	Directly beneficially owned	643,364,070	63.31
CCT Telecom Holdings Limited <i>(Note)</i>	Through a controlled corporation	643,364,070	63.31

*Note:* The ordinary shares are held by Manistar Enterprises Limited, which is wholly-owned by CCT Telecom Holdings Limited.

Save as disclosed above, as at 30 September 2007, there were no other persons who had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group. The Scheme was approved by the then sole shareholder of the Company on 20 February 2002 by way of a written resolution. The board of directors of the Company may, at their discretion, offer options to any full-time or part-time employee or director of any member of the Group, and any consultant of or adviser to any member of the Group (the "Participants") to subscribe for shares of the Company. The Scheme became effective on 7 March 2002 and shall be valid and effective for a period of 10 years from that date, subject to early termination by the Company in a general meeting or by the board of directors.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme must not exceed 30% of the shares in issue from time to time.

The maximum number of shares available for issue under options which may be granted under the Scheme adopted by the Company must not in aggregate exceed 10% of the shares in issue. The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted to each Participant (including both exercised and outstanding options) in any 12-month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant. Any further grant of options in excess of the above limit must be subject to shareholders' approval with such Participant and his associates (as defined in the GEM Listing Rules) abstaining from voting.

If options are granted to a connected person (as defined in the GEM Listing Rules) or his associates, the granting of such options will be subject to all independent non-executive directors' (excluding independent non-executive director who is a grantee) approval; where options are proposed to be granted to a connected person who is also a substantial shareholder or independent non-executive director or any of their respective associates which will result in the total number of shares issued and to be issued upon exercise of the options granted or to be granted (including options exercised, cancelled and outstanding) to such person under the Scheme in the past 12-month period up to and including the date of such grant: (1) exceeding 0.1% of the total issued shares for the time being; and (2) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5,000,000, the granting of such options will be subject to approval of the independent shareholders of the Company taken on a poll. All connected persons will abstain from voting (except that any connected person may vote against the resolution).

**SHARE OPTION SCHEME** *(continued)*

Upon acceptance of the option, the grantee shall pay HK\$1 to the Company as consideration for the grant. The option will be offered for acceptance for a period of 28 days (or such shorter period as the board of directors may from time to time determine) from the date on which the option is granted. The exercise period of the share options granted is determinable by the directors and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The subscription price of a share in respect of any particular option granted under the Scheme shall be such price as the board of directors in its absolute discretion shall determine, save that such price shall be the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant of the option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets on the five business days immediately preceding the date of the grant of the option; and (iii) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 14 August 2006, a grant of 117,850,000 options beyond the limit under the Scheme was duly passed by the shareholders at the Extraordinary General Meeting. Upon the grant of 117,850,000 options, the aggregate number of options in issue and outstanding was 12.14% of the 971,000,000 shares in issue on the date of grant and did not exceed the overall limit of 30% of the shares in issue.



**SHARE OPTION SCHEME** (continued)

Details of the movements of share options under the Scheme during the six months ended 30 September 2007:

Category of Participant	Number of share options				At 30 September 2007	Date of grant of share options	Exercise period of share options <sup>†</sup>	Exercise price of share options <sup>**</sup> HK\$ per Share	Price of the Company's shares at grant date of options <sup>**</sup> HK\$ per Share
	At 1 April 2007	Granted during the period	Forfeited during the period	Exercised during the period					
<b>Directors</b>	85,850,000	-	-	(950,000)	84,900,000	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	0.041
<b>Employees</b> (Including ex-employees and a past director) In aggregate	11,000,000	-	-	(11,000,000)	-	22 Apr 2003	23 Jun 2003 to 22 Jun 2008	0.037	-
	4,000,000	-	-	(4,000,000)	-	6 Oct 2004	4 Nov 2004 to 3 Nov 2009	0.030	-
	2,100,000	-	-	(2,100,000)	-	27 Sep 2005	26 Oct 2005 to 25 Oct 2010	0.043	0.040
	3,246,000	-	(164,000)	(2,777,000)	305,000	20 Dec 2005	18 Jan 2006 to 19 Feb 2012	0.043	0.047
	1,581,000	-	(164,000)	(1,112,000)	305,000	20 Dec 2005	18 Jan 2007 to 19 Feb 2012	0.043	0.047
	30,000,000	-	-	(18,132,000)	11,868,000	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	0.041
	51,927,000	-	(328,000)	(39,121,000)	12,478,000				
<b>Others</b> In aggregate	20,000,000	-	-	-	20,000,000	22 Apr 2003	23 Jun 2003 to 22 Jun 2008	0.037	-
	4,000,000	-	-	(4,000,000)	-	27 Sep 2005	26 Oct 2005 to 25 Oct 2010	0.043	0.040
	400,000	-	-	-	400,000	20 Dec 2005	18 Jan 2006 to 19 Feb 2012	0.043	0.047
	400,000	-	-	-	400,000	20 Dec 2005	18 Jan 2007 to 19 Feb 2012	0.043	0.047
	2,000,000	-	-	(200,000)	1,800,000	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	0.041
	26,800,000	-	-	(4,200,000)	22,600,000				
	164,577,000	-	(328,000)	(44,271,000)	119,978,000				

## SHARE OPTION SCHEME *(continued)*

Notes to the reconciliation of share options outstanding as at 30 September 2007:

- \* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- \*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- \*\*\* The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

The 44,271,000 share options exercised during the period resulted in the issue of 44,271,000 shares and new share capital of HK\$442,710 and share premium of HK\$1,246,533 (before issue expenses).

As at 30 September 2007, the Company had 119,978,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 119,978,000 additional ordinary shares of the Company and additional share capital of approximately HK\$1,199,780 and share premium of approximately HK\$3,346,434 (before the share issue expenses).

At the date of approval of these unaudited consolidated interim results, no share options were further exercised subsequent to the balance sheet date. As a result, the Company had 119,978,000 share options outstanding under the Scheme, which represented approximately 11.81% of the Company's shares in issue as at that date.

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

Neither the Company, nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed shares during the six months ended 30 September 2007.

## 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 2007, except for the following deviations from 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.

Mr. Mak Shiu Tong, Clement currently assumes the roles of both the Chairman and the Chief Executive Officer ("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. The Board is composed of four executive directors (including the Chairman) and three independent non-executive directors ("INED(s)") with a balance of skills and experience appropriate for the requirements of the Group. Furthermore, the general management of the Company's operations are performed by other individuals. The Board believes that there is no need to segregate the roles of the Chairman and the CEO as the balance of power and authority is already ensured by the current structure. The Board does not believe that the separation of the roles of the Chairman and the CEO will improve the corporate performance.

#### **Code Provision A.4.1**

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

None of the resigned or existing INEDs is appointed for a specific term. However, all INEDs are subject to the retirement by rotation and re-election at every annual general meeting of the Company in accordance with the articles of association of the Company.

**COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES** *(continued)***Corporate Governance Practices** *(continued)***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 the election by the shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to the 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 annual general meeting 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 annual general meeting 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 the retirement by the 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.

Other information on the corporate governance practices of the Company has been disclosed in the corporate governance report contained in the 2006/2007 Annual Report of the Company issued in June 2007.

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

The Company has not adopted a code of conduct regarding 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 ("Required Standard of Dealings"). The Company has also made specific enquiry of all Directors and the Company is not aware of any non-compliance with the Required Standard of Dealings throughout the period for the six months ended 30 September 2007.

## 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 three INEDs, namely Mr. Lam Kin Kau, Mark, Mr. Fung Hoi Wing, Henry and Mr. Lau Ho Wai, Lucas, and two executive Directors, 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 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 standard; (v) reviewing and monitoring financial reporting and the reporting judgement contained in them; and (vi) reviewing financial and internal controls, accounting policies and practices with management of the Group, internal and external auditors of the Company.

During the period ended 30 September 2007, the Audit Committee consisted of three members comprising all the three INEDs, Mr. Lam Kin Kau, Mark, Mr. Fung Hoi Wing, Henry and Mr. Lau Ho Wai, Lucas. 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. The Audit Committee is chaired by an INED who is subject to rotation each year.

**AUDIT COMMITTEE** *(continued)*

The Audit Committee has reviewed the Group's unaudited consolidated results for the six months ended 30 September 2007, and confirmed that the preparation of such complied with applicable accounting principles and practices adopted by the Company, the requirements of the Stock Exchange and adequate disclosures 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 & 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  
**Tradeeasy Holdings Limited**  
**Mak Shiu Tong, Clement**  
*Chairman*

Hong Kong, 12 November 2007