

TRADEeasy
interim report 2006

HIGHLIGHTS

- Revenue of the Group for the six months ended 30 September 2006 was HK\$23,267,000, up 10% as compared to HK\$21,145,000 for the corresponding period in the previous financial year.
- Loss for the six months ended 30 September 2006 was HK\$2,172,000 due to a one-time expense of HK\$2,260,000 arising from the issue of share options to directors and eligible participants. Without such expense, the profit for the first half of the year would have been HK\$88,000 as compared to profit of HK\$1,276,000 for the corresponding period in the previous financial year.
- Loss per share attributable to ordinary equity holders of the parent of the Group was HK0.24 cent for the six months ended 30 September 2006 as compared to earnings per share attributable to ordinary equity holders of the parent of the Group of HK0.30 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 2006.

UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

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 2006, together with the comparative unaudited figures for the corresponding periods in 2005, are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2006

	Notes	Three months ended 30 September		Six months ended 30 September	
		2006	2005	2006	2005
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
REVENUE	2	12,745	10,830	23,267	21,145
Cost of sales		(7,855)	(5,872)	(14,361)	(11,602)
Gross profit		4,890	4,958	8,906	9,543
Other income and gains		203	13	339	24
Selling and distribution costs		(1,001)	(592)	(1,582)	(1,201)
General and administrative expenses		(3,035)	(2,843)	(5,881)	(5,530)
Equity-settled share option expenses		(2,227)	–	(2,260)	–
Advertising and promotion expenses		(1,084)	(899)	(1,615)	(1,487)
Other expenses		–	–	(49)	–
Share of profits and losses of associates		21	–	(30)	–
PROFIT/(LOSS) BEFORE TAX	4	(2,233)	637	(2,172)	1,349
Tax	5	–	–	–	(73)
PROFIT/(LOSS) FOR THE PERIOD		(2,233)	637	(2,172)	1,276
DIVIDEND	6	–	–	–	–
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7				
Basic		HK(0.23) cent	HK0.15 cent	HK(0.24) cent	HK0.30 cent
Diluted		HK(0.23) cent	HK0.15 cent	HK(0.24) cent	HK0.29 cent

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30 September 2006*

		30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		2,556	2,541
Deferred development expenditure		8,388	6,952
Interest in associates		391	522
Total non-current assets		11,335	10,015
CURRENT ASSETS			
Trade receivables	8	3,221	1,606
Prepayments, deposits and other receivables		1,899	1,900
Cash and cash equivalents		24,310	4,964
Total current assets		29,430	8,470
CURRENT LIABILITIES			
Trade payables	9	1,043	88
Deferred service fees received in advance		4,002	3,761
Other payables and accruals		4,455	4,442
Total current liabilities		9,500	8,291
NET CURRENT ASSETS		19,930	179
Net assets		31,265	10,194
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		9,710	4,210
Reserves		21,555	5,984
Total equity		31,265	10,194

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 September 2006*

	Issued share capital (Unaudited)	Share premium account (Unaudited)	Contributed surplus (Unaudited)	Share option reserve (Unaudited)	Exchange fluctuation reserve (Unaudited)	Accumulated losses (Unaudited)	Total (Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2005	4,210	17,125	66,710	–	11	(76,422)	11,634
Net profit for the period	–	–	–	–	–	1,276	1,276
At 30 September 2005	4,210	17,125	66,710	–	11	(75,146)	12,910
At 1 April 2006	4,210	17,125	66,710	302	(28)	(78,125)	10,194
Issue of shares, net of share issue expenses*	5,500	15,483	–	–	–	–	20,983
Equity-settled share option arrangements	–	–	–	2,260	–	–	2,260
Net loss for the period	–	–	–	–	–	(2,172)	(2,172)
At 30 September 2006	9,710	32,608	66,710	2,562	(28)	(80,297)	31,265

* On 25 April 2006, 550,000,000 new ordinary shares were issued to CCT Telecom Holdings Limited 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 2006*

	Six months ended	
	30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow from operating activities	432	2,265
Net cash outflow from investing activities	(2,069)	(1,969)
Net cash inflow from financing activities	20,983	—
Net increase in cash and cash equivalents	19,346	296
Cash and cash equivalents at beginning of period	4,964	6,448
Cash and cash equivalents at end of period	24,310	6,744
Analysis of the balances of cash and cash equivalents:—		
Cash and bank balances	5,111	6,744
Non-pledged time deposits with original maturity of less than three months when acquired	19,199	—
	24,310	6,744

Notes:

1 Basis of preparation and consolidation

The unaudited condensed consolidated interim 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 consolidated interim results 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 annual financial statements for the year ended 31 March 2006. The accounts are unaudited but have been reviewed by the Company's audit committee ("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 30 September 2006		Six months ended 30 September 2006	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Integrated marketing solution services	2,025	1,597	3,867	3,376
ASP services	7,112	6,564	12,628	12,419
Technical consultancy services	3,608	2,669	6,772	5,350
	12,745	10,830	23,267	21,145

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

Group	Six months ended 30 September							
	Integrated marketing				Technical			
	solution services		ASP services		consultancy services		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
	(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	3,867	3,376	12,628	12,419	6,772	5,350	23,267	21,145
Segment results	238	602	776	2,370	(924)	(1,051)	90	1,921
Interest income							321	24
Share of profits and losses of associates							(30)	-
Unallocated expenses							(2,553)	(596)
Profit/(loss) before tax							(2,172)	1,349
Tax							-	(73)
Profit/(loss) for the period							(2,172)	1,276

(b) Geographical segments

Group	Six months ended 30 September					
	Hong Kong		Mainland China		Consolidated	
	2006	2005	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	16,495	15,795	6,772	5,350	23,267	21,145
Segment results	1,014	2,972	(924)	(1,051)	90	1,921

4. Profit/(loss) before tax

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

	Three months ended 30 September		Six months ended 30 September	
	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	257	381	522	785
Amortisation of deferred development expenditure*	224	204	447	444

* The amortisation of deferred development expenditure is included in "Cost of sales" on the face of the unaudited 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 (2005: Nil) or had available tax losses brought forward from prior years to offset the assessable profits generated during the period (2005: 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.

Tradeeasy Information Technology (Guangzhou) Limited, a Sino-foreign co-operative joint venture company established and operating in Guangzhou, is subject to Mainland China enterprise income tax at a rate of 33%.

Tradeeasy Information Technology (Beijing) Limited, a wholly-foreign owned enterprise established and operating in Beijing, is subject to Mainland China enterprise income tax at a rate of 33%. Pursuant to a notice dated 8 January 2001 issued by 北京市海澱區國家稅務局, Tradeeasy Information Technology (Beijing) Limited was granted the status of a High and New Technology Enterprise and hence the applicable income tax rate was reduced to 15%. The notice also stated that Tradeeasy Information Technology (Beijing) Limited enjoys full exemption from Mainland China enterprise income tax for two years starting from its first profitable year of operations, followed by a 50% reduction in the income tax rate for the next three years.

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 2006 (2005: Nil).

7. Earnings/(loss) per share attributable to ordinary equity holders of the parent

The calculation of basic earnings/(loss) per share attributable to ordinary equity holders of the parent for the three months and the six months ended 30 September 2006 is based on the net loss for the three months and the six months ended 30 September 2006 of HK\$2,233,000 and HK\$2,172,000 (2005 net profit: HK\$637,000 and HK\$1,276,000) respectively and the weighted average number of 971,000,000 and 898,868,852 ordinary shares in issue (2005: 421,000,000 and 421,000,000 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 2006 is based on the net loss for the three months and six months ended 30 September 2006 of HK\$2,233,000 and HK\$2,172,000 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 earnings/(loss) per share are based on:

	Three months ended 30 September 2006 (Unaudited) HK\$'000		Six months ended 30 September 2006 (Unaudited) HK\$'000	
		2005 (Unaudited) HK\$'000		2005 (Unaudited) HK\$'000
Earnings/(loss)				
Net profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) and diluted earnings/(loss) per share calculation	(2,233)	637	(2,172)	1,276
Shares				
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	971,000,000	421,000,000	898,868,852	421,000,000
Effect of dilution – weighted average number of ordinary shares:				
Share options	8,566,080	14,123,118	12,179,800	13,009,367
	979,566,080	435,123,118	911,048,652	434,009,367

8. Trade receivables

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

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Current to 30 days	1,724	436
31 to 60 days	152	221
61 to 90 days	358	161
Over 90 days	987	788
	3,221	1,606

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:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Current to 30 days	1,043	3
31 to 60 days	–	1
61 to 90 days	–	84
	1,043	88

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operation Review

Tradeeasy recorded a turnover of approximately HK\$23.3 million for the six months ended 30 September 2006 as compared to HK\$21.1 million for the corresponding period in the previous financial year, representing an increase of 10.4%. The Group recorded a turnover of HK\$12.7 million for the three months ended 30 September 2006 as compared to HK\$10.8 million, representing an increase of 17.6%. The second quarter's results are largely attributable to a higher revenue growth.

During the period under review, it has seen the encouraging Group's segmental performance in the following sectors. The turnover of Integrated Marketing Solution services has increased by 14.7% to HK\$3.9 million (2005: HK\$3.4 million); the turnover of Application Services Provider services has increased by 1.6% to HK\$12.6 million (2005: HK\$12.4 million) and the turnover of Technical Consultancy services has increased by 25.9% to HK\$6.8 million (2005: HK\$5.4 million).

However, the Group recorded a net loss of HK\$2.2 million for the six months ended 30 September 2006, as compared to a net profit of HK\$1.3 million in the corresponding period in 2005. The loss incurred is due to the expenses of HK\$2.3 million in relation to granting of share options during the period under review, as well as the additional costs incurred to strengthen the competitiveness of the Group.

A central training center in Mainland China commenced its operation in full in March 2006. The performance of the sales and marketing team has shown improvement and the number of salespersons has been increased. As a result, the revenue derived from Mainland China has increased over 26% compared to the same period last year.

Since the establishment of the research and development center in Guangzhou in April 2006 there have been initiated a number of projects, focusing in the deployment of the latest technology, and all of them are in good progress. Upon the collection of feedback for the new transaction platform beta version, the Group is ready to introduce its full version by end of this year. The team is now working on revamping the existing portal, which is expected to be roll out in next quarter; and restructuring the hardware and software platform to safeguard the stability and the efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business and Operation Review *(continued)*

In addition to the Garment Directory which was published in last financial year, the Group has published another two new directories, namely "Gifts, Toys and Electronics" and "Household". They are designed with the greatest user-friendliness and built-in with extra contents such as factory infrastructure, production capacity and factory audit information, and have been proven to be efficient tools for buyers.

Meanwhile, we have expanded our Buyers Service Team in Hong Kong and in Mainland China in particular, to liaise with the local governmental authorities and the trade shows organisers to provide more value added services to our buyers which of an estimated number of buyer members over 350,000.

The subscription of 550,000,000 new shares of the Company by CCT Telecom Holdings Limited ("CCT Telecom") was completed on 25 April 2006. The net proceeds of approximately HK\$20 million enabled the Group to allocate more resources for all of the above mentioned development and projects. With the injection of new capital and the support from CCT Telecom, our new controlling shareholder, the Group will be able to further expand its principal business and broaden its business spectrum and volume in both Hong Kong and Mainland China.

Outlook

With the injection of new capital, the Group is able to undertake a number of initiatives to strengthen the Group's core business and develop new business models. The expansion of the sales and marketing team in Mainland China resulted in a significant growth in revenue in this quarter. The Group will continue to devote resources in this fast growing market and increase market shares.

Looking forward, it is expected that Mainland China will continue to play the leading role in the international trade market. SME buyers, who used to buy from their local importers, will gradually set up their offices in Mainland China. The Group is poised to increasing its investment in Mainland China and devoting more resources into the areas of infrastructure, sales and marketing, technical support, research and development, with a view to meeting the increasing demand for Tradeeasy services.

The Company will engage channel sales in Mainland China to increase the number of distribution points in those places where the Group does not have or it is not cost effective to have branches or agency establishments.

New portal sites and platform will be rolled out in the next half year, more value added services could be provided to buyers and new products will continue emerge. The second half of the financial year is exciting but full of challenge.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Outlook *(continued)*

It is not expected that the currently undertaken projects, especially those still in the developing stage, will not be able to generate income in short run but their investments inevitably affected the profit margin of the Company. It is envisaged that it takes us some more time in smoothing out the operation and establishing the best practices before profits could be reaped. Nevertheless, we are full confidence that the Group will benefit from above strategic initiatives in the long run.

Liquidity, financial resources and capital structure

As at 30 September 2006, the Group's cash and cash equivalents amounted to HK\$24,310,000, of which 94% 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 2006 amounted to HK\$31,265,000, representing HK3.2 cent per share. During the period under review, there was no borrowings or assets pledged during the six months period and as at 30 September 2006. The gearing ratio (i.e. total long-term external borrowings/total equity) of the Group as at 30 September 2006 was nil (31 March 2006: Nil). As at 30 September 2006, the Group had total current assets of HK\$29,430,000 and total current liabilities of HK\$9,500,000. The current ratio of the Group was 310% as at 30 September 2006 as compared to 102% of 31 March 2006.

On 25 April 2006, 550,000,000 new ordinary shares were issued to CCT Telecom at a subscription price of HK\$0.04 per share for a total consideration before expense of HK\$22,000,000. Save as disclosed, there has been no change in capital structure of the Company during the six months ended 30 September 2006.

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 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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\$1,060,000 as at 30 September 2006 (31 March 2006: HK\$1,190,000). 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. Save for the above, the Group has no significant contingent liability as at 30 September 2006.

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 2006, the Group had no material acquisition and disposal of subsidiaries and affiliated companies.

Significant investments

During the six months ended 30 September 2006, the Group did not hold any significant investment.

Employees

As at 30 September 2006, the Group employed 85 staff in Hong Kong (2005: 76) and 175 staff in Mainland China (2005: 159). Total staff costs (including directors' remuneration) of the Group were approximately HK\$11.3 million (2005: HK\$10.0 million). Headcount increased during the period ended 30 September 2006 for research and development of new business opportunities, to strengthen the performance of the sales and marketing team and expansion of buyer service team. Staff are 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 2006, the Directors of the Company and/or any of their respective associates had the following interests and short positions in the shares, the underlying shares and debentures of the Company 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 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 Rules 5.46 to 5.68 of the GEM Listing Rules:

(a) Interests and short positions in the shares and the underlying shares of share options of the Company as at 30 September 2006

- (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 (%)
Yip Kwok Cheung, Danny	23,610,662	2.43

- (ii) Long positions in 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	4.63
Tam Ngai Hung, Terry	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	28,000,000	28,000,000	2.88
Cheng Yuk Ching, Flora	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	5,000,000	5,000,000	0.51
Yip Kwok Cheung, Danny	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	9,500,000	9,500,000	0.98
William Donald Putt	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	5,000,000	5,000,000	0.51
Lam Kin Kau, Mark	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	950,000	950,000	0.10
Fung Hoi Wing, Henry	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	950,000	950,000	0.10
Lau Ho Wai, Lucas	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	950,000	950,000	0.10
				95,350,000	95,350,000	9.81

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, the holding company of the Company, as at 30 September 2006**

(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	–	221,040,977	221,756,629	28.44
Cheng Yuk Ching, Flora <i>(Note)</i>	14,076,713	120,000	–	14,196,713	1.82
Tam Ngai Hung, Terry	1,648,000	–	–	1,648,000	0.21
William Donald Putt	591,500	–	–	591,500	0.08

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 was 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, the holding company of the Company, as at 30 September 2006** *(continued)*

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

Name of the Director	Description of equity derivatives	Notes	Number of the total underlying shares	Approximate percentage of the total issued share capital
				(%)
Mak Shiu Tong, Clement	2010 convertible bonds	(1)	47,185,430	6.05
	2009 convertible bonds	(2)	26,548,672	3.40

Notes:

- (1) The convertible bonds with an outstanding principal amount of HK\$28,500,000 as at 30 September 2006, were issued by CCT Telecom to New Capital Industrial Limited (a company controlled by Mr. Mak Shiu Tong, Clement) on 25 April 2005. The 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 (subject to adjustments according to the terms of the convertible bonds).
- (2) The convertible bonds with an outstanding principal amount of HK\$30,000,000 as at 30 September 2006, were issued by CCT Telecom to Capital Winner Investments Limited (a company controlled by Mr. Mak Shiu Tong, Clement) on 23 June 2006. The 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 (subject to adjustments according to the terms of the convertible bonds).

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”), a fellow subsidiary of the Company, as at 30 September 2006**

None of the Directors of the Company had any interest and short position in respect of the shares, debentures, convertible bonds, equity derivatives or interests in the underlying shares of CCT Tech as at 30 September 2006.

In addition to the above, as at 30 September 2006, 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 2006, none of the Directors of the Company and/or any of their respective associates had any interest and short position in the shares, the underlying shares and debentures 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 Rules 5.46 to 5.68 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, 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 2006, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the shares of the Company:

Name of the shareholder	Capacity and nature of interest	Number of the shares held	Approximate percentage of the total issued share capital (%)
Manistar Enterprises Limited <i>(Note)</i>	Directly beneficially owned	643,364,070	66.26
CCT Telecom <i>(Note)</i>	Through a controlled corporation	643,364,070	66.26

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

Save as disclosed above, as at 30 September 2006, no person had registered an interest in the shares or underlying shares of the Company that was required to be recorded pursuant to 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 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.

SHARE OPTION SCHEME *(continued)*

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).

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 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 of the Company 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.

SHARE OPTION SCHEME (continued)

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 daily quotation sheet on the date of the grant of the options, 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 options; 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.

Details of the movements of share options under the Scheme during the six months ended 30 September 2006:

Category of Participant	Number of share options				Date of grant of share options	Exercise period of share options*	Exercise price of share options**	Price of Company's shares at grant date of share options***
	Outstanding as at 1 April 2006	Granted during the period	Forfeited during the period	Outstanding as at 30 September 2006				
Directors								
Executive Directors:								
Mak Shiu Tong, Clement†	–	45,000,000	–	45,000,000	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	0.041
Tam Ngai Hung, Terry†	–	28,000,000	–	28,000,000	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	0.041
Cheng Yuk Ching, Flora	–	5,000,000	–	5,000,000	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	0.041
Yip Kwok Cheung, Danny	–	9,500,000	–	9,500,000	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	0.041
William Donald Putt	–	5,000,000	–	5,000,000	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	0.041
Independent non-executive Directors:								
Lam Kin Kau, Mark	–	950,000	–	950,000	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	0.041
Fung Hoi Wing, Henry	–	950,000	–	950,000	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	0.041
Lau Ho Wai, Lucas	–	950,000	–	950,000	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	0.041
	–	95,350,000	–	95,350,000				

SHARE OPTION SCHEME *(continued)*

Category of Participant	Number of share options				Date of grant of share options	Exercise period of share options*	Exercise price of share options**	Price of Company's shares at grant date of share options***
	Outstanding as at 1 April 2006	Granted during the period	Forfeited during the period	Outstanding as at 30 September 2006				
							HK\$	HK\$
Employees								
In aggregate	12,000,000	–	–	12,000,000	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	–
	3,496,000	–	–	3,496,000	20 Dec 2005	18 Jan 2006 to 19 Feb 2012	0.043	–
	1,831,000	–	–	1,831,000	20 Dec 2005	18 Jan 2007 to 19 Feb 2012	0.043	–
	–	20,500,000	–	20,500,000	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	0.041
	<u>23,427,000</u>	<u>20,500,000</u>	<u>–</u>	<u>43,927,000</u>				
Other eligible Participants								
In aggregates	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	–
	400,000	–	–	400,000	20 Dec 2005	18 Jan 2006 to 19 Feb 2012	0.043	–
	400,000	–	–	400,000	20 Dec 2005	18 Jan 2007 to 19 Feb 2012	0.043	–
	–	2,000,000	–	2,000,000	14 Aug 2006	14 Aug 2006 to 13 Aug 2011	0.038	0.041
	<u>24,800,000</u>	<u>2,000,000</u>	<u>–</u>	<u>26,800,000</u>				
	<u>48,227,000</u>	<u>117,850,000</u>	<u>–</u>	<u>166,077,000</u>				

SHARE OPTION SCHEME *(continued)*

Notes to the reconciliation of share options outstanding as at 30 September 2006:

- # The number of share options granted exceeded 1% of the total issued share capital of the Company as at the date of grant which was approved by the shareholders of the Company and CCT Telecom at their respective extraordinary general meetings held on 27 July 2006.
- * 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.

As at 30 September 2006, the Company had 166,077,000 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 166,077,000 additional shares of the Company and additional share capital of approximately HK\$1,661,000 and share premium of approximately HK\$4,647,000 (before the share issue expenses).

At the date of approval of these unaudited consolidated interim results, the Company had 165,577,000 share options outstanding under the Scheme, which represented approximately 17.1% 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 2006.

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 2006, 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 five 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 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.

Code Provision E.1.2

Under the first part of the code provision E.1.2 of the CG Code, the Chairman of the Board should attend annual general meetings of the Company.

The Chairman of the Board was not able to attend the annual general meeting of the Company held on 25 July 2006 as he had another important business engagement on that date. The Chairman will make every endeavour to attend all future annual general meetings of the Company as required under the CG Code.

Other information on the corporate governance practices of the Company have been disclosed in the corporate governance report contained in the 2005/06 Annual Report of the Company issued in June 2006.

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 of the Company 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 2006.

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 and two executive Directors. As at 1 April 2006, the Remuneration Committee members were the three INEDs, namely Mr. Lau Chi Yiu, Mr. Wu Yao Hau, Terence and Mr. Lau Ho Man, Edward, and the two executive Directors, namely Mr. Yu Lup Fat, Joseph and Mr. Yip Kwok Cheung, Danny, who resigned on 25 April 2006, and five Directors were appointed simultaneously as the Remuneration Committee members comprising of 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 the rotation each year.

AUDIT COMMITTEE

The Company has established the Audit Committee with specific 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.

AUDIT COMMITTEE *(continued)*

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 and external auditors of the Company.

During the six months period ended 30 September 2006, the Audit Committee consisted of three members comprising all the three INEDs. As at 1 April 2006, the three INEDs were Mr. Wu Yao Hua, Terence, Mr. Lau Chi Yiu and Mr. Lau Ho Man, Edward, who resigned on 25 April 2006, and three new INEDs were appointed simultaneously, who also act as the Audit Committee members, namely 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 the rotation each year.

The Audit Committee has reviewed the Group's unaudited consolidated financial statements for the six months ended 30 September 2006 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

Mr. Yip Kwok Cheung, Danny

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, 9 November 2006