THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in CCT Telecom Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser, the transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

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CCT TELECOM HOLDINGS LIMITED

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

(1) VERY SUBSTANTIAL ACQUISITION

ACQUISITION OF A FORESTRY PROJECT THROUGH TRADEEASY

(2) POSSIBLE DISCLOSEABLE ACQUISITION AND POSSIBLE VERY SUBSTANTIAL DISPOSAL TRANSACTIONS

POSSIBLE INCREASE OR DECREASE IN SHAREHOLDINGS OF TRADEEASY UPON CONVERSION OF THE MANISTAR CONVERTIBLE BONDS AND THE MCL CONVERTIBLE BONDS

A letter from the Board is set out on pages 9 to 44 of this circular.

A notice convening the SGM to be held at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong on Wednesday, 18 June 2008 at 10:45 a.m. is set out on pages 231 to 232 of this circular. A form of proxy for use by the Shareholders at the SGM is enclosed herein. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event, not later than 48 hours before the time appointed for holding the SGM. Such form of proxy for use at the SGM is also published on the HKExnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.cct.com.hk). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM in person should you so wish.

30 May 2008

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In this circular, the following expressions shall have the following meanings, unless the context otherwise requires:

"Acquisition"	the acquisition by Tradeeasy of the Sale Shares from MCL pursuant to the terms and conditions of the Agreement;
"acting in concert"	has the meaning ascribed to it under the Takeovers Codes;
"Agreement"	the Initial S&P Agreement entered into amongst Tradeeasy, MCL and MTG, as amended and revised by the Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement in relation to the Acquisition and the Subscription as more particularly set out under the section headed "The Agreement" in the "Letter from the Board" of this circular;
"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules and the Listing Rules;
"Board"	the board of the Directors from time to time;
"Business Day(s)"	a day other than Saturday, Sunday or any day on which licensed banks in Hong Kong are authorised or obligated to close;
"Cash Consideration"	the sum of US$1,000,000 or the equivalence of HK$7,800,000 to be payable by Tradeeasy to MCL as part of the consideration for the purchase of the Sale Shares, and to be payable at Completion by setting off against the MCL Loan in accordance with the terms of the Agreement;
"CCT Telecom" or "Company"	CCT Telecom Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and whose Shares are listed on the main board of the Stock Exchange, which is the holding company of Manistar and the ultimate holding company of Tradeeasy;
"Clarification Announcement"	the announcement of Tradeeasy dated 28 September 2007 in relation to the negotiation of a possible acquisition of a resource business by Tradeeasy;
"Completion"	completion of the Acquisition and the Subscription in accordance with the Agreement or the completion of the Manistar Subscription in accordance with the Manistar Subscription Agreement, as the case may be;
"Concession"	a right to exploit natural forest granted by or licensed from a relevant government authority for the utilisation, harvesting and production and export of timber and wood products in accordance with the applicable guidelines and restrictions set by the respective government authority;
"Concession Areas"	the Mimika Concession Areas;
"Conversion Price"	HK$0.10 per Conversion Share, subject to adjustment under the terms and conditions of the MCL Convertible Bonds or the Manistar Convertible Bonds;
"Conversion Share(s)"	new Tradeeasy Shares to be allotted and issued by Tradeeasy upon exercise of the conversion rights under the MCL Convertible Bonds or the Manistar Convertible Bonds, from time to time;

"Designated Bank Account"	the bank account to be established by each member of the MTG Group and each such account to be operated by the authorised signatories nominated by Tradeeasy;
"Director(s)"	the director(s) of CCT Telecom from time to time;
"Dormant BVI Companies"	MLL and MPL, which will be dormant with no business activities;
"EGM"	the extraordinary general meeting of Tradeeasy to be convened and held to consider and, if thought fit, to approve, among other matters (if any), the Agreement, the Manistar Subscription Agreement and all transactions contemplated under the Agreement and the Manistar Subscription Agreement;
"Enlarged Group"	the Group as enlarged by the Transactions and the Manistar Subscription;
"First Convertible Bonds"	the convertible bonds in the aggregate principal amount of HK$776,880,000, subject to adjustment, to be issued by Tradeeasy to MCL and/or its designated nominee(s) as part of the consideration for the Acquisition under the Initial S&P Agreement. The First Convertible Bonds have been replaced by the MCL Convertible Bonds pursuant to the Third Supplemental Agreement;
"First Subscription Consideration"	the sum of US$16,800,000 or the equivalence of HK$131,040,000 payable by Tradeeasy in cash, after setting off against the MTG Loan, to the Designated Bank Account of MTG as part of the consideration for the subscription of the Subscription Shares in accordance with the provisions of the Initial S&P Agreement. The First Subscription Consideration has been replaced by the Subscription Consideration pursuant to the Third Supplemental Agreement;
"Forest Consultant"	the forest consultant appointed by Tradeeasy to carry out the valuation on the Mimika Concession Areas;
"GEM"	the Growth Enterprise Market of the Stock Exchange;
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM;
"Group"	the Company and its subsidiaries from time to time;
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong;
"Hong Kong"	Hong Kong Special Administrative Region of the PRC;
"Independent Shareholders"	the Tradeeasy Shareholders other than Manistar and its associates including Mr. Mak Shiu Tong, Clement and Mr. Tam Ngai Hung, Terry who are directors of Manistar;
"Indonesia"	the Republic of Indonesia;
"Initial Joint Announcement"	the first joint announcement of Tradeeasy and CCT Telecom dated 23 October 2007 in relation to the Transactions and the Manistar Subscription;
"Initial S&P Agreement"	the initial agreement dated 4 October 2007 entered into amongst Tradeeasy, MCL and MTG in relation to the Acquisition and the Subscription;
"Interested Shareholder"	has the meaning referred to in the section headed "General" in the "Letter from the Board" of this circular;

"ITTO"	the International Tropical Timber Organisation;
"Last Trading Date"	4 October 2007, being the last trading day of the Tradeeasy Shares on the Stock Exchange prior to the issue of the Initial Joint Announcement;
"Latest Practicable Date"	23 May 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Loans"	the MCL Loan and the MTG Loan;
"Long Stop Date"	31 August 2008, or such other date as the parties thereto may agree in writing;
"Manistar"	Manistar Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability, which is the holding company of Tradeeasy and a wholly-owned subsidiary of CCT Telecom;
"Manistar Convertible Bonds"	the convertible bonds, in the original principal amount of HK$226,200,000 under the Manistar Initial Subscription Agreement, which has been revised to the aggregate principal amount of HK$138,840,000 under the Manistar Third Supplemental Agreement, to be issued by Tradeeasy to Manistar under the Manistar Subscription Agreement, the principal terms of which are set out in the section headed "Principal terms of the Manistar Convertible Bonds" in the "Letter from the Board" of this circular;
"Manistar Initial Subscription Agreement"	the initial subscription agreement entered on 4 October 2007 between Tradeeasy and Manistar in relation to the Manistar Subscription;
"Manistar Second Supplemental Agreement"	the second supplemental agreement dated 28 February 2008 entered into between Tradeeasy and Manistar amending the Long Stop Date of the Manistar Initial Subscription Agreement from 28 February 2008 to 31 August 2008 or such other date as Tradeeasy and Manistar may agree in writing;
"Manistar Subscription"	the subscription of the Manistar Convertible Bonds by Manistar and the issue of the Manistar Convertible Bonds by Tradeeasy to Manistar contemplated under the Manistar Subscription Agreement;
"Manistar Subscription Agreement"	the Manistar Initial Subscription Agreement entered into between Tradeeasy and Manistar as amended by the Manistar Supplemental Agreement, the Manistar Second Supplemental Agreement and the Manistar Third Supplemental Agreement in relation to the Manistar Subscription as more particularly set out under the section headed "The Manistar Subscription Agreement" in the "Letter from the Board" of this circular;
"Manistar Supplemental Agreement"	the supplemental agreement entered on 17 October 2007 between Tradeeasy and Manistar to amend certain terms of the Manistar Initial Subscription Agreement with regard to mainly the conversion restriction and the maturity date of the Manistar Convertible Bonds;

"Manistar Third Supplemental Agreement"	the third supplemental agreement dated 20 March 2008 entered into between Tradeeasy and Manistar amending mainly the aggregate principal amount of the Manistar Convertible Bonds from HK$226,200,000 to HK$138,840,000;
"Material Adverse Change"	any event, change in or effect on the MTG Group that, individually or in the aggregate, has had or is reasonably expected to have a material adverse effect on the business, condition (financial or otherwise), results of operations and assets and the prospect of the MTG Group taken as a whole;
"MCL"	Merdeka Commodities Limited, a company incorporated in the British Virgin Islands with limited liability;
"MCL Convertible Bonds"	the convertible bonds in the aggregate principal amount of HK$776,880,000, subject to adjustment, to be issued by Tradeeasy to MCL and/or its designated nominee(s) as part of the consideration for the Acquisition, the principal terms of which are set out under the section headed "Principal terms of the MCL Convertible Bonds" in the "Letter from the Board" of this circular;
"MCL Loan"	has the meaning as referred to in the subsection headed "Loans" under the section headed "The Agreement" in the "Letter from the Board" of this circular;
"Mimika Concession Areas"	the natural forests with an aggregate areas of approximately 313,500 hectares, located at Mimika Administration Region, Papua Province, Indonesia on which MCL shall procure that all the relevant Concessions, licenses, rights, permits and the relevant government approvals to carry out the timber logging, harvesting, reforestation, land clearing and plantation operations of the Mimika Project shall be granted to PTMP;
"Mimika Project"	the forestry businesses to be carried out by the Project Companies in or near the Mimika Concession Areas including the logging and harvesting of trees and reforestation of the areas logged, the clearing of forest land by logging, the operations of sawmill(s) and the processing, production and export of sawn timbers, and other timber and wood products and subject to relevant government approval, the plantation of oil palms in at least 200,000 hectares within the Mimika Concession Areas on forest lands cleared by the logging activities and the production of palm oil;
"MLL"	Merdeka Logging Limited, a limited liability company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of MTG as at the Latest Practicable Date;
"MPL"	Merdeka Plantation Limited, a limited liability company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of MTG as at the Latest Practicable Date;
"MTG"	Merdeka Timber Group Ltd., a company incorporated in the British Virgin Islands with limited liability, 100% of the entire issued share capital of which is held by MCL as at the Latest Practicable Date;
"MTG Board"	the board of the MTG Directors from time to time;
"MTG Directors"	the directors of MTG from time to time;

"MTG Group"	MTG and its subsidiaries, including the Project Companies, from time to time;
"MTG Loan"	has the meaning as referred to in the subsection headed "Loans" under the section headed "The Agreement" in the "Letter from the Board" of this circular;
"MTG Share(s)"	the ordinary share(s) of US$1.00 each in the share capital of MTG;
"MTG Subsidiaries"	MLL, MPL and PTMTT which have been incorporated and the proposed direct subsidiary of MTG with the proposed name of PTMP, which is in the process of incorporation, and any other direct or indirect subsidiaries of MTG from time to time;
"Placing Announcements"	the announcements of Tradeeasy dated 14 November 2007 and 23 November 2007 in relation to the placing and top-up subscription of 150,000,000 Tradeeasy Shares under the general mandate of Tradeeasy;
"Pöyry"	Pöyry Forest Industry Pte. Ltd., which has been appointed by Tradeeasy as the Forest Consultant;
"PRC" or "China"	the People's Republic of China;
"Project"	the Mimika Project;
"Project Companies"	PTMTT, which has been established and the proposed project company namely, PTMP, which is in the process of incorporation and any other subsidiaries of MTG to be incorporated in Indonesia to carry out the forestry business of the Mimika Project;
"PTML"	a limited liability company which was proposed under the Initial S&P Agreement to be incorporated in Indonesia with the name of "PT Merdeka Logging Indonesia", whose shares were proposed to be owned as to 80% by MLL and whose proposed principal activities included the logging and harvesting of timber within the Mimika Concession Areas. Pursuant to the amendments under the Third Supplemental Agreement, PTML will not be established as a subsidiary of MTG and its proposed business activities will be carried out by PTMP;
"PTMP"	a limited liability company to be incorporated in Indonesia under the name of "PT Merdeka Plantation Indonesia", whose shares shall be owned as to 95% by MTG and whose business scope shall include the logging and harvesting of timber, the reforestation in areas logged, the clearing of forest lands within the Mimika Concession Areas, the plantation of oil palms, and the production of palm oil in or near the Mimika Concession Areas, and, incidental to the logging activities and subject to relevant government approvals, its business activities may also include the processing and export of timber and wood products being produced from logging and/or clearing of forest;
"PTMTT"	"PT Merdeka Tapare Timber", a limited liability company incorporated in Indonesia, whose shares were owned as to 65% by MTG, which will obtain the industrial license in the Papua Province of Indonesia to operate sawmill(s), and to process, produce and export sawn timbers, and whose activities shall be expanded to include the production and export of other timber and wood products in or near the Concession Areas;

"Remaining Group"	the Group immediately after the completion of the Transactions, the Manistar Subscription and the full conversion of the Manistar Convertible Bonds and the MCL Convertible Bonds;
"Sale Consideration"	the original sum of US$157,000,000 (equivalent to HK$1,224,600,000) under the Initial S&P Agreement, which has been revised under the Third Supplemental Agreement to the sum of US$100,600,000 or the equivalence of HK$784,680,000, subject to adjustment, as the consideration for the Acquisition to be settled by Tradeeasy by way of the Cash Consideration and the MCL Convertible Bonds in accordance with the provisions of the Agreement;
"Sale Shares"	the 10,000 MTG Shares held by MCL representing 100% of the total issued share capital of MTG as at the date of the Agreement, which will be sold to Tradeeasy (and/or its designated nominee(s)) by MCL pursuant to the terms of the Agreement;
"Second Concession Areas"	the natural forests with an aggregate area of at least 300,000 hectares to be located in the Papua Province of Indonesia which MCL originally agreed under the Initial S&P Agreement to procure to have all the relevant Concessions, licenses, permits and the relevant government approvals to carry out all aspects of operations of the Second Project to be granted to the Project Companies. Pursuant to the Third Supplemental Agreement, the Second Concession Areas and the Second Project have been cancelled and will not be included in the Acquisition;
"Second Convertible Bonds"	the convertible bonds in the aggregate principal amount of HK$439,920,000, subject to adjustment, which was proposed to be issued by Tradeeasy to MCL and/or its designated nominee(s) as the consideration for the acquisition of the Second Project. Pursuant to the Third Supplemental Agreement, the Second Project will be cancelled and will not be included in the Acquisition and consequently the Second Convertible Bonds will not be issued by Tradeeasy to MCL and/or its nominee(s);
"Second Project"	the forestry businesses which was proposed under the Initial S&P Agreement to be carried out by the Project Companies in or near the Second Concession Areas including (i) the logging and harvesting of trees and reforestation in areas logged; (ii) the clearing of forest land by logging of trees; (iii) the operations of sawmill(s); and (iv) the processing, production and export of sawn timbers, and other timber and wood products. Pursuant to the Third Supplemental Agreement, the MTG Group will not carry out the Second Project which will be excluded from the Acquisition;
"**Second Subscription Consideration**"	the sum of US$11,200,000 or the equivalence of HK$87,360,000 which was proposed under the Initial S&P Agreement to be payable by Tradeeasy in cash to the Designated Bank Account of MTG as partial consideration for the subscription of the Subscription Shares in accordance with the provisions of the Initial S&P Agreement. Pursuant to the Third Supplemental Agreement, the Second Project will be excluded from the Transactions and consequently the Second Subscription Consideration will be cancelled and will not be paid to MTG by Tradeeasy;

"Second Supplemental Agreement"	the second supplemental agreement dated 28 February 2008 entered into amongst Tradeeasy, MCL and MTG amending the Long Stop Date of the Initial S&P Agreement from 28 February 2008 to 31 August 2008 or such other date as Tradeeasy, MCL and MTG may agree in writing;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	the special general meeting of CCT Telecom to be convened and held to consider and, if thought fit, to approve, among other matters (if any), the Agreement and all transactions contemplated under the Agreement;
"Share(s)"	the ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	the holder(s) of the Share(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subscription"	the subscription of the Subscription Shares by Tradeeasy pursuant to the terms and conditions of the Agreement;
"Subscription Consideration"	the original sum of US$28,000,000 (equivalent to HK$218,400,000) under the Initial S&P Agreement, which has been revised under the Third Supplemental Agreement to the sum of US$16,800,000 or the equivalence of HK$131,040,000, payable by Tradeeasy in cash, after setting off against the MTG Loan, to the Designated Bank Account of MTG as consideration for the subscription of the Subscription Shares in accordance with the provisions of the Agreement;
"Subscription Shares"	2,000 new MTG Shares to be allotted and issued to Tradeeasy (and/or its designated nominee(s)) pursuant to the terms of the Agreement;
"subsidiary"	has the meaning given to it under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
"substantial shareholder"	has the meaning given to it under the GEM Listing Rules and the Listing Rules;
"Supplemental Agreement"	the supplemental agreement entered on 17 October 2007 between Tradeeasy, MCL and MTG to amend certain terms of the Initial S&P Agreement dated 4 October 2007 with regard to mainly the conversion restrictions and the maturity date of the MCL Convertible Bonds;
"Takeovers Codes"	The Codes on Takeovers and Mergers and Share Repurchases;
"Third Supplemental Agreement"	the third supplemental agreement dated 20 March 2008 entered into amongst Tradeeasy, MCL and MTG amending certain terms of the Initial S&P Agreement and the Supplemental Agreement in relation to mainly the simplification of the MTG Group, the cancellation of the Second Project and the revision of the Sale Consideration, the Subscription Consideration and the MTG Loan;
"Tradeeasy"	Tradeeasy Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Tradeeasy Shares of which are listed on the GEM;
"Tradeeasy Board"	the board of the Tradeeasy Directors from time to time;

"Tradeeasy Director(s)"	the director(s) of Tradeeasy from time to time;
"Tradeeasy Group"	Tradeeasy and its subsidiaries from time to time;
"Tradeeasy Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of Tradeeasy;
"Tradeeasy Shareholder(s)"	the holder(s) of the Tradeeasy Share(s);
"Tradeeasy Share Options"	the outstanding share options granted by Tradeeasy to the grantees to subscribe for an aggregate of 70,500,000 Tradeeasy Shares pursuant to the share option scheme adopted by Tradeeasy on 20 February 2002 and effective on 7 March 2002;
"Transactions"	the sale and purchase of the Sale Shares and the subscription and allotment and issue of the Subscription Shares pursuant to the terms of the Agreement;
"US"	The United States of America;
"US$" or "USD"	United States dollar(s), the lawful currency of US;
"m^3"	cubic metre; and
"%"	per cent.

In this circular, for purpose of illustration only, amount quoted in US$ have been converted into HK$ at the rate of US$1 to HK$7.8. Such exchange rate has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amounts were and may have been exchanged at this or any other rates or at all.

CCT TELECOM HOLDINGS LIMITED

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

Executive Directors:
Mak Shiu Tong, Clement
Tam Ngai Hung, Terry
Cheng Yuk Ching, Flora
William Donald Putt

Independent non-executive Directors:
Tam King Ching, Kenny
Lau Ho Man, Edward
Chen Li

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head office and principal place of business in Hong Kong:
2208, 22/F.
St. George's Building
2 Ice House Street, Central
Hong Kong

30 May 2008

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION

ACQUISITION OF A FORESTRY PROJECT THROUGH TRADEEASY

(2) POSSIBLE DISCLOSEABLE ACQUISITION AND POSSIBLE VERY SUBSTANTIAL DISPOSAL TRANSACTIONS

POSSIBLE INCREASE OR DECREASE IN SHAREHOLDINGS OF TRADEEASY UPON CONVERSION OF THE MANISTAR CONVERTIBLE BONDS AND THE MCL CONVERTIBLE BONDS

INTRODUCTION

On 23 October 2007, by means of the Initial Joint Announcement, the Tradeeasy Board and the Board jointly announced that Tradeeasy entered into the Initial S&P Agreement and the Supplemental Agreement with MCL and MTG (i) for the Acquisition of the Sale Shares at the original Sale Consideration of US$157,000,000 (equivalent to HK$1,224,600,000) to be satisfied originally by the Cash Consideration, the First Convertible Bonds (subject to adjustment with reference to valuation by the Forest Consultant) and the Second Convertible Bonds (subject to adjustment with reference to valuation by the Forest Consultant); and (ii) for the Subscription of the Subscription Shares at the original Subscription Consideration of US$28,000,000 (equivalent to HK$218,400,000) to be satisfied originally by the First Subscription Consideration and the Second Subscription Consideration. Completion of the Acquisition and the Subscription would enable Tradeeasy to own 100% of the shareholding interest in MTG. Pursuant to the Initial S&P Agreement as amended by the Supplemental Agreement and the Second Supplemental Agreement, MTG would hold a controlling shareholding interest directly in PTMTT and originally through MLL and MPL indirectly in PTML and PTMP respectively. Under the Initial S&P Agreement as amended by the Supplemental Agreement and the Second Supplemental Agreement, the Project Companies would be established to pursue originally the Mimika Project and the Second Project in the logging and timber businesses in or near the Mimika Concession Areas and the Second Concession Areas respectively located in the Papua Province of Indonesia. Tradeeasy agreed to lend the MCL Loan and the MTG Loan before Completion in order to finance the purchase of plant and machinery and for payment of capital and preparatory expenses for the Project Companies.

On 23 October 2007, the Tradeeasy Board and the Board further announced that Tradeeasy entered into the Manistar Initial Subscription Agreement as amended by the Manistar Supplemental Agreement with Manistar (a wholly-owned subsidiary of CCT Telecom), pursuant to which Manistar agreed to subscribe for and Tradeeasy agreed to issue the Manistar Convertible Bonds in the original aggregate principal amount of HK$226,200,000, payable in cash, in order to provide funding to Tradeeasy to finance the Cash Consideration and the Subscription Consideration.

In order to facilitate the Completion of the Transactions, MCL and MTG have reviewed the corporate structure of the MTG Group and the arrangements for valuation and licenses of the Second Project with the relevant officials in Papua, Indonesia. Based on this review, a consensus was reached to simplify the corporate structure of the MTG Group and to shorten the time required for establishing the Project Companies, and MCL and MTG proposed to the Tradeeasy Board that (i) MTG should not establish PTML as its subsidiary to carry out the logging and timber businesses as the proposed activities of PTML can be carried out by PTMP instead; and (ii) PTMP should be established as a direct subsidiary of MTG instead of MPL so that both PTMTT and PTMP are under one direct holding company instead of two and that MLL and MPL should become the Dormant BVI Companies. MCL and MTG also proposed to the Tradeeasy Board that as additional time is required to arrange for the valuation and licenses of the Second Project, the Second Project should be excluded from the Acquisition and only the Mimika Project will be carried out by the MTG Group. The cancellation of the Second Project would avoid causing further delay to the Completion. The total consideration for the Acquisition and the Subscription should therefore be reduced as a result of the cancellation of the Second Project and the amount of the Manistar Subscription would also be reduced correspondingly. Furthermore, MCL has agreed to grant a first right of refusal to Tradeeasy to acquire any interest in other future forestry projects that are carried out by MCL and/or its associates. The Tradeeasy Board and the Board consider that the proposed changes to the corporate structure of the MTG Group would not affect the terms of the Transactions in substance but would simplify and facilitate the Completion. The Tradeeasy Board and the Board also consider that the cancellation of the Second Project would avoid further delays in relation to the Completion and would reduce the total investment of Tradeeasy and CCT Telecom in the Transactions. As such, the Tradeeasy Board and the Board are of the view that the proposed changes of the terms and conditions of the Transactions and the Manistar Subscription are fair and reasonable, based on normal commercial terms and are in the best interest of Tradeeasy, CCT Telecom and their respective shareholders as a whole.

The Tradeeasy Board has agreed to the above proposed changes. On 20 March 2008, Tradeeasy entered into the Third Supplemental Agreement with MCL and MTG which superseded certain terms and conditions of the Initial S&P Agreement as amended by the Supplemental Agreement and the Second Supplemental Agreement. Pursuant to the Third Supplemental Agreement, (i) MTG shall not establish PTML as its subsidiary; (ii) PTMP shall be established as a direct subsidiary of MTG and that MLL and MPL shall become the Dormant BVI Companies; (iii) the MTG Group shall not carry out the Second Project and shall only carry out the Mimika Project; (iv) the Second Convertible Bonds shall not be issued to MCL and the Second Subscription Consideration shall not be paid to MTG; (v) the Sale Consideration shall be reduced from HK$1,224,600,000 (equivalent to US$157,000,000) by the amount of the Second Convertible Bonds of HK$439,920,000 (equivalent to US$56,400,000) to HK$784,680,000 (equivalent to US$100,600,000); (vi) the Subscription Consideration shall be reduced from HK$218,400,000 (equivalent to US$28,000,000) by the amount of the Second Subscription Consideration of HK$87,360,000 (equivalent to US$11,200,000) to HK$131,040,000 (equivalent to US$16,800,000); (vii) the MTG Loan shall be reduced from HK$58,500,000 (equivalent to US$7,500,000) to HK$35,100,000 (equivalent to US$4,500,000); (viii) the amount of the Manistar Convertible Bonds to be issued to Manistar shall be reduced from HK$226,200,000 to HK$138,840,000; and (ix) MCL shall grant to Tradeeasy a first right of refusal to acquire any interest in other future forestry projects of MCL and/or its associates in the Papua Province of Indonesia on terms and conditions that are no less favourable than those to be offered by MCL and/or its associates to other third party or parties.

The Sale Consideration shall be satisfied by way of the Cash Consideration and the issue of the MCL Convertible Bonds. The Subscription Consideration shall be satisfied by way of cash.

The Agreement constitutes a very substantial acquisition for Tradeeasy under Chapter 19 of the GEM Listing Rules. The entering into of the Agreement, the Acquisition and the Subscription, the issue of the MCL Convertible Bonds and the issue and allotment of the Conversion Shares by Tradeeasy arising from the conversion of the MCL Convertible Bonds are subject to the approval by the Independent Shareholders at the EGM.

On 20 March 2008, Tradeeasy entered into the Manistar Third Supplemental Agreement with Manistar pursuant to which the aggregate principal account of the Manistar Convertible Bonds shall be reduced from HK$226,200,000 to HK$138,840,000. The proceeds from the issue of the Manistar Convertible Bonds will be used by Tradeeasy to pay for the Cash Consideration and the Subscription Consideration.

As Manistar is a substantial shareholder of Tradeeasy, the Manistar Subscription Agreement constitutes a connected transaction for Tradeeasy under Chapter 20 of the GEM Listing Rules. The entering into of the Manistar Subscription Agreement, the issue of the Manistar Convertible Bonds and the issue and allotment of the Conversion Shares arising from the conversion of the Manistar Convertible Bonds are subject to the approval by the Independent Shareholders at the EGM.

As Tradeeasy is a non wholly-owned subsidiary of the Company, the Transactions constitute a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. The entering into of the Agreement, the Acquisition and the Subscription by Tradeeasy are therefore subject to the approval by the Shareholders at the SGM.

The future conversion of the Manistar Convertible Bonds and the MCL Convertible Bonds may result in the maximum possible increase of 25.09% of Manistar's shareholdings in Tradeeasy from 52.96% (percentage of Manistar's shareholdings in Tradeeasy as at the Latest Practicable Date) to 78.05% or the maximum possible decrease of 33.37% of Manistar's shareholdings in Tradeeasy from 52.96% to 19.59%. When the shareholdings in Tradeeasy held by the Group drop below 50%, Tradeeasy will cease to be a subsidiary of the Company. The maximum possible increase and the maximum possible decrease of the percentage of Manistar's shareholdings in Tradeeasy will constitute a possible discloseable acquisition or a possible very substantial disposal transaction of CCT Telecom, as the case may be, pursuant to the provisions as stipulated in Chapter 14 of the Listing Rules.

The possible very substantial disposal transaction arising from the possible decrease of the percentage of Manistar's shareholdings in Tradeeasy as a result of the future conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds will be subject to the approval by the Shareholders at the SGM.

The purpose of this circular is to give you further information of the Agreement and the Manistar Subscription Agreement, together with, among other things, the Forest Consultant's valuation report on the Mimika Project and a notice of the SGM.

THE AGREEMENT

The Initial S&P Agreement dated 4 October 2007 as amended and revised by the Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement were entered into between the following parties:

Parties

Purchaser and Subscriber:	Tradeeasy
Seller:	MCL
The company whose shares are to be acquired and subscribed:	MTG

As Tradeeasy is a non wholly-owned subsidiary of the Company, the Transactions constitute a very substantial acquisition for the Company under the Listing Rules. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, MCL, its ultimate beneficial owners, MTG and their respective associates and the parties acting in concert with them:

(a) are independent of and not connected with the directors, chief executives, substantial shareholders and management shareholders of the Company, Manistar (a subsidiary of the Company and a controlling shareholder of Tradeeasy holding approximately 52.96% shareholding interest in Tradeeasy as at the Latest Practicable Date), other subsidiaries of the Company and their respective associates as defined in the Listing Rules;

(b) are not parties acting in concert with any of Manistar and the Company; and

(c) have no prior relationship or transaction with the Company and Manistar.

Transactions of the Agreement (incorporated the amendments of the Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement)

Tradeeasy shall purchase the Sale Shares from MCL and Tradeeasy shall subscribe for the Subscription Shares in MTG, subject to the terms and conditions of the Agreement. Immediate after Completion of the Acquisition and the Subscription, Tradeeasy (and/or its designated nominee(s)) will beneficially own 100% of the then total issued share capital of MTG as enlarged by the Subscription Shares. The principal activity of MTG is investment holding. MTG holds a controlling shareholding interest in the Project Companies to pursue the Mimika Project in the forestry businesses of harvesting and extraction of timber, reforestation in areas logged, land clearing, plantation of oil palm and production of palm oil, the operations of sawmills, and the production and export of sawn timber and other timber and wood products in or near the Mimika Concession Areas located in the Mimika Administration Region, Papua Province, Indonesia. After all licenses, permits and the relevant government approvals in respect of the Mimika Concession Areas having been granted to PTMP, PTMP will have natural forest concessions of approximately 313,500 hectares in the Papua Province of Indonesia.

MCL has agreed to Tradeeasy a first right of refusal to acquire any interest in other future forestry projects of MCL and/or its associates in the Papua Province of Indonesia on terms and conditions that are no less favourable than those to be offered by MCL and/or its associates to other third party or parties.

Consideration for the Transactions

The total consideration for the Transactions amounts to US$117,400,000 (equivalent to HK$915,720,000) of which (i) the Sale Consideration amounts to US$100,600,000 (equivalent to HK$784,680,000) (subject to adjustment as set out in the section headed "Adjustments to the Sale Consideration" below); and (ii) the Subscription Consideration amounts to US$16,800,000 (equivalent to HK$131,040,000).

Sale Consideration

The Sale Consideration of US$100,600,000 or the equivalence of HK$784,680,000 (subject to adjustment as set out in the section headed "Adjustments to the Sale Consideration" below) shall be payable to MCL as follows:

(a) HK$7,800,000 by way of Cash Consideration; and

(b) HK$776,880,000 (subject to adjustment) by the issue of the MCL Convertible Bonds.

The Cash Consideration shall be payable at Completion by setting off against the MCL Loan.

The MCL Convertible Bonds shall be issued by Tradeeasy to MCL and/or its designated nominee(s) at Completion.

Further details of the MCL Convertible Bonds will be set out in the section headed "Principal terms of the MCL Convertible Bonds" below.

Adjustments to the Sale Consideration

Tradeeasy has appointed Pöyry as the Forest Consultant to conduct a technical valuation of the Mimika Project. Pöyry is one of the world's largest consulting and engineering firms focused on the forest products industry. Pöyry operates in Europe, North America, South America and Asia with offices in 45 countries. Pöyry has extensive experience in valuation of forestry projects and conducted valuation of forestry projects acquired by other listed companies in Hong Kong. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Pöyry, its ultimate beneficial owners and their respective associates are third parties independent of and not connected with the Company and its directors, chief executives and substantial shareholders of the Company and its subsidiaries, connected persons and associates as defined in the Listing Rules. If the valuation of the Mimika Project arrived at by the Forest Consultant (the "Mimika Valuation") is less than US$123,600,000 (equivalent to HK$964,080,000) (the "Mimika Reference Amount"):

(a) upon the written consent of all the parties to the Agreement, ninety-five percent (95%) of the shortfall amount which is equal to the amount of the Mimika Valuation that falls short of the Mimika Reference Amount shall be deducted, on a dollar-for-dollar basis, from the amount of the MCL Convertible Bonds before Completion, first from (1) the amount which shall be subject to the lock-up restriction on conversion in the first year of issue and then from (2) the remaining amount of the MCL Convertible Bonds (if applicable) and only the net amount of the MCL Convertible Bonds after deduction of such shortfall shall be issued to MCL and/or its nominees; or

(b) any of the parties to the Agreement shall have a right to terminate the Agreement and not to proceed with Completion.

The value of the Mimika Project is the logging right to exploit the timber resources in the Mimika Concession Areas. As the logging right in respect of the Mimika Concession Areas will be granted to PTMP and no logging right will be granted to PTMTT, therefore all the value of the Transactions is attributable to the acquisition of PTMP. No value is attributable to PTMTT which will be given to Tradeeasy free of charge. As Tradeeasy will indirectly hold 95% interest of PTMP after Completion, Tradeeasy will acquire an effective interest of 95% in PTMP. As the valuation to be conducted by the Forest Consultant will be carried out on 100% of the Mimika Project but Tradeeasy is only acquiring 95% effective interest in the Mimika Project, only 95% of the respective shortfall amount for the Mimika Project, if any, should be deducted from the amount of the MCL Convertible Bonds. If the Mimika Valuation is higher than the Mimika Reference Amount, there shall not be any upward adjustment to the Sale Consideration and the amount of the MCL Convertible Bonds and no additional consideration shall be payable for any increase in the Mimika Valuation.

The Forest Consultant has adopted the standing stock method in arriving at the Mimika Valuation. The standing stock valuation means using the present market value per unit volume of log, the estimated harvesting and distribution costs and the total merchantable volume of log in the concessions as a basis for coming up with the estimated value.

The valuation report for the Mimika Project has been issued by the Forest Consultant and details of which are set out in Appendix IV of this circular. The Mimika Valuation of the Mimika Project as at 30 May 2008 arrived at by the Forest Consultant is approximately US$148,700,000 which is more than the Mimika Reference Amount of US$123,600,000 (equivalent to HK$964,080,000). As the Mimika Valuation is above the Mimika Reference Amount, there is no adjustment to the MCL Convertible Bonds which will be issued at Completion.

Loans

Tradeeasy shall, within five Business Days immediately after the conditions set out below having been fulfilled or waived (as the case may be) lend:

(a) an interest free loan (the "MCL Loan") in the amount of US$1,000,000 (equivalent to HK$7,800,000) to MCL; and

(b) an interest free loan (the "MTG Loan") of US$4,500,000 (equivalent to HK$35,100,000) to MTG.

The obligations of Tradeeasy to provide the Loans is subject to the following conditions which Tradeeasy has an absolute discretion to waive any of the conditions:

(i) Tradeeasy having obtained a satisfactory legal opinion acceptable to Tradeeasy which opines on PTMTT and its licenses;

(ii) mortgage of the Sale Shares in favour of Tradeeasy, original share certificate and any other document of title relating the Sale Shares as required by Tradeeasy; and

(iii) mortgage of the shares in MLL and MPL in favour of Tradeeasy, original share certificates and any other document of title relating those shares as required by Tradeeasy.

The legal opinion in (i) on PTMTT's licence related to the operations of sawmill and the process and the production of sawn timbers and other wood products in the Papua Province of Indonesia. This however will not cover any logging rights in respect of the Mimika Concession Areas which will only be granted to PTMP.

The above conditions in relation to the provision of the Loans have been satisfied.

The MCL Loan effectively serves earnest money for the Acquisition. The MCL Loan shall be repaid in full on Completion by setting off against the Cash Consideration and upon such set-off, Tradeeasy shall be fully discharged from its obligation to pay the Cash Consideration. The MTG Loan shall be payable to the Designated Bank Account of MTG and shall be used by MTG for purchasing plant and machinery and for establishing and commencing the operation of PTMTT and PTMP and for payment of the capital and preparatory expenses of PTMP. The MTG Loan shall be repaid in full on Completion by setting off against part of the Subscription Consideration and upon such set-off, Tradeeasy shall be fully discharged from its obligation to pay such part of the Subscription Consideration. If for any reasons, Completion does not take place on or before the Long Stop Date and the Agreement is terminated as a result, MCL shall repay the MCL Loan and MTG shall repay the MTG Loan in full amount in cash to Tradeeasy within five Business Days after termination of the Agreement. MCL shall guarantee to Tradeeasy the due and timely performance by itself and MTG of their respective obligations in respect of the Loans.

Subscription Consideration

The Subscription Consideration of US$16,800,000 or the equivalence of HK$131,040,000 shall be payable by Tradeeasy as follows:

At Completion, the portion of the Subscription Consideration in the amount of US$4,500,000 or the equivalence of HK$35,100,000 shall be set off against the repayment of the MTG Loan by MTG to Tradeeasy and upon such set-off, Tradeeasy shall be fully discharged from its obligation to pay such part of the Subscription Consideration. The balance of the Subscription Consideration in the amount of US$12,300,000 or the equivalence of HK$95,940,000 shall be payable by Tradeeasy in cash to the Designated Bank Account of MTG within five Business Days after Completion.

The money from the Subscription Consideration shall be used by the MTG Group to purchase plant and machinery for and to fund other capital expenditure, the preparation costs and working capital of the Mimika Project.

Basis of the Sale Consideration and the Subscription Consideration

The total consideration for the Transactions was arrived at after arm's length negotiations between MCL, MTG and Tradeeasy on normal commercial terms with reference to (a) future prospects and growth of the forestry business and the Mimika Project; (b) the large size of the natural forests covered by the Concession Areas; (c) relatively close proximity of the Mimika Project to the potential markets which the Project Companies intend to sell their products; (d) close proximity of the Mimika Project to the established transportation and port facilities; (e) the mechanism to adjust the Sale Consideration with reference to technical valuation conducted by the Forest Consultant set out in the section headed "Adjustments to the Sale Consideration"; and (f) comparable prices per hectare of recent acquisitions of forest concessions by other listed companies in Hong Kong.

In considering the factors in (a) and (b) above, the Directors have considered the forest survey reports of the Mimika Project prepared by the local forestry department of Papua, Indonesia and an air survey (which is a visual observation from a flying aircraft) performed over the forests in Papua, Indonesia with the presence of representatives from Tradeeasy.

The Directors consider that the business of the MTG Group has promising prospect as the consumption of wood products in the world, especially in China and other countries in the Asia Pacific region has continued to increase. As a result of growing demand, the prices of wood products especially tropical hardwood timber has also increased significantly.

As listed in the table below, the prices per hectare of forest concession in the recent acquisitions by other listed companies in Hong Kong ranges between US$235 to US$2,650 whereas the price per hectare for the Mimika Project is US$394.

Acquiror	Stock Code	Date Announced	Target Location	Concession Area *(hectares)*	% Acquired	Consideration Total *(US$mil)*	Consideration Per ha *(US$)*
Omnicorp	00094.HK	24/8/2007	Suriname	177,965.00	60%	48.08	450
Medical China	08186.HK	31/7/2007	Cambodia	10,082.00	100%	26.71	2,650
China Timber	00269.HK	10/4/2006	Guyana	164,800.00	51%	19.74	235
Tradeeasy	08163.HK	23/10/2007	Indonesia	313,500.00	95%	117.4	394

The average price per hectare of the Mimika Project is US$394 which falls on the lower range of the comparables. There is no recent acquisition of forest concessions in Indonesia by other listed companies in Hong Kong. The above comparable companies are selected because their acquisitions are made to acquire concession rights to exploit forests which is similar to the nature of acquisition of Tradeeasy. Although forests in different countries have certain different varieties and species of trees, the type of forests covered in the acquisitions of the comparable companies are all tropical forests which are similar to the forests of Papua, Indonesia.

In light of the above, the Directors consider that the Transactions represent a good opportunity for the Tradeeasy Group which forms part of the Group to enter the forestry industry with huge potential and good future prospect. The Directors are therefore of the opinion that the consideration and the terms of the Agreement are fair and reasonable and on normal commercial terms and in the interest of the Shareholders as a whole.

The Conversion Price of the MCL Convertible Bonds in the amount of HK$0.10 per Tradeeasy Share represents:

- a discount of approximately 16.67% to the closing price of HK$0.12 per Tradeeasy Share as quoted on the Stock Exchange on 27 September 2007, the last trading date immediately before the issue of the Clarification Announcement;

- a discount of approximately 64.29% to the closing price of HK$0.280 per Tradeeasy Share as quoted on the Stock Exchange before the suspension of trading of the Tradeeasy Shares on the Last Trading Date;

- a discount of approximately 45.05% to the average closing price of HK$0.182 per Tradeeasy Share for the five consecutive trading days up to and including the Last Trading Date;

- a discount of approximately 39.39% to the average closing price of HK$0.165 per Tradeeasy Share for the 30 consecutive trading days up to and including the Last Trading Date;

- a discount of approximately 45.95% to the average closing price of HK$0.185 per Tradeeasy Share for the 60 consecutive trading days up to and including the Last Trading Date;

- a discount of approximately 31.03% to the closing price of HK$0.145 per Tradeeasy Share as quoted on 20 March 2008 (being the last trading date before the issue of the joint announcement of the Company and Tradeeasy dated 28 March 2008 in relation to the Third Supplemental Agreement and the Manistar Third Supplemental Agreement);

- a discount of approximately 69.70% to the closing price of HK$0.330 per Tradeeasy Share as quoted on the Latest Practicable Date; and

- a premium of approximately 317.00% over the audited consolidated net asset value of HK$0.024 per Tradeeasy Share as at 31 March 2007.

The Tradeeasy Shares traded in the range of HK$0.051 and HK$0.28 per share during the nine-month period starting from 4 January 2007 up to and including 4 October 2007, the Last Trading Date. The Tradeeasy Share price has therefore increased by 449.02% during the nine months up to and including the Last Trading Date. The Directors consider that the increase in the Tradeeasy Share prices during the nine months up to and including the Last Trading Date might be attributable to the then market sentiment, ignoring the fact that the existing e-commerce business of the Tradeeasy Group incurred a loss during the year ended 31 March 2007. The price of the Tradeeasy Shares increased sharply by approximately by 133.33% from HK$0.12 per Tradeeasy Share on 27 September 2007, the date immediately before the Clarification Announcement to HK$0.28 per Tradeeasy Share on 4 October 2007, being the date of the Initial S&P Agreement and the Last Trading Date. The Directors consider that the surge in the

Tradeeasy Share prices during the period from 28 September 2007 to 4 October 2007 might be contributable to the positive response by the market regarding the possible acquisition of a resource business by Tradeeasy and the then optimistic market sentiment. As the Conversion Price of the MCL Convertible Bonds represents a very high premium of approximately 317% over the audited consolidated net asset value per Tradeeasy Share, the Tradeeasy Directors and the Directors (including the respective independent non-executive directors of Tradeeasy and the Company) therefore consider that the Conversion Price of the MCL Convertible Bonds to be fair and reasonable.

Save for the 70,500,000 outstanding Tradeeasy Share Options, Tradeeasy has no outstanding options, warrants or securities convertible into the Tradeeasy Shares or other securities of Tradeeasy as at the Latest Practicable Date.

Restriction in conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds

Pursuant to the terms of the Agreement, and the terms and conditions of the MCL Convertible Bonds, the conversion of the MCL Convertible Bonds are subject to the following restrictions:

(a) during the term of the MCL Convertible Bonds, MCL and/or its nominee(s) do not have the right to convert any principal amount of the MCL Convertible Bonds into the Conversion Shares and Tradeeasy shall not issue any Conversion Shares thereof if, upon such conversion and issue of the Conversion Shares, MCL and the parties acting in concert with it will be interested in 30% (or such amount as may from time to time be specified in the Takeovers Codes as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of Tradeeasy at the date of the relevant conversion;

(b) any principal amount of the MCL Convertible Bonds cannot be converted into the Conversion Shares during the term of the MCL Convertible Bonds if such conversion will cause Tradeeasy to be in breach of the minimum public float requirement as stipulated under Rule 11.23 of the GEM Listing Rules; and

(c) certain other lock-up provisions in conversion, details of which have been set out under the section headed "Principal terms of the MCL Convertible Bonds" below.

Pursuant to the Manistar Subscription Agreement and the terms and conditions of the Manistar Convertible Bonds, any Manistar Convertible Bonds cannot be converted into the Conversion Shares during the term of the Manistar Convertible Bonds if such conversion will cause Tradeeasy to be in breach of the minimum public float requirement as stipulated under Rule 11.23 of the GEM Listing Rules. Other than the public float restriction, the Manistar Convertible Bonds will not be subject to any other conversion restriction or lock-up provisions.

Principal terms of the MCL Convertible Bonds

The principal terms of the MCL Convertible Bonds are summarised as follows:

Issuer:	Tradeeasy
Principal Amount of the MCL Convertible Bonds:	HK$776,880,000
Interest:	Zero coupon
Conversion Period:	Subject to the restrictions specified below, bondholders shall be entitled to convert the MCL Convertible Bonds into the Conversion Shares at any time during the period commencing from the date of issue of the MCL Convertible Bonds until the date that falls on the fifth day immediately before the maturity date. *Restrictions in conversion:* (i) Notwithstanding the conversion rights attaching to the MCL Convertible Bonds within the period commencing from the issue date and until the bond maturity date, there is no right for any bondholder(s) to convert any principal amount of the MCL Convertible Bonds held by the bondholder(s) into the Conversion Shares and Tradeeasy shall not issue any Conversion Shares thereof if, upon such conversion and issue of the Conversion Shares, MCL and the parties acting in concert with it shall be interested in 30% (or such amount as may from time to time be specified in the Takeovers Codes as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of Tradeeasy at the date of the relevant conversion; (ii) there is no right for any bondholder(s) to convert any principal amount of the MCL Convertible Bonds held by the bondholder(s) and Tradeeasy shall not issue any Conversion Shares thereof if, upon such conversion and issue of the Conversion Shares, Tradeeasy will be in breach of the minimum public float requirement as stipulated under Rule 11.23 of the GEM Listing Rules; and (iii) there is no right for any bondholder(s) to convert any principal amount of the MCL Convertible Bonds held by the bondholder(s) that falls between the range of the principal amount between HK$350,000,000 to HK$776,880,000 at any time during the period commencing from the issue date and up to and inclusive of the date that falls on the first anniversary of the issue date.
Conversion Price:	HK$0.10 per Conversion Share, subject to customary adjustments, among other things, sub-divisions and consolidations of the Tradeeasy Shares, in accordance with the terms and conditions of the MCL Convertible Bonds.

	The overriding principle as set out in the Stock Exchange's letter dated 5 September 2005 is that no adjustment to the exercise price or number of shares should be to the advantage of share option scheme participants without prior shareholders' approval. The adjustment that will be made to the conversion price if and only if in the event of, among other things, sub-division or consolidation of the Tradeeasy Shares, bonus issues, right issues and other dilutive events. The Directors believe that the adjustment considerations set out in the MCL Convertible Bonds in general accord with the overriding principle.
Conversion Shares:	If the MCL Convertible Bonds are fully converted at the initial Conversion Price of HK$0.10 each, there will be 7,768,800,000 Conversion Shares.
Ranking of Conversion Shares:	Conversion Shares will rank pari passu in all respects with the Tradeeasy Shares then in issue on the relevant conversion date.
Maturity:	The date falling on the third anniversary of the issue date, such date being a Business Day and if such date not being a Business Day, the immediately next Business Day. Unless previously converted or cancelled under the conditions of the MCL Convertible Bonds, each MCL Convertible Bond shall be redeemed at their principal amount on the maturity date.
Voting rights:	Bondholders shall not have any right to attend or vote in any general meeting of Tradeeasy by virtue of their being bondholders.
Transferability:	Subject to the restriction mention below, the MCL Convertible Bonds are transferable from the date of issue of the MCL Convertible Bonds until the date that falls on the tenth day before the maturity date, subject to the terms and conditions of the MCL Convertible Bonds. Without the prior written consent of Tradeeasy, bondholder(s) shall not be entitled to transfer or assign to any other persons at any time any principal amount of the MCL Convertible Bonds held by the bondholder(s) that falls between the range of HK$350,000,000 to HK$776,880,000 during the period commencing from the issue date up to and inclusive of the date that falls on the first anniversary of the issue date.
Status:	General, unsecured obligations of Tradeeasy ranking equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of Tradeeasy except for the obligations accorded preference by mandatory provisions of applicable laws.
Listing:	No application will be made for the listing of the MCL Convertible Bonds. Application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares arising from the conversion of the MCL Convertible Bonds.

The Conversion Shares to be issued upon conversion of the MCL Convertible Bonds will be issued under a specific mandate of Tradeeasy.

Conditions precedent of the Agreement

Completion of the Agreement is conditional upon, among other things, the fulfillment of the following conditions on or before the Long Stop Date, or such other date as the parties to the Agreement may agree:

(a) Tradeeasy having been satisfied with the results of due diligence conducted on the MTG Group;

(b) PTMTT and PTMP having been duly incorporated as foreign investment companies under the laws of Indonesia and that 65% and 95% of the share ownership of PTMTT and PTMP respectively is owned by MTG;

(c) the Project Companies together having obtained all the relevant Concessions, licenses, rights, permits and the relevant government approvals in order for them to carry out (i) the logging and harvesting of trees and reforestation activities; (ii) the clearing of forest by logging of trees; and (iii) the operations of sawmill(s), and the process, production and export of sawn timber and other timber and wood products of the Mimika Project under the laws of Indonesia;

(d) Tradeeasy has obtained legal opinions to its satisfaction from legal counsels in the British Virgin Islands and Indonesia;

(e) the passing of resolutions at the EGM by the Independent Shareholders and at the Tradeeasy Board meeting by the Tradeeasy Board approving the Agreement and the transactions contemplated thereunder, the issue of the MCL Convertible Bonds and the issue and allotment of the Conversion Shares arising from the conversion of the MCL Convertible Bonds and the transactions contemplated thereunder;

(f) the passing of resolutions at the EGM by the Independent Shareholders and at the Tradeeasy Board meeting by the Tradeeasy Board approving the Manistar Subscription Agreement, the issue of the Manistar Convertible Bonds and the issue and allotment of the Conversion Shares arising from the conversion of the Manistar Convertible Bonds and the transactions contemplated thereunder;

(g) the passing of resolutions by the Shareholders at the SGM approving the entering of the Agreement by Tradeeasy and all transactions contemplated under the Agreement;

(h) the granting by the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Conversion Shares to be issued upon the conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds;

(i) Tradeeasy having obtained from the Forest Consultant the valuation report on the Mimika Project;

(j) the representations and warranties contained in the Agreement remaining true and accurate in all material respects and not misleading in any respect as at the date of Completion;

(k) Tradeeasy having satisfied that there has been no Material Adverse Change of the MTG Group as at the date of Completion; and

(l) MTG having received the written consent of each of minority shareholders of PTMTT and PTMP consenting to the sale and purchase of the Sale Shares and the subscription of the Subscription Shares by Tradeeasy in accordance with the Agreement, if required by Tradeeasy.

Conditions (a) and (i) have been fulfilled. In respect of condition (b), PTMTT has been duly incorporated and that 65% of its shareholding is owned by MTG. PTMP is in the process of being incorporated. In respect of

conditions (e) and (f), the Agreement and the transactions contemplated thereunder, and the Manistar Subscription Agreement and the transactions contemplated thereunder have been approved respectively at the board meeting by the Tradeeasy Board but the EGM has not been convened. Save as disclosed above, all the other conditions have not been fulfilled or waived as at the Latest Practicable Date.

In respect of conditions precedent (c) above, the conditions that shall be complied with in order to obtain the relevant rights and licenses under conditions precedent (c) are that (1) the Project Companies undertake to observe and comply with the relevant forestry laws applicable to the Mimika Project; and (2) the Project Companies have been duly incorporated and set up in Indonesia in accordance with the laws of Indonesia.

Tradeeasy, acting through the Tradeeasy Board, may in its absolute discretion waive the conditions precedent set out in (a), (b), (c), (d), (i), (j), (k) and (l) provided that all the other conditions precedent cannot be waived. In exercising the right of waiver, the Tradeeasy Board will act in good faith and in the best interest of Tradeeasy and its shareholders as a whole and will only waive any conditions precedent on minor issues or on issues that will not affect the substance of the Transactions and the Mimika Project. As at the Latest Practicable Date, Tradeeasy has no present intention to waive any conditions precedent of the Agreement. If the above conditions precedent are not satisfied or waived on or before the Long Stop Date, Tradeeasy has the right to terminate the Agreement or postpone to another date and neither party shall have any liability or obligation under the Agreement.

Completion of the Agreement

The Agreement and the Manistar Subscription Agreement are inter-conditional to each other. Completion of the Acquisition and the Subscription shall take place together and simultaneously. Completion of the Agreement shall take place on the second Business Day after the conditions precedent are fulfilled or waived (as the case may be) or such other date as the parties shall agree in writing. The Agreement will lapse if the conditions precedent are not fulfilled or waived (as the case may be) by the Long Stop Date or such later date as the parties shall agree in writing. In the event that the Completion of the Agreement has not taken place by the Long Stop Date, further announcement will be made by Tradeeasy and CCT Telecom.

THE MANISTAR SUBSCRIPTION AGREEMENT

The Manistar Initial Subscription Agreement dated 4 October 2007 as amended by the Manistar Supplemental Agreement, the Manistar Second Supplemental Agreement and the Manistar Third Supplemental Agreement were entered into between the following parties:

Parties

Subscriber : Manistar

Convertible Bonds Issuer : Tradeeasy

Pursuant to the Manistar Subscription Agreement, Manistar has agreed to subscribe for and Tradeeasy has agreed to issue the Manistar Convertible Bonds in the aggregate principal amount of HK$138,840,000. As Manistar is a substantial shareholder of Tradeeasy, the Manistar Subscription Agreement constitutes a connected transaction for Tradeeasy under Chapter 20 of the GEM Listing Rules. The amount of the Manistar Subscription Agreement is determined based on the total amount of the Cash Consideration and the Subscription Consideration that Tradeeasy is required to pay for the Transactions in cash. The proceeds from the issue of the Manistar Convertible Bonds will be used by Tradeeasy to pay for the Cash Consideration and the Subscription Consideration under the Agreement.

The Directors consider that the Transactions represent a good opportunity for the Tradeeasy Group which forms part of the Group to enter the forestry industry with huge potential and good future prospect. The Directors therefore consider that it is in the interest of the Shareholders as a whole to enter into the Manistar Subscription Agreement in order to provide funding to Tradeeasy to pay for the Cash Consideration and the Subscription Consideration.

Principal terms of the Manistar Convertible Bonds

The principal terms of the Manistar Convertible Bonds are summarised as follows:

Issuer:	Tradeeasy
Principal Amount of the Manistar Convertible Bonds:	HK$138,840,000
Interest:	Zero coupon
Conversion Period:	Subject to the restriction below, bondholders shall be entitled to convert the Manistar Convertible Bonds into the Conversion Shares at any time during the period commencing from the date of issue of the Manistar Convertible Bonds until the date that falls on the fifth day immediately before the maturity date. *Restriction in conversion:* Bondholders shall not convert any amount of the Manistar Convertible Bonds and Tradeeasy shall not issue any Conversion Shares if, upon such issue, Tradeeasy will be in breach of the minimum public float requirement under the GEM Listing Rules. This restriction shall remain valid throughout the term of the Manistar Convertible Bonds.
Conversion Price:	HK$0.10 per Conversion Share, subject to customary adjustments, among other things, sub-divisions and consolidations of the Tradeeasy Shares, in accordance with the terms and conditions of the Manistar Convertible Bonds. The overriding principle as set out in the Stock Exchange's letter dated 5 September 2005 is that no adjustment to the exercise price or number of shares should be to the advantage of share option scheme participants without prior shareholders' approval. The adjustment that will be made to the conversion price if and only if in the event of, among other things, sub-division or consolidation of the Tradeeasy Shares, bonus issues, right issues and other dilutive events. The Directors believe that the adjustment considerations set out in the Manistar Convertible Bonds in general accord with the overriding principle.
Conversion Shares:	If the Manistar Convertible Bonds are fully converted at the initial Conversion Price of HK$0.10 each, there will be 1,388,400,000 Conversion Shares.
Ranking of Conversion Shares:	Conversion Shares will rank pari passu in all respects with the Tradeeasy Shares then in issue on the relevant conversion date.
Maturity:	Three years from the date of issue of the Manistar Convertible Bonds. Unless previously converted or cancelled under the conditions of the Manistar Convertible Bonds, each Manistar Convertible Bond shall be redeemed at their principal amount on the maturity date.

Voting rights:	Bondholders will not have any right to attend or vote in any general meeting of Tradeeasy by virtue of their being bondholders.
Transferability:	The Manistar Convertible Bonds are transferable from the date of issue of the Manistar Convertible Bonds until the date that falls on the tenth day before the maturity date, subject to the terms and conditions of the Manistar Convertible Bonds.
Status:	General, unsecured obligations of Tradeeasy ranking equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of Tradeeasy except for the obligations accorded preference by mandatory provisions of applicable laws.
Listing:	No application will be made for the listing of the Manistar Convertible Bonds. Application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares arising from the conversion of the Manistar Convertible Bonds.

The conversion price of the Manistar Convertible Bonds in the amount of HK$0.10 per Tradeeasy Share represents:

- a discount of approximately 16.67% to the closing price of HK$0.12 per Tradeeasy Share as quoted on the Stock Exchange on 27 September 2007, the last trading date immediately before the issue of the Clarification Announcement;
- a discount of approximately 64.29% to the closing price of HK$0.280 per Tradeeasy Share as quoted on the Stock Exchange before the suspension of trading of the Tradeeasy Shares on the Last Trading Date;
- a discount of approximately 45.05% to the average closing price of HK$0.182 per Tradeeasy Share for the five consecutive trading days up to and including the Last Trading Date;
- a discount of approximately 39.39% to the average closing price of HK$0.165 per Tradeeasy Share for the 30 consecutive trading days up to and including the Last Trading Date;
- a discount of approximately 45.95% to the average closing price of HK$0.185 per Tradeeasy Share for the 60 consecutive trading days up to and including the Last Trading Date;
- a discount of approximately 31.03% to the closing price of HK$0.145 per Tradeeasy Share as quoted on 20 March 2008 (being the last trading date before the issue of the joint announcement of the Company and Tradeeasy dated 28 March 2008 in relation to the Third Supplemental Agreement and the Manistar Third Supplemental Agreement);
- a discount of approximately 69.70% to the closing price of HK$0.330 per Tradeeasy Share as quoted on the Latest Practicable Date; and
- a premium of approximately 317.00% over the audited consolidated net asset value of HK$0.024 per Tradeeasy Share as at 31 March 2007.

For the same reasons as stated in the section headed "Basis of the Sale Consideration and the Subscription Consideration" above, the Tradeeasy Directors (including the independent non-executive Tradeeasy Directors) therefore consider that the Conversion Price for the Manistar Convertible Bonds to be fair and reasonable.

The Conversion Shares to be issued upon conversion of the Manistar Convertible Bonds will be issued under a specific mandate of Tradeeasy.

Conditions precedent of the Manistar Subscription Agreement

Completion of the Manistar Subscription Agreement is conditional upon, among other things, the fulfillment of the following conditions on or before the Long Stop Date, or such other date as the parties to the Manistar Subscription Agreement may agree:

(a) the passing by the Tradeeasy Board all necessary resolutions at the Tradeeasy Board meeting approving the Manistar Subscription Agreement and the transactions contemplated thereunder including (but not limited to) the issue of the Manistar Convertible Bonds and the Conversion Shares upon exercise of the conversion rights attaching to the Manistar Convertible Bonds;

(b) the passing by the Independent Shareholders of all necessary resolutions by way of poll at the EGM approving the Manistar Subscription Agreement and the transactions contemplated thereunder including (but not limited to) the issue of the Manistar Convertible Bonds and the Conversion Shares upon exercise of the conversion rights attaching to the Manistar Convertible Bonds;

(c) the GEM Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in the Conversion Shares upon the exercise of the conversion rights attaching to the Manistar Convertible Bonds (and such permission and listing not subsequently being revoked prior to the delivery of the convertible bond certificates);

(d) the Agreement being unconditional in accordance with the terms thereof (other than in connection with the Manistar Subscription Agreement); and

(e) the representation and warranties contained in the Manistar Subscription Agreement remaining true and accurate and not misleading in any respect on the date of the Manistar Subscription Agreement and the date of Completion.

Condition (a) has been fulfilled. No other condition has been fulfilled or waived as at the Latest Practicable Date.

Manistar may in its absolute discretion waive the condition precedent set out in (e) provided that all the other conditions precedent cannot be waived. As at the Latest Practicable Date, Manistar has not indicated any intention to waive any conditions precedent of the Manistar Subscription Agreement. If the above conditions precedent are not satisfied or waived on or before the Long Stop Date, Manistar has the right to terminate the Manistar Subscription Agreement or postpone to another date and neither party shall have any liability or obligation under the Manistar Subscription Agreement.

Completion of the Manistar Subscription Agreement

Completion of the Manistar Subscription Agreement shall take place on the second Business Day after the conditions precedent are fulfilled or waived (as the case may be) or such other date as the parties shall agree in writing. The Completion of the Manistar Subscription Agreement shall take place immediately after the Completion of the Agreement. The Manistar Subscription Agreement will lapse if the conditions precedent are not fulfilled or waived (as the case may be) by the Long Stop Date or such later date as the parties shall agree in writing. In the event that the Completion of the Manistar Subscription Agreement has not taken place by the Long Stop Date, further announcement will be made by Tradeeasy.

DILUTIVE EFFECT OF THE MANISTAR CONVERTIBLE BONDS AND THE MCL CONVERTIBLE BONDS

As there will be future dilutive effect on the Tradeeasy Shareholders resulting from the exercise of the conversion rights attaching to all or part only of the Manistar Convertible Bonds and the MCL Convertible Bonds, Tradeeasy will keep the Tradeeasy Shareholders informed of the level of the dilutive effect and all relevant details of any conversion of the Manistar Convertible Bonds and the MCL Convertible Bonds respectively in the following manner:

(1) After Completion, Tradeeasy will make a monthly announcement on the websites of the Stock Exchange and Tradeeasy. Such announcement will be made on or before the fifth Business Day following the end of each calendar month and will include the following details:

    (a) details of any conversion of the Manistar Convertible Bonds and the MCL Convertible Bonds respectively during the relevant month, including the conversion date, number of new Conversion Shares issued and conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;

    (b) the respective principal amount of the outstanding Manistar Convertible Bonds and the MCL Convertible Bonds after the conversion, if any;

    (c) the total number of Tradeeasy Shares issued pursuant to other transactions, including the Tradeeasy Shares issued pursuant to exercise of the Tradeeasy Share Options under any share option scheme(s) of Tradeeasy, if any; and

    (d) the total issued share capital of Tradeeasy as at the commencement and the last day of the relevant month; and

(2) if the cumulative amount of new Tradeeasy Shares issued pursuant to the conversion of the Manistar Convertible Bonds and the MCL Convertible Bonds reaches 5% of the issued share capital of Tradeeasy as disclosed in the last monthly announcement of Tradeeasy in respect of the Manistar Convertible Bonds and the MCL Convertible Bonds (and thereafter in a multiple of such 5% threshold), Tradeeasy will make a further announcement including details as stated in (1) above for the period commencing from the date on which the total amount of the Tradeeasy Shares issued pursuant to the conversion amounted to 5% of the issued share capital of Tradeeasy as disclosed in the last monthly announcement made by Tradeeasy in respect of the Manistar Convertible Bonds and the MCL Convertible Bonds.

Shareholding structure of Tradeeasy

After the placing and top-up subscription of 150,000,000 Tradeeasy Shares under the general mandate of Tradeeasy as announced by the Placing Announcements, the shareholding structure of Tradeeasy as at the Latest Practicable Date, and before and immediately after Completion, the conversion of the Manistar Convertible Bonds and the MCL Convertible Bonds before and after triggering the applicable public float and offer obligation restrictions and other conversion restriction as stipulated in the terms of each of the convertible bonds, at the initial Conversion Price (all assuming no Tradeeasy Share Options is exercised), is as follows:

Tradeeasy Shareholders	**As at the Latest Practicable Date** *No. of Tradeeasy Shares held*	*%*	**Immediately after Completion and before conversion of any Manistar Convertible Bonds and MCL Convertible Bonds** *No. of Tradeeasy Shares held*	*%*	**Immediately after Completion and conversion of the Manistar Convertible Bonds before triggering the public float restriction** *No. of Tradeeasy Shares held*	*%*	**Immediately after Completion and full conversion of the Manistar Convertible Bonds** *No. of Tradeeasy Shares held*	*%*
CCT Telecom through Manistar Enterprises Limited	643,364,070	52.96	643,364,070	52.96	1,568,364,070	73.30	2,031,764,070	78.05
MCL	—	—	—	—	—	—	—	—
Tradeeasy Directors	28,344,000	2.34	28,344,000	2.34	28,344,000	1.32	28,344,000	1.09
Public Tradeeasy Shareholders	543,040,930	44.70	543,040,930	44.70	543,040,930	25.38	543,040,930	20.86
Total	**1,214,749,000**	**100.00**	**1,214,749,000**	**100.00**	**2,139,749,000**	**100.00**	**2,603,149,000**	**100.00**

Tradeeasy Shareholders	**Immediately after Completion and full conversion of the Manistar Convertible Bonds and the conversion of MCL Convertible Bonds before triggering the mandatory general offer** *No. of Tradeeasy Shares held*	*%*	**Immediately after Completion and full conversion of the Manistar Convertible Bonds and the conversion of that part of the MCL Convertible Bonds not subject to lock-up restriction in the first anniversary of the date of issue** *No. of Tradeeasy Shares held*	*%*	**Immediately after Completion and full conversion of the Manistar Convertible Bonds and the MCL Convertible Bonds** *No. of Tradeeasy Shares held*	*%*
CCT Telecom through Manistar Enterprises Limited	2,031,764,070	54.87	2,031,764,070	33.29	2,031,764,070	19.59
MCL	1,100,000,000	29.70	3,500,000,000	57.35	7,768,800,000	74.90
Tradeeasy Directors	28,344,000	0.77	28,344,000	0.46	28,344,000	0.27
Public Tradeeasy Shareholders	543,040,930	14.66	543,040,930	8.90	543,040,930	5.24
Total	**3,703,149,000**	**100.00**	**6,103,149,000**	**100.00**	**10,371,949,000**	**100.00**

As set out in the section headed "Restriction in conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds", the conversion of the Manistar Convertible Bonds and the MCL Convertible Bonds is subject to the public float restriction and the conversion of the MCL Convertible Bonds is subject to the general offer obligation restriction during the term of the respective convertible bonds. As set out in the section headed "Principal terms of the MCL Convertible Bonds", the conversion of the aggregate principal amount of falling in the range between HK$350,000,000 to HK$776,880,000 of the MCL Convertible Bonds is subject to lock-up provisions in conversion in the first year of issue.

The aggregate of 1,388,400,000 Conversion Shares arising from the full conversion of the Manistar Convertible Bonds at the initial Conversion Price represent (i) approximately 114.30% of the existing issued share capital of Tradeeasy; and (ii) approximately 13.39% of the issued share capital of Tradeeasy immediately after full conversion of the Manistar Convertible Bonds and the MCL Convertible Bonds at the initial Conversion Price, assuming no Tradeeasy Share Options is exercised.

The aggregate of 7,768,800,000 Conversion Shares arising from the full conversion of the MCL Convertible Bonds at the initial Conversion Price represent (i) approximately 639.54% of the existing issued share capital of Tradeeasy; and (ii) approximately 74.90% of the issued share capital of Tradeeasy immediately after full conversion of the Manistar Convertible Bonds and the MCL Convertible Bonds at the initial Conversion Price, assuming no Tradeeasy Share Options is exercised.

The Completion of the Transactions and the Manistar Subscription will not result in change in control of Tradeeasy.

Tradeeasy will promptly notify the Stock Exchange upon becoming aware of any dealings in the MCL Convertible Bonds and the Manistar Convertible Bonds by any connected persons as defined in the GEM Listing Rules.

Application will be made to the Stock Exchange for the listing of, and the permission to deal in the Tradeeasy Shares to be issued upon the conversion of the Manistar Convertible Bonds and the MCL Convertible Bonds.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Tradeeasy Shares.

BUSINESS PLANS OF THE MTG GROUP

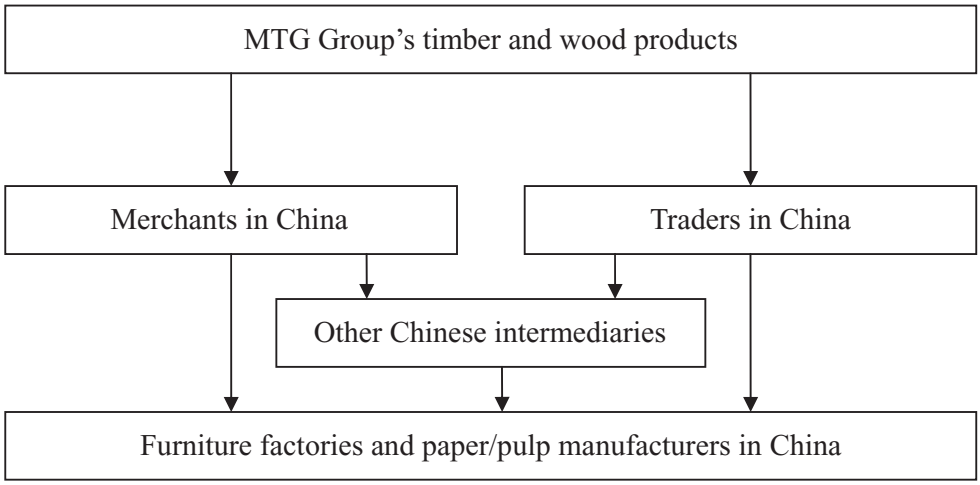
Target customers and market

The target market of the MTG Group's timber and wood products is China. According to the World Wildlife Fund, China's demand for imported industrial wood-timber, paper and pulp will grow by at least 33% within the next five years. ITTO reports that China will require 16 million m^3 of tropical timber by 2010 but that supply constraints in the international market may make it difficult to meet these levels of demand. The supply shortage has pushed up prices of timber products, which will continue on the upward trend.

Prior to 1998, timber trading in China was subject to state control. In 1998, the Chinese government implemented the Natural Forest Protection Program, and fully liberalised the timber trading industry of China. Currently, there are hundreds of timber markets of different sizes in both major timber-producing regions (e.g. Heilongjiang Province) and timber-consuming regions (e.g. Shanghai, Guangzhou and neighboring provinces).

China will be the export market of the MTG Group. A majority of MTG's products will be sold to merchants and traders in China. Merchants and traders are companies or individuals buying products on their own accounts. They will usually sell the products to other intermediaries down the supply chain or directly to furniture factories and paper and pulp factories, which will process the wood products into furniture and other wood products, and paper products for the retail market.

The diagram below sets forth a summary of the export marketing and distribution channels:



The MTG Group plans to establish its own sales and distribution team. Its sales and distribution strategy is to build up relationship with a limited number of merchants and traders with strong financial background and distribution network in order to reduce administrative costs and resources in the distribution channel. As the timber market in China is suppliers' market where demand is higher than supply, it is not difficult to sell timber and wood products especially tropical wood products.

Timber prices are fully determined by markets and trading volumes and prices of import of timber products into China have been increasing over the past several years. Pricing for MTG's timber and wood products will be market driven. In setting prices, the MTG Group will take into account market conditions and its costs, including logging and manufacturing. The MTG Group intends to sell products against secured instruments of payments from customers. The MTG Group will demand prepayments, bank guarantees, or letters of credit as payment methods for its products. The MTG Group intends to sell products on CNF and CIF basis, for which the title passes when the original documents evidencing ownership, such as a bill of lading, are surrendered to customers or their representatives for payment.

The timber operations, planned annual production volume and annual capacity

Timber operations

The MTG Group will be engaged in integrated upstream and downstream timber businesses in or near the Mimika Concession Areas located at the Mimika Administration Region, Papua, Indonesia. The upstream operation will involve the harvesting, logging and reforestation of timber. For the downstream operation, the MTG Group will be engaged in the production of a number of finished and/or semi-finished timber products including:

- Moldings;
- Veneer; and
- Clipboard.

Logging plan will be drawn up to harvest and log timber from the Mimika Concession Areas. The logged timber will be sent to the Project Companies' sawmills and factories where they will be processed into moldings, veneer, or wood chips. All processing and production activities will be undertaken in Papua, Indonesia. All finished and semi-finished products will be exported to China.

Planned annual production volume

Logging plans will be designed to take into consideration the licensing requirements and topography of the Concession Areas, tree species and density and end product use of the logs. All logs must be processed into timber and wood products before they can be exported out of Papua, Indonesia. The MTG Group plan to produce 100,000 m^3 volume of timber and wood products for export in the first year of operation. The MTG Group intends to increase the production of timber and wood products to approximately 500,000 m^3 per annum within five years' time.

Planned annual capacity

In order to log, process and produce logs and timber products, the MTG Group will invest in plant and machinery including:

For upstream operation:

- machinery to build logging road;
- heavy equipment to cut and log trees; and
- trucks for transportation.

For downstream operation:

- buildings for sawmills and wood processing factories; and
- plant and machinery for sawmills, veneer and chipboard factories.

The annual capacity will be planned in accordance with the logging and production plan. In the first year of operations, the annual capacity will be approximately 130,000 m^3 and will be increased to approximately 650,000 m^3 within five years' time.

RULES AND REGULATIONS GOVERNING FORESTRY OPERATIONS IN INDONESIA

(1) Laws on special autonomy of Papua, Indonesia

Starting with the administration of President Soeharto, successive administrations have promised special autonomy for Papua, Indonesia. The Law on Special Autonomy for Papua was formally formulated and promulgated by the administration of President Megawati Soekarnoputri in 2001.

Under the Law number 1 of 2001 concerning Special Autonomy for Papua Province ("Law 1/2001"), native Papuans are recognised as a branch of the Melanesian race and as one of the many ethnic groups of Indonesia that has its own cultures, traditions, history and languages. It cites and recognises the many legitimate grievances of native Papuans, including and especially the fact that the management of the natural wealth of the province has not yet improved their welfare and living standards. Hence, under this Law 1/2001, central authority is devolved to the province so that Papua acquires the power to decide all issues in all sectors of government except foreign affairs, defense, monetary affairs, fiscal policy, religious affairs, and the supreme court, which remain under the authority of the central government of Indonesia. The Law 1/2001 provides, among other things, that in the economic development of the province, the customary rights of the native communities will be respected.

(2) Upstream operations and regulations

The relevant laws and regulations that govern upstream forestry operations in Indonesia are set out as follows:

A plantation company is allowed to fell trees and clear forestland for the purposes of plantation of oil palm. A plantation company should initially obtain a land clearing license (the "Location Permit") from a regency in Papua, Indonesia through the authorisation of Governor of Papua, Indonesia, in order to carry out land clearing activities in forests for which a license to carry out plantation activities (the "Plantation Business License") will be applied. A Location Permit will be issued to cover the size of the area to be cleared in accordance with the request submitted by the plantation company per year. Unless there is violation of the Forestry Law by the plantation company, the Location Permit will be issued per year until the total area under the Plantation Business License is cleared. After the Location Permit is issued, the plantation company can apply for a Plantation Business License in order to be engaged in plantation of oil palm in Indonesia. The Plantation Business License is issued under the Ministry of Agriculture Regulation number 26/Permentan/OT.140/2/2007 ("Regulation 26/2007"), which is the law that governs and regulates the establishment of planted forests in Indonesia. Regulation 26/2007 provides guidance and requirements to issue Location Permit and Plantation Business License.

(3) Downstream operations and regulations

The operations of sawmills and the process and production of timber and wood products in Indonesia are governed by the Law number 25 of 2007 concerning Capital Investment, which is the law that applies to the sawmill and wood process operations of PTMTT.

Only sawn timber that has been processed into a certain condition in accordance with Harmony System Ex. 4407 is allowed to be exported pursuant to the Ministry of Trade Regulation number 09 of 2007 ("Regulation 09/2007"). The Harmony System Ex. 4407 of Regulation 09/2007 provides that logs should be dried and flattened into wood products before they can be exported.

MARKET ANALYSIS

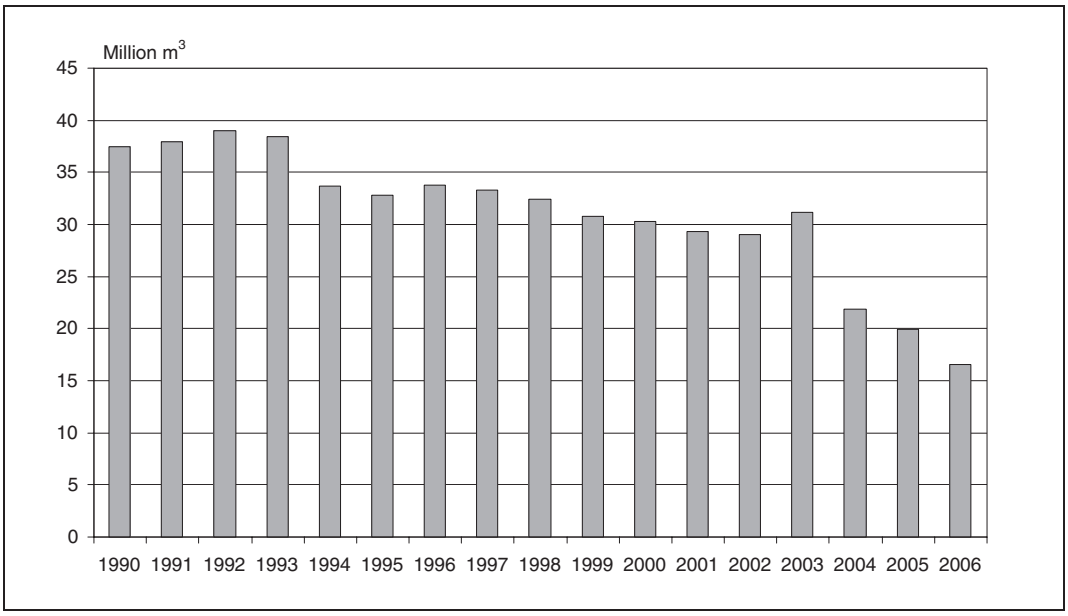
Indonesia tropical hardwood log market overview

Indonesia hardwood log supply and demand

Asia Pacific's tropical hardwood production accounted for 65% of the global tropical hardwood log production in 2006. Although environmental measures on illegal logging have reduced the level of log harvesting in Indonesia, Indonesia is one of the most important tropical hardwood log producers in the region. The country's harvest of logs for plywood, sawn timber and other solid wood processing in 2006 is estimated to have reached just over 17 million m^3.

Tropical hardwood log production in the Asia Pacific has been decreasing over the past decade. Tropical hardwood log trading is mostly inter-regional. Indonesia is one of the major tropical hardwood producers, but almost all logs are processed domestically.

Figure 1-1: Indonesia hardwood log production, 1990-2006



Source: ITTO and Pöyry

Industry competition

The South East Asian wood processing industry is heavily dependent on logs from natural forests.

In Indonesia, logs are processed into sawn timber and other panel products including plywood, veneer, and MDF. The processed sawn timber and wood panels are then used in construction industries as well as interior decoration and furniture manufacturing.

Sawn timber and plywood are the main end use of Indonesian logs accounting for about 89% of the total log consumption in 2006.

Limited supply of hardwood logs has also led to significant increase in the log prices over the past five years especially for logs sourced from natural forests. As restrictions on illegal logging activities are continued to be enforced strictly, the natural forest logs available for wood processing industries are becoming more limited.

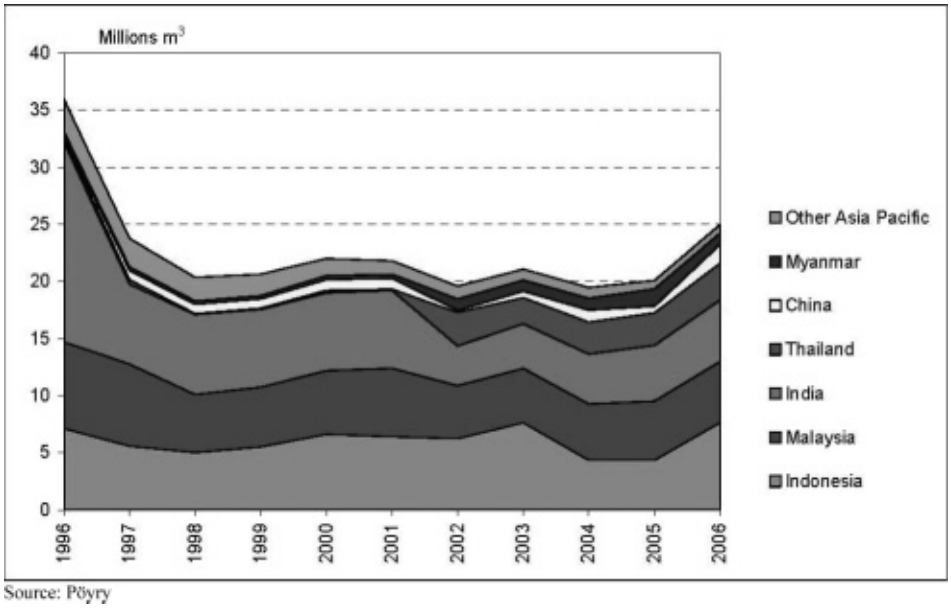
Hardwood sawn timber market overview

Hardwood sawn timber supply and demand in Asia Pacific

Since 1997, the tropical hardwood lumber industry in Asia Pacific has been steady due to protective forest policies introduced in major producing countries such as Indonesia and Malaysia. However, in the last two years, demand has stabilised based on the continued upswing in economies of importing countries and the strong construction industry in China.

In 2006, the largest producers of hardwood sawn timber in Asia Pacific were Indonesia (31%), Malaysia (22%) and India (22%).

Figure 1-2: Asia Pacific tropical hardwood sawntimber production



Source: Pöyry

Asia Pacific tropical hardwood sawntimber exports

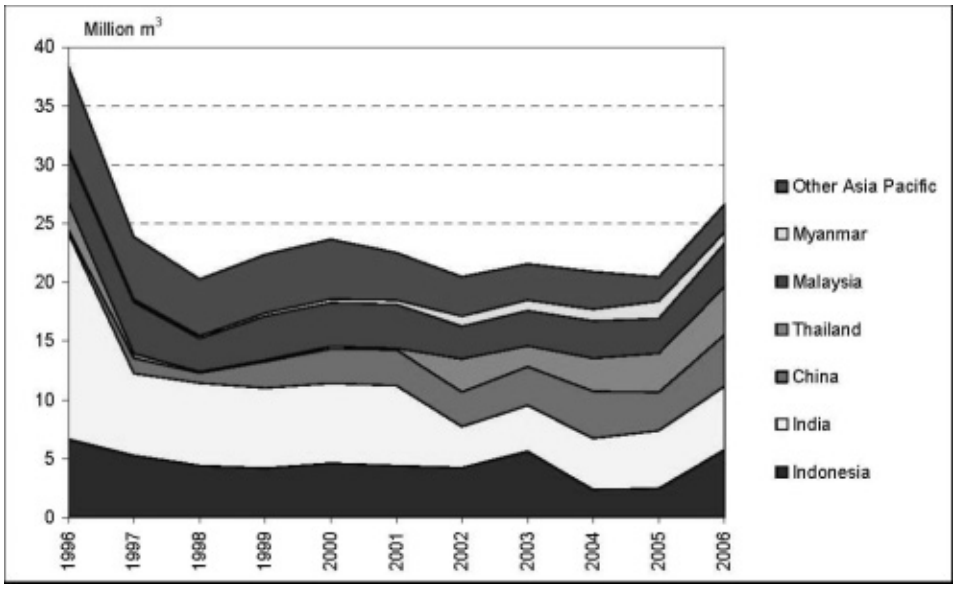
The main consuming country for tropical hardwood lumber in the Asia Pacific region is Indonesia.

The future outlook for construction industries in China, India and Thailand are strong for the next couple of years suggesting that tropical hardwood demand in these countries is also expected to be robust in the coming years.

The outlook for the furniture industry in Asia Pacific is expected to improve in the coming years as a consequence of an expected upswing for the economies of the importing countries and strong construction industry prospects in China and India.

The largest consumers of tropical hardwood sawn timber in 2006 were Indonesia (23%), India (22%), China (18%), Thailand (16%) and Malaysia (15%).

Figure 1-3: Asia Pacific tropical hardwood sawntimber consumption



Source: ITTO and Pöyry

Demand drivers in export markets

Indonesia exports sawn timber and plywood mainly to Japan, Korea, China and the Middle East. Demand drivers for wood products in export markets are construction and furniture industries based on the countries' economic growth.

China

China uses wood products in the construction industry as well as in interior decoration and furniture production.

China's economy has been growing strongly at an average rate of 10.5% per annum over the past three years. Although the Chinese government put tightening measures in place in the third quarter of 2006, economic growth has been alarmingly high, especially in investment, causing an overheated economy. Strong export sector growth also supported overall GDP growth. In 2007, GDP is estimated to be at 10.5% per annum then likely to moderate to 9.9% in 2008.

China's furniture industry has grown significantly over the last decade at an average rate of 17.9% per annum. In 2006, total furniture production is estimated to reach USD39 billion with exports over USD17 billion. Furniture production is expected to grow at around 8 to 9% per annum in the next five years reflecting a high level of economic growth and construction industry development.

China's building construction is estimated at around 2.5 billion square meter in 2006 and is expected to reach nearly 2.8 billion square meter in 2010. Despite a number of measures announced in the past six months to cool investment, urban fixed asset investment growth remains at around 26.6% year on year in the first eleven months in 2006. If the main driver of the present high rates of investment is the October 2007 plenum, then it seems unlikely that investment will decline considerably in the next 6 to 9 months.

China's continued expectation of strong economic growth, especially in fixed investment and the real estate industry, indicates there is a growing need for wood products in the next five years.

INFORMATION OF MCL AND THE MTG GROUP

MCL was incorporated in the British Virgin Islands on 29 January 2007 whose principal business is investment holding. MCL held 100% shareholding in MTG as at the Latest Practicable Date.

MTG was incorporated in the British Virgin Islands on 23 April 2007 whose principal business is investment holding. As at the Latest Practicable Date, MTG held 100% shareholding interest in MLL and MPL.

Each of the Dormant BVI Companies, MLL and MPL, is a limited liability company incorporated in the British Virgin Islands on 1 August 2007 and is dormant.

PTMTT was incorporated on 17 January 2008 as a foreign investment company in Indonesia and its shares are owned as to 65% by MTG and 35% by PT Amiete Nimio.

PTMP is in the process of incorporation as a foreign investment company in Indonesia and its shares will be owned as to 95% by MTG and 5% by PT Amiete Nimio.

The 35% interest in PTMTT is owned by PT Amiete Nimio and the 5% interest in PTMP will also be owned by PT Amiete Nimio. PT Amiete Nimio is a private company incorporated in Indonesia and whose shares are owned as to 50% by Mr. Sontang Alboin Manurung and 50% by Mr. Ray Gutafson Manurung. The two Mr. Manurung are Indonesian individuals. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Mr. Sontang Alboin Manurung and Mr. Ray Gutafson Manurung and their respective associates are third parties independent of and not connected with the Company and its directors, chief executives and substantial shareholders and its subsidiaries and associates as defined in the Listing Rules.

The Project Companies will pursue the Mimika Project by engaging in different parts of the upstream and downstream forestry business activities in or near the Mimika Concession Areas. PTMTT will be engaged in the operation of sawmills, and the process, production and export of timber and wood products. PTMP will be engaged in logging and harvesting of timber, the reforestation in areas logged, the clearing of forest lands within the Mimika Concession Areas, the plantation of oil palms, and the production of palm oil in or near the Mimika Concession Areas, and, incidental to the logging activities and subject to relevant government approvals, its business activities may also include the processing and export of timber and wood products being produced from logging and/or clearing of forest.

Each of MCL and MTG undertakes and procures that all the relevant Concessions, licenses, rights, permits, and the relevant government approvals in order for PTMP to carry out all aspects of business operations of the Mimika Project under the laws of Indonesia will be granted to PTMP and that all such licenses, permits and approvals to be granted to PTMP shall have a term long enough for the Project Companies to develop and exploit the entire Mimika Concession Areas including logging, reforestation, clearing of forest land and plantation. The management of MCL has conducted other business and has been exploring natural resources projects in Papua, Indonesia for many years. The management of MCL has therefore established extensive working relationship and network with and trust from the provincial and local government and the local people in Papua, Indonesia. Furthermore, the management of MCL has experience in forestry projects and timber business in other countries. Therefore, MCL has to get involved in procuring all relevant Concessions, licenses, permits and approvals to be granted to PTMP. The vendor does not have to incur any material costs in relation to performing its role in the Transactions. As Tradeeasy is not yet a shareholder of MTG and does not have the relevant experience and network as the management of MCL and therefore is not in a position to procure such Concessions, rights, licenses and approvals in respect of the Mimika Project.

Each member of the MTG Group has not conducted any material business activities since its incorporation. None of any member of the MTG Group has any material assets or liability.

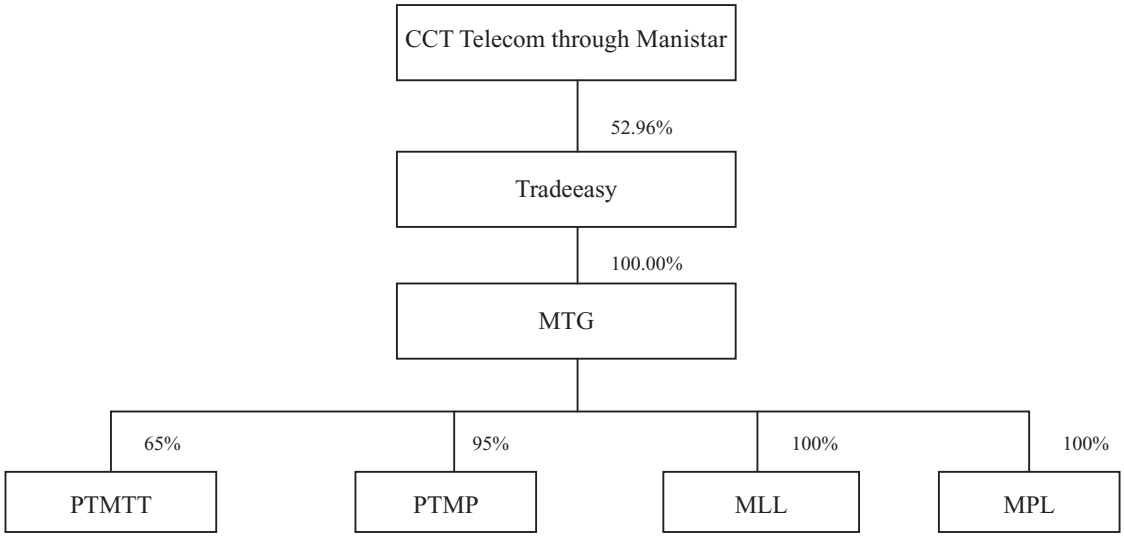
Set out below is a summary of the audited consolidated financial information of the MTG Group for the period from the date of incorporation of MTG to 31 December 2007.

Summary of audited consolidated financial information of the MTG Group:

	MTG Group For the period from 23 April 2007 (date of incorporation of MTG) to 31 December 2007 *HK$'000*
Revenue	—
Operating Expenses	(1,014)
Loss for the period	(1,014)

	As at 31 December 2007 *HK$'000*
Total Assets	9,020
Total Liabilities	(9,956)
Shareholders' deficit	(936)

The following chart sets forth the simplified shareholding structure of Tradeeasy and CCT Telecom in the MTG Group immediately upon Completion and assuming no conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds:



INFORMATION OF THE MIMIKA PROJECT

The Mimika Project is the integrated upstream and downstream forestry businesses to be carried out by the Project Companies in or near the Mimika Concession Areas. The upstream forestry and timber businesses will include the extraction and logging of trees, harvesting of timber, reforestation of logged area, forest land clearing and oil palm plantation. The downstream forestry businesses will include the production of palm oil, the operations of sawmills, the process, production and export of sawn timber and other timber and wood products. If all the Concessions have been obtained, the Mimika Project will have natural forest concessions of approximately 313,500 hectares, located in the Papua Province of Indonesia of which, subject to relevant government approvals, at least 200,000 hectares within the Mimika Concession Areas of forest land will be cleared by logging activities for the plantation of oil palm. The natural forests of the Mimika Concession Areas contain abundant resources of tropical hardwood and softwood.

Papua, situated near Equator, is an autonomous region of Indonesia. The Papua Province possesses abundant resources of natural rainforests and has one of the world's largest reserves of tropical hardwood species such as merbau whose wood is of high value and can be used for furniture, interior decoration, flooring and construction. Papua is situated at the east end of Indonesia and it is situated in a strategic location which is close to countries in the Asia Pacific region such as the PRC which have a high consumption of wood products and which are the target market of the Mimika Project. Upon the grant of concessions for the Mimika Project to the Project Companies, the Directors believe the Project Companies will possess one of the biggest natural forest concessions of tropical timber in the world.

INFORMATION ON THE COMPANY, TRADEEASY AND MANISTAR

The Group is principally engaged in (i) the manufacture, sale, design and development of telecom products and electronic products; (ii) the manufacture of power supply and plastic components; (iii) the manufacture and sale of infant and child products; (iv) securities business; (v) properties investment and development; and (vi) provision of e-commerce service through Tradeeasy.

Tradeeasy is an international trade enabler which is principally engaged in the provision of on-line and off-line integrated marketing solutions and management automation services to assist small and medium-size enterprises mainly located in Hong Kong and the PRC to generate and transform trade leads into transactions. The audited consolidated net loss before taxation and extraordinary items of Tradeeasy for the year ended 31 March 2006 and 31 March 2007 amounted to HK$1,554,000 and HK$10,326,000 respectively. The consolidated audited net loss after taxation and extraordinary items of Tradeeasy for the year ended 31 March 2006 and 31 March 2007 amounted to HK$1,703,000 and HK$10,326,000 respectively. The audited consolidated net assets value of Tradeeasy as at 31 March 2006 and 31 March 2007 amounted to HK$10,194,000 and HK$23,240,000 respectively. The unaudited consolidated net loss before taxation and extraordinary items and unaudited consolidated net loss after taxation and extraordinary items of Tradeeasy for the nine months ended 31 December 2007 amounted to HK$2,234,000 and HK$2,234,000 respectively.

Manistar was incorporated in the British Virgin Islands. It is an investment holding company holding approximately 52.96% shareholding interest in Tradeeasy as at the Latest Practicable Date. Manistar is a wholly-owned subsidiary of CCT Telecom.

REASONS OF THE TRANSACTIONS

The Tradeeasy Group is principally engaged in the e-commerce business. For the year ended 31 March 2007, the Tradeeasy Group has reported an audited loss of approximately HK$10 million, due to keen competition. The Directors and also the Tradeeasy Directors believe that the operating environment of the existing business of the Tradeeasy Group will remain highly competitive and more resources and investment have to be made in order to increase its competitiveness and to improve its results.

In order to complement with the highly competitive e-commerce market, the Directors and also the Tradeeasy Directors consider the diversification of business into new areas of high-growth potential will be in the best interest of the Shareholders and also the Tradeeasy Shareholders as a whole. Tradeeasy has been taking initiative in identifying business opportunities that will broaden its revenue sources and improve its profitability.

Due to the increasing of deforestation and surge demand for timber products in developing countries, particularly for tropical and subtropical forests, there is a significant and growing shortage of large-diameter logs, both softwood and hardwood, particularly in plywood and sawn timber producers. The supply shortfall is particularly apparent in the Asia Pacific region, where regional demand for wood products significantly exceeds supply, and the region is the largest wood deficit region in the world. Positive economic growth in Asia, increasing urbanisation and expanding furniture, construction and interior decoration industries are the major drivers that are expected to support demand for logs and wood products. Demand for wood products particularly in the Asia Pacific region is therefore expected to grow over the next decade.

With sustained growth in the demand for wood products in the Asia Pacific region due to expanding construction, furniture and interior decoration industries, price for timber products especially tropical hardwood products is expected to maintain in higher levels and increasing as log shortages exist and demand continues to be robust.

The acquisition of the forestry business represents an expansion and diversification of the existing principal business activities of the Group and the Tradeeasy Group. It is the present intention of Tradeeasy to continue its existing business after Completion of the Transactions. It is not a term of the Agreement, nor is it the intention of CCT Telecom and Tradeeasy, that there will be any change in the Tradeeasy Board or management of Tradeeasy following Completion. The existing management of the Group and the Tradeeasy Group has no relevant experience and expertise in relation to the forestry business. However, the existing management of the Group and the Tradeeasy Group has extensive management experience and expertise in manufacturing, distribution and marketing, international trade, commerce and finance and they believe that they can derive such skills and

managing experience in managing the new forestry business. Furthermore, professional and technical managers with expertise and experience in forestry and timber business will be recruited to develop and run the Mimika Project following Completion.

The characteristic of acquisition of a forestry project is that the purchaser acquires forest concession of timber resources and the cutting right to exploit such timber resources. The value of a forest concession depends on the reserve of timber resources in that particular forest and the right to log the trees, exploit and harvest the timber resources of the forest concession and not on whether a timber business has started or not. Although PTMP is in the process of being incorporated and the forestry business has not been started, Tradeeasy entered into the Agreement in order to secure the right to acquire the Concessions and logging right of the Mimika Concession Areas that will be granted to PTMP. The consideration that Tradeeasy is going to pay pursuant to the terms of the Agreement is to acquire the Concessions and an exclusive right to develop and exploit the forests in the Mimika Concession Areas of large areas with substantial reserve of timber resources and is not payable to acquire an existing timber business.

The Tradeeasy Board is aware that there are other potential investors who also have interest in the Mimika Project. Tradeeasy entered into the Agreement before incorporation of PTMP in order to secure an exclusive right to the Mimika Project ahead of other investors who are also interested in the Mimika Project. By entering into the Agreement, Tradeeasy has locked in its right to acquire the Mimika Project at agreed consideration, which will be re-assessed and be subject to downward adjustment (but not upward adjustment) with reference to the valuation of the Mimika Project by an independent Forest Consultant. Although PTMP has not been incorporated, the Transactions can only be completed and the Cash Consideration, the MCL Convertible Bonds and the Subscription Consideration shall only be settled at Completion subject to PTMP having been duly incorporated and all the relevant Concessions, licenses and approvals in relation to the Mimika Project having been granted to PTMP. Based on the analysis set out in the section headed "Basis of the Sale Consideration and the Subscription Consideration", the Board is of the opinion that the terms of the Agreement are fair and reasonable and on normal commercial terms. It is therefore in the interest of Tradeeasy and its shareholders as a whole for Tradeeasy to enter into the Agreement at this stage in order to secure the right to acquire the Mimika Project at the agreed consideration and terms of the Agreement.

In light of the above, the Directors and the Tradeeasy Directors consider that the forestry industry is a high-growth business and believe that the Transactions represent a good opportunity for the Group and also the Tradeeasy Group to enter the forestry industry with huge potential and good future prospect. The Directors and the Tradeeasy Directors consider that the Transactions will substantially enhance the assets, revenue and profitability of the Group. The Directors consider that the terms of the Agreement are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE TRANSACTIONS AND THE MANISTAR SUBSCRIPTION ON THE GROUP

Subject to the Completion, Tradeeasy will hold 100% of the then issued share capital of MTG and the Company will through Tradeeasy indirectly hold 52.96% of the then issued share capital of MTG immediately after the Transactions. Accordingly, MTG will become a non wholly-owned subsidiary of the Company and the post-acquisition financial results of the MTG Group will be consolidated to the results of the Group.

Net assets value

As at 31 December 2007, the audited consolidated net assets value of the Group amounted to approximately HK$3,775 million. Based on the unaudited pro forma consolidated balance sheet of the Enlarged Group as set out in Appendix III (A)(1) to this circular which illustrates the effect of the Transactions and the Manistar Subscription on the financial position of the Group, on the basis of the assumptions as stated in Appendix III A(1), the total assets of the Enlarged Group would have been increased by approximately HK$828

million, the total liabilities of the Enlarged Group would have been increased by approximately HK$614 million and the pro forma net assets value of the Enlarged Group would have been increased by approximately HK$214 million to approximately HK$3,989 million. The increase in the net assets value is primarily due to the net effect of the increase in other intangible assets by the inclusion of 100% value of the Mimika Project of approximately HK$827 million less (i) the payment of the Cash Consideration of approximately HK$8 million, (ii) the liability component of the MCL Convertible Bonds amounting to approximately HK$604 million and (iii) the net deficit of the MTG Group as at 31 December 2007.

In the event that the Manistar Convertible Bonds are fully converted, the percentage of CCT Telecom's shareholdings (through Manistar) in Tradeeasy will be increased from 52.96% to 78.05%, representing an increase of 25.09%. Such possible increase in the percentage of shareholdings will constitute a possible discloseable acquisition transaction of CCT Telecom under Chapter 14 of the Listing Rules. As Tradeeasy has been a subsidiary of the Company and Tradeeasy's accounts have been consolidated into the accounts of the Group, the maximum possible increase in the percentage of the Company's shareholding in Tradeeasy arising from the full conversion of the Manistar Convertible Bonds will not have any effect on the total assets and liability of the Group.

In the event that the Manistar Convertible Bonds and the MCL Convertible Bonds are fully converted, the maximum possible decrease in the percentage of shareholding of CCT Telecom (through Manistar) in Tradeeasy will be 33.37% from 52.96% to 19.59%. When the shareholdings in Tradeeasy held by the Group drop below 50%, Tradeeasy will cease to be a subsidiary of the Company and Tradeeasy's accounts will not be consolidated into the accounts of the Group. The maximum possible decrease of the percentage of the Company's shareholdings in Tradeeasy arising from the full conversion of the Manistar Convertible Bonds and the MCL Convertible Bonds will constitute a possible very substantial disposal transaction of the Company. Based on the unaudited pro forma consolidated balance sheet of the Remaining Group as set out in the Appendix III (B)(1) to this circular which illustrates the effect of the maximum possible decrease in the percentage of shareholdings of the Company in Tradeeasy arising from the full conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds, on the basis of the assumptions as stated in Appendix III (B)(1) the consolidated total assets of the Remaining Group would have been increased by approximately HK$285 million, the consolidated total liabilities of the Remaining Group would have been decreased by approximately HK$19 million and the consolidated net assets value of the Remaining Group would have been increased by approximately HK$304 million to approximately HK$4,079 million. The increase in the consolidated net assets value of the Remaining Group is primarily due to the net effect of (i) de-consolidation of the consolidated net asset value of the Tradeeasy Group as at 31 December 2007 immediately before the completion of the Transactions in the amount of approximately HK$65 million; (ii) the re-classification of the Group's share investment in Tradeeasy as "available-for-sale financial assets" resulting in an increase in the mark-to-market value of such assets by the amount of approximately HK$508 million; and (iii) decrease in cash balance due to the cash payment for the Manistar Subscription amounting to approximately HK$139 million.

Earnings

Upon Completion, the financial results of the Enlarged Group shall consolidate the results of the MTG Group.

The audited consolidated profit of the Group for the year ended 31 December 2007 amounted to approximately HK$397 million. Based on the unaudited pro forma consolidated income statement of the Enlarged Group as set out in the Appendix III (A)(2) to this circular which illustrates the effect of the Transactions and the Manistar Subscription on the result of the Group, on the basis of the assumptions as stated in Appendix III (A)(2) after charging the amortisation of the Concession covering Mimika Concession Areas and the imputed interest on the MCL Convertible Bonds for the year ended 31 December 2007, the consolidated profit of the Enlarged Group for the year ended 31 December 2007 would have been decreased by approximately HK$88 million to approximately HK$309 million.

In the event that the Manistar Convertible Bonds are fully converted, the percentage of CCT Telecom's shareholdings (through Manistar) in Tradeeasy will be increased from 52.96% to 78.05%, representing an increase of 25.09%. As Tradeeasy has been a subsidiary of the Company and Tradeeasy's accounts have been consolidated into the accounts of the Group, the maximum possible increase in the percentage of the Company's shareholding in Tradeeasy arising from the full conversion of the Manistar Convertible Bonds will not have any effect on the profit of the Group for the year ended 31 December 2007.

Based on the unaudited pro forma consolidated income statement of the Remaining Group as set out in the Appendix III (B)(2) to this circular which illustrates the effect of the maximum possible decrease in the percentage of shareholdings of the Company in Tradeeasy arising from the full conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds, on the basis of the assumptions as stated in Appendix III (B)(2), the consolidated profit of the Remaining Group would have been increased by approximately HK$35 million as a result of the de-consolidation of the consolidated results of the Tradeeasy Group from the Group. The increase in consolidated profit of the Remaining Group is mainly due to (i) the effect of exclusion of consolidated loss of the Tradeeasy Group for the year ended 31 December 2007 amounted to approximately HK$9 million, and (ii) the dilution gain arising from the full conversion of the Manistar Convertible Bonds and the MCL Convertible Bonds in the amount of approximately HK$26 million.

BUSINESS PROSPECTS OF THE ENLARGED GROUP

Trend of business of the Enlarged Group

The Enlarged Group is principally engaged in (i) the manufacture, sale, design and development of telecom products and electronic products; (ii) the manufacture of power supply and plastic components; (iii) the manufacture and sale of infant and child products; (iv) securities business; (v) properties investment and development; (vi) provision of e-commerce service through Tradeeasy; and (vii) upon Completion of the Transactions, the integrated upstream and downstream forestry business.

The Tradeeasy Group is principally engaged in the e-commerce business. The Tradeeasy Group's seller members, in particular, the Hong Kong manufacturers and traders have been facing considerable pressure in their operations due to the appreciation of Renminbi against USD, the shortage of labour and a rise of salary level and raw material costs. Responding this, Hong Kong manufacturers and traders are cutting down their promotional budget to remain its competitiveness in the market. As a result of these factors and keen competition of the Hong Kong market, the revenue of the Tradeeasy Group generated from Hong Kong has decreased.

During the financial year 2007, the telecom product manufacturing business of the Enlarged Group operated in a difficult business environment due to market competition, high material prices, shortage of labour together with rising labour costs and overhead in China, resulting in an operating loss of the manufacturing business in the financial year 2007. However, benefiting from the buoyant Hong Kong stock market, the securities investment business of the Enlarged Group performed very well and contributed substantial gain during 2007. Despite the operating loss of the manufacturing business of the Enlarged Group, the Enlarged Group still recorded a net profit for the year ended 31 December 2007, after inclusion of investment gains.

Trading and financial prospects of the Enlarged Group

The outlook of the US economy is uncertain. The subprime loan crisis has hit global financial markets. As a result, the US economy has slowed down and consumer spending has dampened. The management anticipates that market competition, the continued production issues and rise in operating costs and the probable further appreciation of Renminbi will remain key challenges and affect the profitability of the manufacturing business of the Enlarged Group. However, the Enlarged Group will continue to take various initiatives including cost control, development and launch of hi-tech advance products in order to remain competitive.

With regard to the newly established property development business, the Enlarged Group will develop the property projects in the Mainland China by phases. The management believes that the prospect of the property development business in the Mainland China looks promising and the future development of this business will contribute to the future growth of the Enlarged Group.

The financial position of the Enlarged Group remains strong with ample cash reserve available for investment and expansion. The gearing ratio of the Enlarged Group remains at a low level and the Enlarged Group does not have any net borrowings.

The existing e-commerce business of the Tradeeasy Group is highly competitive, resulting in loss in its operations. The Tradeeasy Directors consider the diversification of business into new areas of high-growth potential will be in the best interest of the Tradeeasy Shareholders as a whole. During the process of reviewing and identifying business opportunities, the Tradeeasy Directors are particularly enthusiastic about the forestry and timber businesses in the Asia Pacific region. A number of factors have driven the significant increase in demand for timber and wood products in the developing countries in the region, such as the PRC. These factors include the rapid economic growth, population growth and urbanisation, interior decorating demand, and construction demand and industry growth. On the other hand, due to increasing deforestation and the ban of illegal logging in the Asia Pacific region, supply for timber, especially tropical timber has diminished. As a result of strong demand of tropical hardwood versus diminishing supply, the prices of tropical timber and wood products has been increasing and are expected to maintain at higher levels and continue to increase.

The Tradeeasy Directors and the Directors believe that the demand for tropical timber in the Asia Pacific region will continue to be robust. Upon Completion, the Mimika Project will have large concession areas of 313,500 hectares of tropical natural forests. The Tradeeasy Directors and the Directors believe that the Mimika Project of the MTG Group will have huge potential and good future trading prospect. The acquisition of the MTG Group and therefore the Mimika Project by Tradeeasy will represent a good opportunity for the Tradeeasy Group which forms part of the Group and the Enlarged Group to diversify and expand into the high-growth forestry business. The Tradeeasy Directors and the Directors consider that after Completion of the Transactions and after the Mimika Project commences commercial operations, the assets, revenue and profitability of the Tradeeasy Group and the Enlarged Group will be substantially enhanced.

GENERAL

As Tradeeasy is a non wholly-owned subsidiary of CCT Telecom, the Transactions constitute a very substantial acquisition for CCT Telecom under Chapter 14 of the Listing Rules. The entering into of the Agreement by Tradeeasy, the Acquisition and the Subscription by Tradeeasy are therefore subject to the approval by the Shareholders at the SGM. A director and a beneficial owner of 85% shareholding interest in MCL, namely Mr. Lai Wing Hung, held 1,576,000 shares in CCT Telecom (the "Interested Shareholder"), representing approximately 0.198% of the total issued capital of CCT Telecom as at the Latest Practicable Date, through which controlled the voting rights in respect of these shares. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, with the exception of the Interested Shareholder, MCL, MTG and their respective associates and parties acting in concert with them do not hold any Shares as at the Latest Practicable Date. The Interested Shareholder is required to abstain from voting on the resolutions to approve the Agreement and the transactions contemplated thereunder at the SGM. Other than the Interested Shareholder, no other Shareholders has a material interest in the Transactions, and therefore no other Shareholders is required to abstain from voting on the resolutions to approve the Agreement and the transactions contemplated thereunder at the SGM. The vote of the Shareholders taken at the SGM to approve the Agreement and the transactions contemplated thereunder will be taken by way of a poll.

As set out in the shareholding table under the section headed "Shareholding structure of Tradeeasy", the maximum possible increase of the percentage of Manistar's shareholdings in Tradeeasy is 25.09% from 52.96%

to 78.05% and the maximum possible decrease of the percentage of Manistar's shareholdings in Tradeeasy is 33.37% from 52.96% to 19.59%. When the shareholdings in Tradeeasy held by the Group drop below 50%, Tradeeasy will cease to be a subsidiary of the Company. The maximum possible increase and the maximum possible decrease of the percentage of Manistar's shareholdings in Tradeeasy will constitute a possible discloseable acquisition or a possible very substantial disposal transaction respectively of CCT Telecom, pursuant to the provisions as stipulated in Chapter 14 of the Listing Rules. The possible very substantial disposal transaction arising from the possible decrease of the percentage of Manistar's shareholdings in Tradeeasy as a result of the future conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds will be subject to the approval by the Shareholders at the SGM. Other than the Interested Shareholder who is required to abstain from voting on the resolution to approve the possible very substantial disposal transaction at the SGM, no other Shareholders is required to abstain from voting on the resolution to approve the possible very substantial disposal transaction at the SGM. The vote of the Shareholders taken at the SGM to approve the possible very substantial disposal transaction will be taken by way of a poll.

The Company currently has no intention to dispose any existing Tradeeasy Shares or any Conversion Shares after conversion of the Manistar Convertible Bonds.

SGM

The notice convening the SGM to be held at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong on Wednesday, 18 June 2008 at 10:45 a.m. is set out on pages 231 to 232 of this circular. A form of proxy for use by the Shareholders at the SGM is enclosed herein. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event, not later than 48 hours before the time appointed for holding the SGM. Such form of proxy for use at the SGM is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cct.com.hk). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM in person should you so wish.

PROCEDURES ON DEMANDING A POLL

In accordance with bye-law 66 of the bye-laws of the Company, every resolution submitted to a general meeting shall be determined on a show of hands in the first instance by the Shareholders present in person or by proxy or by duly authorised corporate representative, but a poll may be demanded (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) by the chairman of the general meeting or by:

(a) at least three Shareholders present in person or by duly authorised corporate representative or by proxy for the time being entitled to attend and vote at the general meeting; or

(b) any Shareholder or the Shareholders present in person or by duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to attend and vote at the general meeting; or

(c) any Shareholder or the Shareholders present in person or by duly authorised corporate representative or by proxy and holding the Shares conferring a right to attend and vote at the general meeting being the Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

RECOMMENDATION

The Directors consider that the terms of the Transactions and the Manistar Subscription are fair and reasonable to the Company and in the interests of the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions proposed at the SGM to approve the entering of the Agreement by Tradeeasy and all the transactions (including the Acquisition and the Subscription) contemplated thereunder (which constitute a very substantial acquisition of the Company), the issue of the MCL Convertible Bonds by Tradeeasy and the allotment and issue by Tradeeasy of the Conversion Shares arising from the conversion of the MCL Convertible Bonds, and the possible very substantial disposal transaction of the Company arising from the possible decrease of the percentage of Manistar's shareholding in Tradeeasy as a result of the future conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds.

ADDITIONAL INFORMATION

Your attention is drawn to further information contained in the appendices, which forms part of this circular.

Yours faithfully,
For and on behalf of the Board of
CCT TELECOM HOLDINGS LIMITED
Mak Shiu Tong, Clement
Chairman

(1) ACCOUNTANTS' REPORT ON THE GROUP

The following is the text of a report, prepared for the purpose of incorporation in this Circular, received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

安永會計師事務所 ERNST & YOUNG

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

30 May 2008

The Directors
CCT Telecom Holdings Limited

Dear Sirs,

We set out below our report on the financial information including the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the three years ended 31 December 2005, 2006 and 2007 (the "Relevant Periods") and the consolidated and company balance sheets as at 31 December 2005, 2006 and 2007 and the notes thereto (the "Financial Information") of CCT Telecom Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), for inclusion in the circular (the "Circular") of the Company dated 30 May 2008 in connection with very substantial acquisition, possible discloseable acquisition and possible very substantial disposal transactions of the Company.

The Company was incorporated in Cayman Islands with limited liability with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and continues as an exempted company under the laws of Bermuda after the change of domicile from the Cayman Islands to Bermuda effective on 9 December 2005. The principal activity of the Company is investment holding and the principal activities of the Group are set out below. The Company and its subsidiaries have adopted 31 December as their financial year end date, except for Tradeeasy Holdings Limited and certain of its subsidiaries which have adopted 31 March as their financial year end date.

At the date of this report, the Company had direct and indirect interests in the following principal subsidiaries all of which are private companies (or, if incorporated outside Hong Kong, have characteristics substantially similar to those of a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Notes	Place and date of incorporation/ registration	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Canford Holdings Limited	(1)	Hong Kong 20 July 2004	HK$2 Ordinary	—	100	Property holding
CCT Marketing Limited	(1)	British Virgin Islands 11 November 1996	US$1 Ordinary	—	50.49	Trading of telecom products
CCT Telecom (HK) Limited	(1)	Hong Kong 22 July 1986	HK$2,600,000 Ordinary	—	50.49	Sourcing of telecom products, raw materials and components
CCT Telecom Securities Limited (Formerly known as Wiltec International (HK) Limited)	(2)	Hong Kong 19 July 2006	HK$1 Ordinary	—	100	Securities investment

Company name	Notes	Place and date of incorporation/ registration	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
CCT Tech International Limited ("CCT Tech") @	(1)	Bermuda 22 July 2002	HK$654,139,940 Ordinary	—	50.49	Investment holding
Electronic Sales Limited	(1)	Hong Kong 2 June 1972	HK$5,948,000 Ordinary	—	100	Sale of power supply components
Goldbay Investments Limited	(1)	Hong Kong 26 September 1997	HK$2 Ordinary	—	100	Property holding
Huge Partner Limited	(1)	Hong Kong 28 November 1996	HK$10,000 Ordinary	—	100	Property holding
Neptune Holding Limited	(1)	Hong Kong 7 February 1992	HK$10,000,000 Non-voting* class 'A' shares HK$1,000,000 Voting class 'B' shares	—	100	Trading of plastic casings and parts
Rich Full International Industries Limited	(3)	Hong Kong 23 April 2005	HK$1 Ordinary	—	100	Property holding
Topcon Investments Limited	(3)	Hong Kong 14 October 2005	HK$1 Ordinary	—	100	Property holding
Wiltec Industries (HK) Limited (formerly known as "Wiltec (China) Limited")	(1)	British Virgin Islands 17 March 1998	US$2 Ordinary	—	100	Design and trading of infant and child products and investment holding
惠陽中建電訊製品有限公司 (Huiyang CCT Telecommunications Products Co., Ltd.)#	(4)	The People's Republic of China ("PRC") 18 January 1999	HK$120,000,000 Registered^	—	50.49	Manufacturing of telecom products
惠陽中建塑膠產品有限公司 (Huiyang CCT Plastic Products Co., Ltd.)#	(4)	PRC 18 January 1999	HK$48,600,000 Registered^	—	100	Manufacturing of plastic casings and parts
中建置地(鞍山)房地產開發有限公司 (CCT Land Development (Anshan) Company Limited)# (formerly known as CCT Telecom (An Shan) Property Development Company Limited)	(5)	PRC 24 July 2007	HK$160,000,000 Registered^	—	100	Property development
中建置地(朝陽)房地產開發有限公司 (CCT Land Development (Chao Yang) Company Limited)# (formerly known as CCT Telecom (Chao Yang) Property Development Company Limited)	(6)	PRC 7 July 2006	US$15,433,900 Registered^	—	100	Property development
中建科技(朝陽)有限公司(CCT Tech (Chao Yang) Company Limited)#	(6)	PRC 7 July 2006	US$6,950,000 Registered^	—	50.49	Manufacturing of telecom and electronic products
中建(朝陽)塑膠產品有限公司 (CCT (Chao Yang) Plastic Products Company Limited)#	(6)	PRC 11 July 2006	US$11,577,000 Registered^	—	100	Manufacturing of plastic casings and parts
Tradeeasy Holdings Limited ("Tradeeasy") @@	(7)	Cayman Islands 20 September 2001	HK$12,147,490 Ordinary	—	52.96	Provision of e-commerce services

* The non-voting shares carry no rights to dividends and no rights to vote at general meetings.
@ Listed on the Main Board of the Stock Exchange.
@@ Listed on the Growth Enterprise Market of the Stock Exchange.
^ Registered as wholly-foreign-owned enterprises under the PRC law.
# For identification purposes only.

Notes:
(1) The financial statements of these companies for the years ended 31 December 2005, 2006 and 2007 were audited by Ernst & Young, Certified Public Accountants registered in Hong Kong.
(2) The financial statements of this company for the period ended 31 December 2006 and the year ended 31 December 2007 were audited by Ernst & Young, Certified Public Accountants registered in Hong Kong.
(3) The financial statements of these companies for the period ended 31 December 2005 and the years ended 31 December 2006 and 2007 were audited by Ernst & Young, Certified Public Accountants registered in Hong Kong.
(4) The financial statements of these companies for the years ended 31 December 2005, 2006 and 2007 were audited by Huizhou Rongde Certified Public Accountants (惠州榮德會計師事務所), Certified Public Accountants registered in the PRC.
(5) The financial statements of this company for the period ended 31 December 2007 were audited by Liaoning Yongxinda Certified Public Accountants Limited Company (遼寧永信達會計師事務所有限公司), Certified Public Accountants registered in the PRC.
(6) The financial statements of these companies for the year ended 31 December 2007 were audited by Chaoyang Longxin Certified Public Accountants Co. Ltd (朝陽龍信會計師事務所有限責任公司), Certified Public Accountants registered in the PRC. No audited financial statements were issued for the period ended 31 December 2006.
(7) The financial statements of this company for the years ended 31 March 2005, 2006 and 2007 were audited by Ernst & Young, Certified Public Accountants registered in Hong Kong.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Group at each balance sheet date of the Relevant Periods. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The Financial Information set out in this report has been prepared based on the audited consolidated financial statements of the Group for each of the three years ended 31 December 2005, 2006 and 2007, prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), (hereinafter collectively referred to as the "Underlying Financial Statements").

The directors of the Company are responsible for the Financial Information which gives, for the purpose of this report, a true and fair view, and for the contents of the Circular in which this report is included. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates made are prudent and reasonable, and that the reasons for any significant departure from applicable accounting standards are stated. It is our responsibility to form an independent opinion on the Financial Information and to report our opinion to you.

Procedures performed in respect of the Relevant Periods

For the purpose of this report, we have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. No adjustments were considered necessary to adjust the Underlying Financial Statements to conform to the Financial Information for the Relevant Periods.

Opinion in respect of the Relevant Periods

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and the Group as at 31 December 2005, 2006 and 2007 and of the results and cash flows of the Group for each of the Relevant Periods.

I. FINANCIAL INFORMATION

(a) CONSOLIDATED INCOME STATEMENTS

HK$ million	Notes	Year ended 31 December 2005	2006	2007
REVENUE	5	3,980	4,199	4,066
Cost of sales		(3,526)	(3,789)	(3,778)
Gross profit		454	410	288
Other income and gains		175	444	667
Selling and distribution costs		(59)	(63)	(56)
Administrative expenses		(257)	(284)	(324)
Other expenses		(19)	(80)	(118)
Finance costs	7	(23)	(40)	(43)
PROFIT BEFORE TAX	6	271	387	414
Tax	10	(18)	(21)	(17)
PROFIT FOR THE YEAR		253	366	397
Profit/(loss) attributable to:				
Equity holders of the parent	11	225	358	484
Minority interests		28	8	(87)
		253	366	397
DIVIDENDS	12			
Paid special interim		319	—	—
Paid interim		—	16	20
Proposed final		13	20	24
		13	36	44
Total		332	36	44
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13			
Basic		HK$0.44	HK$0.49	HK$0.61
Diluted		HK$0.37	HK$0.43	HK$0.57

(b) CONSOLIDATED BALANCE SHEETS

HK$ million	Notes	As at 31 December 2005	2006	2007
NON-CURRENT ASSETS				
Property, plant and equipment	14	1,253	1,222	1,287
Investment properties	15	257	490	315
Prepaid land lease payments	16	220	225	219
Other intangible assets	17	45	45	32
Goodwill	18	110	128	55
Long term receivable	33	—	312	—
Available-for-sale financial assets	20	18	11	11
Held-to-maturity financial assets	21	18	—	—
Financial assets at fair value through profit or loss	25	37	—	—
Deferred tax assets	34	3	4	2
Total non-current assets		1,961	2,437	1,921
CURRENT ASSETS				
Inventories	22	294	233	223
Trade and bills receivables	23	838	837	718
Prepayments, deposits and other receivables	24	50	42	276
Available-for-sale financial assets	20	551	—	—
Financial assets at fair value through profit or loss	25	24	226	398
Held-to-maturity financial assets	21	—	2	—
Derivative financial instruments	29	1	—	—
Pledged time deposits	26	71	88	250
Cash and cash equivalents	26	528	865	1,673
Total current assets		2,357	2,293	3,538
CURRENT LIABILITIES				
Trade and bills payables	27	988	886	851
Tax payable		26	25	31
Other payables and accruals	28	139	177	300
Derivative financial instruments	29	1	—	62
Interest-bearing bank and other borrowings	30	158	207	212
Total current liabilities		1,312	1,295	1,456
NET CURRENT ASSETS		1,045	998	2,082
TOTAL ASSETS LESS CURRENT LIABILITIES		3,006	3,435	4,003

(b) CONSOLIDATED BALANCE SHEETS (continued)

HK$ million	Notes	As at 31 December 2005	2006	2007
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	30	293	296	224
Long term payable	33	—	256	—
Derivative financial instrument	33	—	71	—
Deferred tax liabilities	34	3	3	4
Total non-current liabilities		296	626	228
Net assets		2,710	2,809	3,775
EQUITY				
Equity attributable to equity holders of the parent				
Issued capital	35	65	78	80
Reserves	37(a)	2,564	2,654	3,121
Proposed final dividend	12	13	20	24
		2,642	2,752	3,225
Minority interests		68	57	550
Total equity		2,710	2,809	3,775

(c) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to equity holders of the parent												
HK$ million	Notes	Issued capital	Share premium account	Capital reserve (Note 37(a))	Distributable reserve	Investment revaluation reserve	Equity component of convertible bonds	Share option reserve	Exchange fluctuation reserve	Retained profits/ (accumulated) losses)	Proposed final dividend	Total	Minority interests	Total equity
At 1 January 2005		42	1,250	1,060	—	—	—	—	—	(158)	8	2,202	205	2,407
Change in fair value of available-for-sale financial assets		—	—	—	—	320	—	—	—	—	—	320	—	320
Exchange realignment		—	—	—	—	—	—	—	1	—	—	1	—	1
Total income and expense recognised directly in equity		—	—	—	—	320	—	—	1	—	—	321	—	321
Profit for the year		—	—	—	—	—	—	—	—	225	—	225	28	253
Total income and expense for the year		—	—	—	—	320	—	—	1	225	—	546	28	574
Acquisition of minority interests		—	—	—	—	—	—	—	—	—	—	—	(165)	(165)
Exercise of share options	35	4	27	—	—	—	—	—	—	—	—	31	—	31
Issue of convertible bonds	32	—	—	—	—	—	46	—	—	—	—	46	—	46
Issue of new shares upon conversion of convertible bonds	35	8	44	—	—	—	(15)	—	—	—	—	37	—	37
2004 final dividend		—	—	—	—	—	—	—	—	—	(8)	(8)	—	(8)
2005 special interim dividend	12	—	—	(319)	—	—	—	—	—	—	—	(319)	—	(319)
Issue of scrip dividend shares	35	11	96	—	—	—	—	—	—	—	—	107	—	107
Cancellation of share premium account	35	—	(1,417)	—	1,417	—	—	—	—	—	—	—	—	—
Proposed 2005 final dividend	12	—	—	—	—	—	—	—	—	(13)	13	—	—	—
At 31 December 2005 and 1 January 2006		65	—*	741*	1,417*	320*	31*	—*	1*	54*	13	2,642	68	2,710
Change in fair value of available-for-sale financial assets		—	—	—	—	(1)	—	—	—	—	—	(1)	—	(1)
Exchange realignment		—	—	—	—	—	—	—	3	—	—	3	—	3
Total income and expense recognised directly in equity		—	—	—	—	(1)	—	—	3	—	—	2	—	2
Profit for the year		—	—	—	—	—	—	—	—	358	—	358	8	366
Total income and expense for the year		—	—	—	—	(1)	—	—	3	358	—	360	8	368
Realisation of revaluation reserve upon disposal of investment		—	—	—	—	(318)	—	—	—	—	—	(318)	—	(318)
Equity-settled share option arrangements		—	—	—	—	—	—	2	—	—	—	2	—	2
Restatement of fair value losses on financial assets at fair value through profit or loss upon business combination	38	—	—	—	—	—	—	—	—	35	—	35	—	35
Acquisition of subsidiaries	38	—	—	—	—	—	—	—	—	—	—	—	11	11
Deemed acquisition of minority interests upon conversion of convertible notes		—	—	—	—	—	—	—	—	—	—	—	(30)	(30)
Issue of convertible bonds	32	—	—	—	—	—	5	—	—	—	—	5	—	5
Issue of new shares upon conversion of convertible bonds	35	13	67	—	—	—	(23)	—	—	—	—	57	—	57
2005 final dividend		—	—	—	—	—	—	—	—	(2)	(13)	(15)	—	(15)
2006 interim dividend	12	—	—	—	—	—	—	—	—	(16)	—	(16)	—	(16)
Proposed 2006 final dividend	12	—	—	—	—	—	—	—	—	(20)	20	—	—	—
At 31 December 2006 and 1 January 2007		78	67*	741*	1,417*	1*	13*	2*	4*	409*	20	2,752	57	2,809
Exchange realignment		—	—	—	—	—	—	—	15	—	—	15	—	15
Total income and expense recognised directly in equity		—	—	—	—	—	—	—	15	—	—	15	—	15
Profit for the year		—	—	—	—	—	—	—	—	484	—	484	(87)	397
Total income and expense for the year		—	—	—	—	—	—	—	15	484	—	499	(87)	412
Equity-settled share option arrangements		—	—	—	—	—	—	5	—	—	—	5	—	5
Arising from disposal of interest in a subsidiary		—	—	—	—	—	—	—	—	—	—	—	514	514
Deemed disposal of interest in a subsidiary upon exercise of share options in the subsidiary		—	—	4	—	—	—	(4)	—	—	—	—	45	45
Deemed disposal of interest in a subsidiary upon placement of shares by the subsidiary		—	—	—	—	—	—	—	—	—	—	—	21	21
Issue of new shares upon conversion of convertible bonds	35	2	10	—	—	—	(3)	—	—	—	—	9	—	9
2006 final dividend		—	—	—	—	—	—	—	—	—	(20)	(20)	—	(20)
2007 interim dividend	12	—	—	—	—	—	—	—	—	(20)	—	(20)	—	(20)
Proposed 2007 final dividend	12	—	—	—	—	—	—	—	—	(24)	24	—	—	—
At 31 December 2007		80	77*	745*	1,417*	1*	10*	3*	19*	849*	24	3,225	550	3,775

* As at 31 December 2005, 2006 and 2007, these reserve accounts comprise the consolidated reserves of HK$2,564 million, HK$2,654 million and HK$3,121 million in the consolidated balance sheets, respectively.

(d) CONSOLIDATED CASH FLOW STATEMENTS

HK$ million	Notes	Year ended 31 December 2005	2006	2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		271	387	414
Adjustments for:				
Finance costs	7	23	40	43
Interest income	5, 6	(8)	(39)	(98)
Depreciation	6	122	128	135
Equity-settled share option expense		—	2	12
Amortisation of prepaid land lease payments	6	5	5	6
Goodwill impairment	6	7	21	25
Amortisation of deferred expenditure	6	30	47	36
Impairment of trade receivables	6	15	8	22
Write off of other receivables	6	—	—	6
Write off and impairment of deferred development costs	6	8	15	14
Write off or impairment of items of property, plant and equipment	6	1	11	14
(Gain)/loss on disposal of items of property, plant and equipment, net	6	2	(1)	—
Fair value gain on investment properties	6	—	(39)	(19)
Gain on disposal of an investment property	6	—	—	(34)
Gain on partial disposal of subsidiaries	6	—	—	(456)
Gain on derecognition of derivative financial instrument	6	—	—	(71)
Reversal of impairment losses on properties	6	(66)	—	—
Write-down of inventories to net realisable value	6	8	46	14
Fair value (gain)/loss on financial assets at fair value through profit or loss	6	2	(13)	(18)
Gain on disposal of available-for-sale financial assets	6	—	(318)	—
Impairment loss on available-for-sale financial assets	6	2	—	—
Loss on disposal of held-to-maturity financial assets	6	—	1	—
Gain on deemed acquisition of minority interests upon conversion of convertible notes	6	—	(30)	—
Gain on deemed disposal of interest in CCT Tech	6	—	—	(21)
Gain on deemed disposal of interest in Tradeeasy	6	—	—	(21)
Gain on disposal and deemed disposal of interest in an associate	6	(109)	—	—
Net gain on disposal of subsidiaries	6	(42)	—	—
Fair value loss on derivative financial instruments	6	—	21	36
		271	292	39
(Increase)/decrease in inventories		(87)	15	(4)
(Increase)/decrease in trade and bills receivables		(59)	(5)	97
(Increase)/decrease in prepayments, deposits and other receivables		(19)	10	(240)
Increase/(decrease) in trade and bills payables and other payables and accruals		94	(71)	88
Cash generated from/(used in) operations		200	241	(20)

(d) CONSOLIDATED CASH FLOW STATEMENTS (continued)

HK$ million	Notes	Year ended 31 December 2005	2006	2007
Interest received		8	31	98
Interest paid		(18)	(34)	(26)
Hong Kong profits tax paid		(12)	(15)	(1)
PRC tax paid		(4)	(8)	(7)
Net cash inflow from operating activities		174	215	44
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(197)	(126)	(205)
Proceeds from disposal of items of property, plant and equipment		4	7	5
Purchases of investment properties		—	(147)	—
Proceeds from disposal of investment properties		3	—	228
Additions to prepaid land lease payments		—	(10)	—
Additions to intangible assets		(55)	(53)	(36)
Acquisition of subsidiaries	38	—	4	—
Proceeds from partial disposal of subsidiaries		—	—	748
Decrease in a long term receivable		—	—	312
Disposal of interest in an associate		96	—	—
Acquisition of minority interests		(144)	—	—
Proceeds from disposal of held-to-maturity financial assets		—	15	2
Net purchases of financial assets at fair value through profit or loss		(16)	(156)	(154)
Proceeds from disposal of available-for-sale financial assets		—	557	—
Increase in derivative financial instruments		—	—	26
Decrease/(increase) in pledged time deposits		46	(17)	(162)
Net cash inflow/(outflow) from investing activities		(263)	74	764
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares by subsidiaries		31	—	101
New bank loans		117	236	116
New/(repayment of) trust receipts loans, net		(2)	(40)	19
Repayment of bank loans		(72)	(110)	(200)
Capital element of finance lease rental payments		(7)	(7)	(6)
Dividends paid		(220)	(31)	(40)
Net cash inflow/(outflow) from financing activities		(153)	48	(10)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(242)	337	798
Cash and cash equivalents at beginning of year		770	528	865
Effect of exchange rate changes, net		—	—	10
CASH AND CASH EQUIVALENTS AT END OF YEAR		528	865	1,673
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	26	411	419	564
Non-pledged time deposits with original maturity of less than three months when acquired	26	117	446	1,109
		528	865	1,673

(e) BALANCE SHEETS

HK$ million	Notes	As at 31 December 2005	2006	2007
NON-CURRENT ASSETS				
Property, plant and equipment	14	3	2	2
Interests in subsidiaries	19	2,496	2,140	1,374
Long term receivable	33	—	312	—
Held-to-maturity financial assets	21	18	—	—
Financial assets at fair value through profit or loss	25	37	—	—
Total non-current assets		2,554	2,454	1,376
CURRENT ASSETS				
Due from a subsidiary	19	—	—	699
Prepayments, deposits and other receivables	24	2	1	1
Financial assets at fair value through profit or loss	25	20	226	—
Held-to-maturity financial assets	21	—	2	—
Pledged time deposits	26	—	5	—
Cash and cash equivalents	26	86	346	794
Total current assets		108	580	1,494
CURRENT LIABILITIES				
Other payables and accruals	28	5	15	7
Total current liabilities		5	15	7
NET CURRENT ASSETS		103	565	1,487
TOTAL ASSETS LESS CURRENT LIABILITIES		2,657	3,019	2,863
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	30	77	49	43
Long term payable	33	—	256	—
Derivative financial instrument	33	—	71	—
Total non-current liabilities		77	376	43
Net assets		2,580	2,643	2,820
EQUITY				
Issued capital	35	65	78	80
Reserves	37(b)	2,502	2,545	2,716
Proposed final dividend	12	13	20	24
Total equity		2,580	2,643	2,820

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands with limited liability, and continues as an exempted company under the laws of Bermuda after the change of domicile from the Cayman Islands to Bermuda effective on 9 December 2005.

During the Relevant Periods, the Group was involved in the following principal activities:

- the manufacture and sale of telecom and electronic products, accessories and components;
- the manufacture and sale of infant and child products;
- the provision of e-commerce service;
- investment in securities; and
- investment and development of property.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Statements ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. It has been prepared under the historical cost convention, except for investment properties, certain derivative financial instruments and equity investments, which have been measured at fair value. The Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest million (HK$ million) except when otherwise indicated.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

Amendments to HKFRS 2	Share-based Payment — Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[5]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[5]
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2009

HKFRS 2 has been amended to restrict the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

HKFRS 3 has been revised to introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 1 has been revised to introduce changes in presentation and disclosures of financial statements and does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HKAS 27 has been revised to require a change in the ownership interest of a subsidiary to be accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes introduced by HKFRS 3 (revised) and HKAS 27 (revised) must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group's current policy for share-based payment transactions aligns with the requirements of the interpretation, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses

how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits* on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKAS 1 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

Basis of consolidation

The Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the Relevant Periods has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair values of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill previously eliminated against consolidated reserves

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 "Business combinations" ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties and goodwill), the asset's recoverable

amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	2.5% - 6%
Plant and machinery	10% - 20%
Tools, moulds and equipment	10% - 20%
Furniture and office equipment	10% - 20%
Motor vehicles	15% - 30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction. It is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased assets is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Deferred development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less accumulated amortisation and any impairment losses, and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends and interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that

would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment.

Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other three categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where

there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, interest-bearing loans and borrowings and long term payable are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bonds; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over

the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts, share accumulator contracts and share swap contract. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of share accumulator contract and share swap contract is determined by reference to market value for similar instrument.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

In addition to the MPF Scheme, the Group operates a separate defined contribution retirement benefits scheme for those employees who are eligible to participate in this scheme. This scheme operates in a similar way to the MPF Scheme, except that when an employee leaves this scheme before his/her interest in the Group's employer contributions vests fully, the ongoing contributions payable by the Group are reduced by the relevant amount of the forfeited employer contributions.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

Foreign currencies

The Financial Information is presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) from dealings in securities and the sale of investments, on the transaction dates when the relevant contract notes are exchanged, or the settlement dates when the securities are delivered;

(d) from the rendering of services, when the services have been rendered;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(f) dividend income, when the shareholders' right to receive payment has been established.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits or capital reserve within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information:

Operating lease commitments — Group as lessor

The Group has entered into property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

Classification between interest in an associate and available-for-sale financial asset

As further explained in note 6 below, the Group has determined that upon the resignation of the directors nominated by the Group to the board of directors of Haier Electronics Group Co., Ltd. ("Haier Electronics"), a former associate of the Group listed on the Main Board of the Stock Exchange, on 28 January 2005, the Group ceased to be in a position to exercise significant influence over Haier Electronics, notwithstanding the fact that the Group's shareholding in Haier Electronics was 24% as at 31 December 2005 because the appointment of new directors nominated by shareholders into Haier Electronics needs to be approved by shareholders at general meetings, and the majority holding by Haier Group Corporation in Haier Electronics effectively precludes such appointment from other shareholders. Accordingly, the Group's interest in Haier Electronics ceased to be accounted for as an associate and was reclassified to an available-for-sale financial asset.

Disposal and subsequent buy-back of interest in a subsidiary subject to a put option in 2005

During the year ended 31 December 2005, in order to restore the public float of CCT Tech on the Stock Exchange, the Company, Jade Assets Company Limited ("Jade Assets") (a wholly-owned subsidiary of the Company) and a third party (the "Purchaser") entered into a sale and purchase agreement dated 22 July 2005 for the sale of 1.5 billion shares in CCT Tech (the "2005 CCT Tech Sale Shares") (representing 9.4% of the then issued share capital of CCT Tech) owned by Jade Assets to the funds under management by the Purchaser at a price of HK$0.02 per share for a total cash consideration of HK$30 million, with a put option granted to the Purchaser which was exercisable within 14 business days immediately after 21 January 2006 requiring the Company to repurchase the 2005 CCT Tech Sale Shares at HK$0.023 per share.

In December 2005, the Company, Jade Assets and the Purchaser entered into a supplemental agreement, under which Jade Assets bought back the 2005 CCT Tech Sale Shares at HK$0.023 per share and the put option granted to the Purchaser was cancelled. The supplemental agreement was completed on 22 December 2005.

The Group has determined that the financial asset derecognition conditions in relation to the 2005 CCT Tech Sale Shares as stipulated in HKAS 39 were not fulfilled. Accordingly, the Group has accounted for the consideration of HK$30 million received from the Purchaser as a liability upon the disposal of the 2005 CCT Tech Sale Shares, and accounted for the amount of HK$4.5 million (representing the difference between the consideration for the disposal and the subsequent buy-back of the 2005 CCT Tech Sale Shares) as finance cost upon the buy-back of the 2005 CCT Tech Sale Shares. In addition, the Group continued to consolidate the results of the CCT Tech group for the year ended 31 December 2005 attributable to the 2005 CCT Tech Sale Shares sold under the above arrangement.

Disposal of interest in a subsidiary subject to put options in 2006

As further detailed in note 33 below, during the year ended 31 December 2006, in order to restore the public float of CCT Tech, the Company and Deutsche Bank AG ("Deutsche Bank") entered into a sale and purchase agreement for the sale of 13.8 billion shares in CCT Tech to Deutsche Bank and three other independent third party investors at a price of HK$0.022 per share of CCT Tech with put options granted to Deutsche Bank. The put options are exercisable under the terms of a put agreement which requires the Company to repurchase the shares at a price of HK$0.02413 per share upon maturity of the put options on 9 May 2008 or the occurrence of certain events as set out in the put agreement.

The Group has determined that the financial asset derecognition conditions in relation to the 13.8 billion shares in CCT Tech as stipulated in HKAS 39 were not fulfilled. Accordingly, the Company continued to consolidate the results of the CCT Tech group for the years ended 31 December 2006 and 2007 attributable to the 13.8 billion shares in CCT Tech sold under the above arrangement up to the respective dates of unwind of the put options.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2005, 2006 and 2007 were HK$110 million, HK$128 million and HK$55 million, respectively. More details are given in note 18 below.

Estimation of the fair value of put options relating to the disposal of interest in a subsidiary

As further detailed in note 33 below, the Group has accounted for the put options relating to the sale of the 13.8 billion shares in CCT Tech as a derivative financial instrument, which is stated at fair value. In estimating the fair value of the put options, the Group has engaged an external valuer who has applied the Black-Scholes model to determine the fair value on the date of completion of the relevant transaction and on 31 December 2006. Significant estimation of the parameters for applying the model, including risk-free interest rate, dividend yield and expected volatility, is required to be made.

The fair value of put options using the Black-Scholes model was approximately HK$50 million on the completion date of the transaction and HK$71 million on 31 December 2006.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2005, 2006 and 2007 was HK$3 million, HK$4 million and HK$2 million, respectively. The amount of the Group's unrecognised tax losses at 31 December 2005, 2006 and 2007 was HK$194 million, HK$245 million and HK$202 million, respectively. Further details are contained in note 34 below.

Development costs

Development costs are capitalised in accordance with the accounting policy for deferred development costs in note 2 above. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2005, 2006 and 2007, the best estimate of the carrying amount of capitalised development costs was HK$45 million, HK$45 million and HK$32 million, respectively (note 17).

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the telecom and electronic products segment engages in the manufacture and sale of telecom and electronic products, accessories and components;

(b) the infant and child products segment engages in the manufacture and sale of infant and child products;

(c) the securities investment segment engages in trading in securities and the holding of securities and treasury products;

(d) the property investment and development segment engages in property investment and property development; and

(e) the corporate and others segment comprises the provision of e-commerce services and corporate income and expense items.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

(a) Business segments

The following tables present revenue and profit and certain asset, liability and expenditure information for the Group's business segments for the Relevant Periods.

Year ended 31 December 2005

HK$ million	Telecom and electronic products	Infant and child products	Securities investment	Property investment and development	Corporate and others	Consolidated
Segment revenue:						
Sales to external customers	3,846	124	—	2	—	3,972
Other revenue	—	—	2	—	23	25
Total revenue	3,846	124	2	2	23	3,997
Segment results	189	6	100	67	(76)	286
Interest income						8
Finance costs						(23)
Profit before tax						271
Tax						(18)
Profit for the year						253
Segment assets	3,229	76	461	354	195	4,315
Unallocated assets						3
Total assets						4,318
Segment liabilities	1,095	18	—	2	13	1,128
Unallocated liabilities						480
Total liabilities						1,608
Other segment information:						
Capital expenditure	241	1	—	—	14	256
Depreciation	96	3	—	—	23	122
Amortisation	35	—	—	—	—	35
Impairment losses recognised directly in the income statement	23	—	—	2	9	34
Compensation for release of guarantee	—	—	—	—	36	36
Other non-cash expenses	9	—	—	—	2	11
Reversal of impairment losses on properties	—	—	—	64	2	66
Gain on disposal and deemed disposal of interest in an associate	—	—	—	—	109	109

Year ended 31 December 2006

HK$ million	Telecom and electronic products	Infant and child products	Securities investment	Property investment and development	Corporate and others	Consolidated
Segment revenue:						
Sales to external customers	3,882	112	149	3	34	4,180
Other revenue	34	—	—	—	2	36
Total revenue	3,916	112	149	3	36	4,216
Segment results	109	8	48	39	204	408
Interest income						19
Finance costs						(40)
Profit before tax						387
Tax						(21)
Profit for the year						366
Segment assets	3,186	68	226	499	747	4,726
Unallocated assets						4
Total assets						4,730
Segment liabilities	997	19	—	3	371	1,390
Unallocated liabilities						531
Total liabilities						1,921
Other segment information:						
Capital expenditure	172	2	—	177	18	369
Depreciation	112	2	—	—	16	130
Amortisation	51	—	—	—	1	52
Impairment losses recognised directly in the income statement	23	—	—	—	32	55
Other non-cash expenses	46	—	—	—	21	67
Fair value gain on investment properties	—	—	—	39	—	39
Gain on disposal of available-for-sale financial assets	—	2	—	—	316	318
Fair value gain on financial assets at fair value through profit or loss	—	—	13	—	—	13
Gain on deemed acquisition of minority interests upon conversion of convertible notes	—	—	—	—	30	30

Year ended 31 December 2007

HK$ million	Telecom and electronic products	Infant and child products	Securities investment	Property investment and development	Corporate and others	Consolidated
Segment revenue:						
Sales to external customers	3,374	115	486	4	43	4,022
Other revenue	18	2	—	—	1	21
Total revenue	3,392	117	486	4	44	4,043
Segment results	(201)	9	130	52	423	413
Interest income						44
Finance costs						(43)
Profit before tax						414
Tax						(17)
Profit for the year						397
Segment assets	2,970	83	845	554	1,005	5,457
Unallocated assets						2
Total assets						5,459
Segment liabilities	1,023	23	107	3	57	1,213
Unallocated liabilities						471
Total liabilities						1,684
Other segment information:						
Capital expenditure	244	2	—	3	3	252
Depreciation	130	2	—	—	4	136
Amortisation	41	—	—	—	1	42
Impairment losses recognised directly in the income statement	42	—	—	—	39	81
Other non-cash expenses	14	—	36	—	—	50
Fair value gain on investment properties	—	—	—	19	—	19
Gain on disposal of an investment property	—	—	—	34	—	34
Fair value gain on financial assets at fair value through profit or loss	—	—	18	—	—	18
Gain on deemed disposal of interests in subsidiaries	—	—	—	—	42	42
Gain on partial disposal of subsidiaries	—	—	—	—	456	456
Gain on derecognition of derivative financial instrument	—	—	—	—	71	71

(b) Geographical segments

The following tables present revenue information for the Group's geographical segments for the Relevant Periods.

Year ended 31 December 2005

HK$ million	United States of America	Asia Pacific	Europe	Consolidated
Segment revenue:				
Sales to external customers	2,360	1,152	460	3,972
Other revenue	—	25	—	25
Total revenue	2,360	1,177	460	3,997

Year ended 31 December 2006

HK$ million	United States of America	Asia Pacific	Europe	Consolidated
Segment revenue:				
Sales to external customers	2,142	1,405	633	4,180
Other revenue	—	36	—	36
Total revenue	2,142	1,441	633	4,216

Year ended 31 December 2007

HK$ million	United States of America	Asia Pacific	Europe	Consolidated
Segment revenue:				
Sales to external customers	1,793	1,736	493	4,022
Other revenue	—	21	—	21
Total revenue	1,793	1,757	493	4,043

Over 90% of the Group's assets are located in Hong Kong and the Mainland of the People's Republic of China. Accordingly, no separate analysis of assets by geographical segment is presented.

5. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered, gross income from treasury investment which includes interest income on bank deposits and other financial assets, gross income from securities investment (which includes gross proceeds from the sale of investments and dividend income) and rental income from investment properties.

Revenue from the following activities has been included in turnover:

	Year ended 31 December		
HK$ million	2005	2006	2007
Revenue			
Manufacture and sale of telecom and electronic products	3,846	3,882	3,374
Manufacture and sale of infant and child products	124	112	115
Gross income from securities investment	—	137	438
Provision of e-commerce services	—	34	43
Rental income from investment properties (note 6)	2	3	4
Interest income from held-to-maturity financial assets and financial assets at fair value through profit or loss	—	12	48
Bank interest income	8	19	44
	3,980	4,199	4,066

6. PROFIT BEFORE TAX

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

HK$ million	Notes	Year ended 31 December 2005	2006	2007
Cost of inventories sold		3,044	3,693	3,408
Depreciation	14	122	130	136
Less: Amount capitalised in deferred development costs		—	(2)	(1)
		122	128	135
Amortisation of prepaid land lease payments	16	5	5	6
Minimum lease payments under operating leases in respect of land and buildings		4	6	12
Research and development costs:				
Deferred expenditure amortised*	17	30	47	36
Current year expenditure		54	58	76
Goodwill impairment**	18	7	21	25
Auditors' remuneration		6	7	7
Employee benefits expense (excluding directors' remuneration — note 8)				
Wages and salaries		379	419	477
Equity-settled share option expense		—	—	9
Pension scheme contributions****		3	4	5
Less: Amount capitalised in deferred development costs		(30)	(20)	(21)
		352	403	470
Impairment of trade receivables**	23	15	8	22
Write off of other receivables**		—	—	6
Loss/(gain) on disposal of items of property, plant and equipment, net**		1	(1)	—
Write off or impairment of items of property, plant and equipment**	14	2	11	14
Write off and impairment of deferred development costs**	17	8	15	14
Write-down of inventories to net realisable value*		8	46	14
Foreign exchange differences, net		13	(7)	5
Compensation for release of guarantee**#		36	—	—
Fair value loss on financial assets at fair value through profit or loss**		2	—	—
Impairment loss on available-for-sale financial assets**		2	—	—
Loss on disposal of held-to-maturity financial assets**		—	1	—
Fair value loss on derivative financial instruments**		—	21	36
and after crediting:				
Fair value gain on investment properties***	15	—	39	19
Gain on disposal of an investment property***		—	—	34
Gain on partial disposal of subsidiaries***		—	—	456
Gain on derecognition of derivative financial instrument***		—	—	71
Gain on deemed acquisition of minority interests upon conversion of convertible notes***		—	30	—
Net gain on disposal of subsidiaries***	39	42	—	—
Gain on deemed disposal of interest in CCT Tech***		—	—	21
Gain on deemed disposal of interest in Tradeeasy***		—	—	21
Gain on disposal of available-for-sale financial assets***		—	318	—
Gain on disposal and deemed disposal of interest in an associate***##		109	—	—
Fair value gain on financial assets at fair value through profit or loss***		—	13	18
Gross rental income from investment properties	5	2	3	4
Interest income on long term receivable***		—	8	6
Reversal of impairment losses on properties**	14	66	—	—

* Included in "Cost of sales" on the face of the consolidated income statement.

** Included in "Other expenses" on the face of the consolidated income statement.

*** Included in "Other income and gains" on the face of the consolidated income statement.

**** The effect of forfeited contributions on the Group's contributions to the pension schemes for the year, and the amounts of forfeited contributions available to reduce contributions in future years were not material.

\# During the year ended 31 December 2005, the Company entered into a deed of release of guarantee with a landlord in respect of the rental of a third party for which the Company had executed a guarantee, and paid HK$36 million to the landlord. The amount paid has been recognised as an expense in the income statement for the year ended 31 December 2005.

\## Upon the completion of the placement of 419,997,667 ordinary shares of HK$0.10 each in Haier Electronics at a price of HK$0.24 per share (the "Placement") on 24 January 2005 and the completion of the acquisition of washing machines business by Haier Electronics from Haier Group Corporation and the exercise of the call option by Haier Electronics to acquire the 35.5% of the mobile handset business (the "Asset Injection") on 28 January 2005, the equity interests of the Group in Haier Electronics was reduced from 43.6% to 24%. Haier Electronics ceased to be accounted for as the Group's associate and was reclassified to available-for-sale financial assets in January 2005, as the Group ceased to be in a position to exercise significant influence over Haier Electronics after Haier Group Corporation had gained control over Haier Electronics and all the directors nominated by the Group to the board of directors of Haier Electronics resigned as directors of Haier Electronics. The Asset Injection in Haier Electronics is accounted for as a reverse acquisition under HKFRS 3 by Haier Electronics, and the consolidated financial statements of Haier Electronics have been restated retrospectively by adopting the reverse acquisition accounting method. As such, the directors of the Company have restated the Group's interest in Haier Electronics in the Group's financial statements in previous years. The effect of the Asset Injection and the Placement resulted in the disposal and deemed disposal of approximately 19.6% equity interests in Haier Electronics, and the Group recorded a gain of approximately HK$109 million therefrom in the consolidated income statement for the year ended 31 December 2005.

7. FINANCE COSTS

	Year ended 31 December		
HK$ million	**2005**	**2006**	**2007**
Interest on bank loans and overdrafts wholly repayable within five years	7	12	14
Interest on bank loans wholly repayable after five years	6	11	12
Interest on convertible bonds	5	4	3
Interest on other liability	5	13	14
Total interest expense on financial liabilities not at fair value through profit or loss	23	40	43

8. DIRECTORS' REMUNERATION

Directors' remuneration for the Relevant Periods, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Year ended 31 December		
HK$ million	**2005**	**2006**	**2007**
Fees:			
Executive directors	—	—	—
Independent non-executive directors	1	1	1
	1	1	1
Executive directors' other emoluments:			
Salaries, allowances and benefits in kind	20	21	21
Performance related bonuses*	12	26	34
Employee share option benefits	—	2	3
Pension scheme contributions	1	1	1
	33	50	59
	34	51	60

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the performance of the Group's operations.

During the year ended 31 December 2007, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company's subsidiary, CCT Tech, which is listed on the Main Board of the Stock Exchange. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant, and the amount included in the Financial Information for that year is included in the above directors' remuneration disclosures.

During the year ended 31 December 2006, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company's subsidiary, Tradeeasy, which is listed on the Growth Enterprise Market of the Stock Exchange. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant, and the amount included in the Financial Information for that year is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods were as follows:

	Year ended 31 December		
HK$'000	**2005**	**2006**	**2007**
Samuel Olenick	240	240	240
Tam King Ching, Kenny	240	240	240
Lau Ho Man, Edward	240	240	240
	720	720	720

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors

HK$ million	**Salaries, allowances and benefits in kind**	**Performance related bonuses**	**Employee share option benefits**	**Pension scheme contributions**	**Total remuneration**
Year ended 31 December 2005					
Mak Shiu Tong, Clement ("Mr. Mak")	12	5	—	1	18
Tam Ngai Hung, Terry	4	4	—	—	8
Cheng Yuk Ching, Flora	4	3	—	—	7
William Donald Putt	—	—	—	—	—
	20	12	—	1	33
Year ended 31 December 2006					
Mak Shiu Tong, Clement	13	13	1	1	28
Tam Ngai Hung, Terry	4	7	1	—	12
Cheng Yuk Ching, Flora	4	6	—	—	10
William Donald Putt	—	—	—	—	—
	21	26	2	1	50
Year ended 31 December 2007					
Mak Shiu Tong, Clement	14	18	1	1	34
Tam Ngai Hung, Terry	4	8	1	—	13
Cheng Yuk Ching, Flora	3	8	1	—	12
William Donald Putt	—	—	—	—	—
	21	34	3	1	59

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2005, 2006 and 2007 included three, three and three directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two, two and two non-director, highest paid employees for the years ended 31 December 2005, 2006 and 2007 respectively are as follows:

	Year ended 31 December		
HK$ million	**2005**	**2006**	**2007**
Salaries, allowances and benefits in kind	5	6	5
Performance related bonuses	3	1	1
Employee share option benefits	—	—	1
Pension scheme contributions	—	—	—
	8	7	7

The number of the non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees Year ended 31 December		
	2005	**2006**	**2007**
HK$2,000,001 – HK$2,500,000	1	—	1
HK$2,500,001 – HK$3,000,000	—	1	—
HK$4,000,001 – HK$4,500,000	—	—	1
HK$4,500,001 – HK$5,000,000	—	1	—
HK$6,000,001 – HK$6,500,000	1	—	—
	2	2	2

During the year ended 31 December 2007, the two non-director, highest paid employees were granted share options in respect of their services to the Group under the share option scheme of the Company's subsidiary, CCT Tech, which is listed on the Main Board of the Stock Exchange. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant, and the amount included in the Financial Information for that year is included in the above five highest paid employees disclosures.

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods. 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.

Certain PRC subsidiaries of the Group, which are categorised as wholly foreign-owned enterprises, are entitled to preferential tax treatments including full exemption from the PRC corporate income tax for two years starting from their first profit-making year, followed by a 50% reduction in the PRC corporate income tax for the following three consecutive years.

HK$ million	Year ended 31 December 2005	2006	2007
Group:			
Current—Hong Kong:			
Charge for the year	12	10	6
Overprovision in prior years	(1)	—	(1)
Current—Elsewhere:			
Charge for the year	7	12	9
Underprovision in prior years	1	—	—
Deferred—note 34	(1)	(1)	3
Total tax charge for the year	18	21	17

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Year ended 31 December 2005

HK$ million	Hong Kong	%	The PRC, excluding Hong Kong	%	Total	%
Profit before tax	163.2		107.7		270.9	
Tax at the statutory or appropriate tax rate	28.6	17.5	35.5	33.0	64.1	23.6
Lower tax rate for specific provinces or local authority	—	—	(25.7)	(23.8)	(25.7)	(9.5)
Adjustments in respect of current tax of previous periods	(1.4)	(0.9)	1.4	1.4	—	—
Income not subject to tax	(107.2)	(65.6)	(16.8)	(15.6)	(124.0)	(45.8)
Expenses not deductible for tax	89.9	55.0	31.9	29.6	121.8	45.0
Tax losses utilised from previous periods	(2.4)	(1.4)	—	—	(2.4)	(0.9)
Tax losses not recognised	4.3	2.6	—	—	4.3	1.6
Tax exemption	—	—	(18.7)	(17.4)	(18.7)	(6.9)
Others	(2.3)	(1.4)	0.8	0.7	(1.5)	(0.5)
Tax charge at the Group's effective rate	9.5	5.8	8.4	7.9	17.9	6.6

Year ended 31 December 2006

HK$ million	Hong Kong	%	The PRC, excluding Hong Kong	%	Total	%
Profit before tax	319.3		67.6		386.9	
Tax at the statutory or appropriate tax rate	55.9	17.5	22.3	33.0	78.2	20.2
Lower tax rate for specific provinces or local authority	—	—	(2.9)	(4.3)	(2.9)	(0.7)
Adjustment in respect of current tax of previous periods	0.1	—	(0.1)	(0.1)	—	—
Income not subject to tax	(74.9)	(23.5)	(53.9)	(79.7)	(128.8)	(33.3)
Expenses not deductible for tax	21.1	6.6	73.0	108.0	94.1	24.3
Tax losses utilised from previous periods	(0.2)	(0.1)	—	—	(0.2)	(0.1)
Tax losses not recognised	7.2	2.3	7.2	10.7	14.4	3.7
Tax exemption	—	—	(33.5)	(49.6)	(33.5)	(8.7)
Others	—	—	0.1	0.1	0.1	—
Tax charge at the Group's effective rate	9.2	2.8	12.2	18.1	21.4	5.4

Year ended 31 December 2007

HK$ million	Hong Kong	%	The PRC, excluding Hong Kong	%	Total	%
Profit/(loss) before tax	631.5		(218.0)		413.5	
Tax at the statutory or appropriate tax rate	110.5	17.5	(71.9)	33.0	38.6	9.3
Lower tax rate for specific provinces or local authority	—	—	3.9	(1.8)	3.9	0.9
Adjustment in respect of current tax of previous periods	(0.8)	(0.1)	0.1	—	(0.7)	(0.2)
Income not subject to tax	(113.6)	(18.0)	(1.4)	0.6	(115.0)	(27.8)
Expenses not deductible for tax	17.4	2.7	18.3	(8.4)	35.7	8.6
Tax losses utilised from previous periods	(16.5)	(2.6)	(0.6)	0.3	(17.1)	(4.1)
Tax losses not recognised	9.0	1.4	67.4	(30.9)	76.4	18.5
Tax exemption	—	—	(4.8)	2.2	(4.8)	(1.1)
Tax charge at the Group's effective rate	6.0	0.9	11.0	(5.0)	17.0	4.1

Subsequent to 31 December 2007, the Company received a letter in late February 2008 from the Hong Kong Inland Revenue Department (the "IRD") in respect of a review on the tax affairs of the Group for the past years. Protective tax assessments in the aggregate amount of HK$34 million for the year of assessment 2001/2002 have been issued by the IRD to certain subsidiaries of the Company. Objection has been lodged by those subsidiaries against the protective tax assessments. The directors of the Company believe that there are valid grounds to contest the protective tax assessments. In view that the tax review by the IRD is only at the initial stage, there is still uncertainty about the outcome of the case. Up to the date of this report, the directors of the Company consider that adequate tax provision has been made in the Financial Information.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the years ended 31 December 2005, 2006 and 2007 includes profits of HK$428 million, HK$32 million and HK$208 million, respectively, which has been dealt with in the financial statements of the Company (note 37(b)).

12. DIVIDENDS

HK$ million	2005	2006	2007
Paid special interim for 2005 at HK$0.68 per ordinary share	319	—	—
Paid interim for 2005, 2006 and 2007 at nil, HK$0.020 and HK$0.025 per ordinary share, respectively	—	16	20
Proposed final for 2005, 2006 and 2007 at HK$0.020, HK$0.025 and HK$0.030 per ordinary share, respectively	13	20	24
	13	36	44
Total	332	36	44

The proposed final dividend for the year ended 31 December 2007 was approved by the Company's shareholders at the annual general meeting held on 23 May 2008.

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

The calculation of basic earnings per share amounts is based on the profit for each of the Relevant Periods attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during each of the Relevant Periods.

The calculation of diluted earnings per share amounts is based on the profit for each of the Relevant Periods attributable to ordinary equity holders of the parent, adjusted to reflect the interest on convertible bonds (see below). The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during each of the Relevant Periods, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December		
HK$ million	2005	2006	2007
Earnings			
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	225	358	484
Interest on convertible bonds (note 7)	5	4	3
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	230	362	487

	Number of shares Year ended 31 December 2005	2006	2007
Shares			
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	512,524,188	732,918,201	796,359,311
Effect of dilution — weighted average number of ordinary shares:			
Share options	8,941,582	—	—
Convertible bonds	102,961,814	108,046,640	57,261,612
	624,427,584	840,964,841	853,620,923

14. PROPERTY, PLANT AND EQUIPMENT

Group

HK$ million	Leasehold land and buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
At 1 January 2005, net of accumulated depreciation and impairment	937	183	59	46	9	39	1,273
Additions	13	66	23	12	7	80	201
Disposals	(2)	(1)	—	—	(2)	—	(5)
Write off	—	—	—	(1)	—	—	(1)
Depreciation provided during the year	(48)	(36)	(21)	(14)	(3)	—	(122)
Impairment	(1)	—	—	—	—	—	(1)
Reversal of impairment	66	—	—	—	—	—	66
Reclassification	118	2	(2)	—	—	(118)	—
Transfer to investment properties (note 15)	(159)	—	—	—	—	—	(159)
Exchange realignment	—	1	—	—	—	—	1
At 31 December 2005 and 1 January 2006, net of accumulated depreciation and impairment	924	215	59	43	11	1	1,253
Acquisition of subsidiaries (note 38)	2	—	—	1	—	—	3
Additions	16	49	27	12	4	19	127
Disposals	(3)	(1)	—	—	(2)	—	(6)
Write off	(10)	—	—	(1)	—	—	(11)
Depreciation provided during the year	(48)	(44)	(23)	(12)	(3)	—	(130)
Transfer to investment properties (note 15)	(17)	—	—	—	—	—	(17)
Exchange realignment	—	3	—	—	—	—	3

HK$ million	Leasehold land and buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
At 31 December 2006 and 1 January 2007, net of accumulated depreciation and impairment	864	222	63	43	10	20	1,222
Additions	6	96	20	28	6	59	215
Disposals	—	(4)	—	—	(1)	—	(5)
Depreciation provided during the year	(49)	(47)	(24)	(12)	(4)	—	(136)
Impairment	(14)	—	—	—	—	—	(14)
Transfer	7	—	—	—	—	(7)	—
Exchange realignment	—	5	—	—	—	—	5
At 31 December 2007, net of accumulated depreciation and impairment	814	272	59	59	11	72	1,287

Group

HK$ million	Leasehold land and buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
At 31 December 2007:							
Cost	1,099	579	214	174	27	72	2,165
Accumulated depreciation and impairment	(285)	(307)	(155)	(115)	(16)	—	(878)
Net carrying amount	814	272	59	59	11	72	1,287
At 31 December 2006:							
Cost	1,086	480	194	149	24	20	1,953
Accumulated depreciation and impairment	(222)	(258)	(131)	(106)	(14)	—	(731)
Net carrying amount	864	222	63	43	10	20	1,222
At 31 December 2005:							
Cost	1,115	430	167	120	24	1	1,857
Accumulated depreciation and impairment	(191)	(215)	(108)	(77)	(13)	—	(604)
Net carrying amount	924	215	59	43	11	1	1,253

The net book value of items of property, plant and equipment of the Group held under finance leases included in the total amounts of plant and machinery as at 31 December 2005, 2006 and 2007 amounted to approximately HK$12 million, HK$11 million and HK$10 million, respectively, and those included in the total amounts of motor vehicles amounted to HK$6 million, HK$4 million and HK$3 million, respectively.

The Group's land and buildings included above are held under the following lease terms:

	Hong Kong			Elsewhere			Total		
	As at 31 December			As at 31 December			As at 31 December		
HK$'million	2005	2006	2007	2005	2006	2007	2005	2006	2007
Medium term leases	54	33	29	870	831	785	924	864	814

At 31 December 2005, 2006 and 2007, certain of the Group's leasehold land and buildings with an aggregate carrying value of approximately HK$567 million, HK$517 million and HK$490 million, respectively, were pledged to secure general banking facilities granted to the Group (note 30).

During the year ended 31 December 2005, a reversal of impairment loss of HK$66 million was recognised in the consolidated income statement to increase the carrying amount of certain properties to their recoverable amount. The recoverable amount estimation was based on fair value less costs to sell. An independent valuation was obtained to determine the fair value.

Company

HK$ million	**Furniture and office equipment**
Cost at 1 January 2005, net of accumulated depreciation	1
Additions	3
Depreciation provided during the year	(1)
Cost at 31 December 2005 and 1 January 2006, net of accumulated depreciation	3
Depreciation provided during the year	(1)
Cost at 31 December 2006 and 1 January 2007, net of accumulated depreciation	2
Depreciation provided during the year	—
At 31 December 2007	2
At 31 December 2007:	
Cost	3
Accumulated depreciation	(1)
Net carrying amount	2
At 31 December 2006:	
Cost	5
Accumulated depreciation	(3)
Net carrying amount	2
At 31 December 2005:	
Cost	7
Accumulated depreciation	(4)
Net carrying amount	3

15. INVESTMENT PROPERTIES

	Group		
HK$ million	**2005**	**2006**	**2007**
Carrying amount at 1 January	101	257	490
Additions	—	177	—
Disposals	(3)	—	(194)
Fair value gain on investment properties	—	39	19
Transfer from an owner-occupied property (note 14)	159	17	—
Carrying amount at 31 December	257	490	315

The Group's investment properties are situated in Hong Kong and held under the following lease terms:

	As at 31 December		
HK$ million	**2005**	**2006**	**2007**
Long term leases	95	275	279
Medium term leases	162	215	36
	257	490	315

The Group's investment properties were revalued on 31 December 2005, 2006 and 2007 by Grant Sherman Appraisal Limited, independent professionally qualified valuers, on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 43(a) below.

At 31 December 2005, 2006 and 2007, the Group's investment properties with a value of HK$254 million, HK$487 million and HK$314 million, respectively, were pledged to secure general banking facilities granted to the Group (note 30).

16. PREPAID LAND LEASE PAYMENTS

	Group		
HK$ million	**2005**	**2006**	**2007**
Carrying amount at 1 January	230	225	230
Additions	—	10	—
Recognised during the year	(5)	(5)	(6)
Carrying amount at 31 December	225	230	224
Current portion included in prepayments, deposits and other receivables	(5)	(5)	(5)
Non-current portion	220	225	219

The leasehold land is held under a long term lease and is situated in the PRC.

17. OTHER INTANGIBLE ASSETS

Group

HK$ million	**Deferred development costs**
Cost at 1 January 2005, net of accumulated amortisation and impairment	28
Additions — internal development	55
Write off	(8)
Amortisation provided during the year	(30)
Cost at 31 December 2005 and 1 January 2006, net of accumulated amortisation and impairment	45
Acquisition of subsidiaries (note 38)	7
Additions — internal development	55
Write off	(15)
Amortisation provided during the year	(47)
Cost at 31 December 2006 and 1 January 2007, net of accumulated amortisation and impairment	45
Additions — internal development	37
Impairment	(2)
Write off	(12)
Amortisation provided during the year	(36)
At 31 December 2007	32
At 31 December 2007:	
Cost	94
Accumulated amortisation and impairment	(62)
Net carrying amount	32
At 31 December 2006:	
Cost	102
Accumulated amortisation and impairment	(57)
Net carrying amount	45
At 31 December 2005:	
Cost	76
Accumulated amortisation and impairment	(31)
Net carrying amount	45

18. GOODWILL

The amount of the goodwill capitalised as an asset and recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries, is as follows:

Group

HK$ million

Cost at 1 January 2005, net of accumulated impairment	28
Acquisition of minority interests in subsidiaries	89
Impairment during the year	(7)
Cost at 31 December 2005 and 1 January 2006, net of accumulated impairment	110
Acquisition of interests in a subsidiary (note 38)	39
Impairment during the year	(21)
Cost at 31 December 2006 and 1 January 2007, net of accumulated impairment	128
Release of goodwill upon partial disposal of subsidiaries	(48)
Impairment during the year	(25)
At 31 December 2007	55
At 31 December 2007:	
Cost	108
Accumulated impairment	(53)
Net carrying amount	55
At 31 December 2006:	
Cost	156
Accumulated impairment	(28)
Net carrying amount	128
At 31 December 2005:	
Cost	117
Accumulated impairment	(7)
Net carrying amount	110

Goodwill acquired through business combinations has been allocated to the following cash-generating units for impairment testing:

- Telecom and electronic products cash-generating unit;
- Power supply component products cash-generating unit;
- Provision of e-commerce services cash-generating unit; and
- Property holding cash-generating unit.

Telecom and electronic products cash-generating unit

The recoverable amount of the telecom and electronic products cash-generating unit is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections for the Relevant Periods is 18%.

Power supply component products cash-generating unit

The recoverable amount of the power supply components products cash-generating unit is determined based on fair value less costs to sell. The fair value less costs to sell is estimated based on net realisable value of the underlying assets of the cash-generating unit. An impairment loss of HK$7 million was recognised during the year ended 31 December 2005 to reduce the carrying amount of goodwill as at 31 December 2005 to nil.

Provision of e-commerce services cash-generating unit

The recoverable amount of the provision of e-commerce services cash-generating unit is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections for the years ended 31 December 2006 and 2007 is 15%. Impairment losses of HK$19 million and HK$20 million were recognised during the years ended 31 December 2006 and 2007, respectively, to reduce the carrying amount of goodwill as at 31 December 2006 and 2007 to HK$20 million and nil, respectively.

Property holding cash-generating unit

The recoverable amount of the property holding cash-generating unit is determined based on estimated fair value less costs to sell. An independent valuation is obtained to determine the fair value. Impairment losses of HK$2 million and HK$5 million were recognised during the years ended 31 December 2006 and 2007, respectively, to reduce the carrying amount of goodwill as at 31 December 2006 and 2007 to HK$5 million and nil, respectively.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	As at 31 December		
HK$ million	**2005**	**2006**	**2007**
Telecom and electronic products	103	103	55
Provision of e-commerce services	—	20	—
Property holding	7	5	—
Carrying amount of goodwill	110	128	55

Key assumptions were used in the value in use calculation of the telecom and electronic products cash-generating unit and the provision of e-commerce services cash-generating unit for the Relevant Periods. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, increased for expected efficiency improvements, and expected market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant unit.

Business environment — There is no major change in the existing political, legal and economic conditions in the countries with which and the country in which the cash-generating units carried on their business.

19. INTERESTS IN SUBSIDIARIES

Company

	As at 31 December		
HK$ million	**2005**	**2006**	**2007**
Unlisted shares, at cost	45	45	45
Due from subsidiaries	3,552	3,131	2,921
	3,597	3,176	2,966
Impairment	(1,101)	(1,036)	(893)
	2,496	2,140	2,073
Less: Portion of amounts due from subsidiaries classified as current assets	—	—	(699)
	2,496	2,140	1,374

The balances with the subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for a balance of HK$699 million as at 31 December 2007 due from a subsidiary which is unsecured and repayable on demand, and bears interest at 3% above the Hong Kong dollar prime rate, as determined by The Hongkong and Shanghai Banking Corporation Limited, per annum. The carrying amounts of the amounts due from subsidiaries approximate to their fair values.

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

	As at 31 December		
HK$ million	**2005**	**2006**	**2007**
Listed equity investment in Hong Kong, at fair value	551	—	—
Unlisted equity investment, at cost less impairment	2	2	2
Other assets, at fair value	16	9	9
	569	11	11
Less: Portion classified as current assets	(551)	—	—
Non-current assets	18	11	11

During the year ended 31 December 2005, the gross gain of the Group's available-for-sale financial assets recognised directly in equity amounted to HK$320 million. The fair value of the listed equity investment at 31 December 2005, which was sold subsequent to 31 December 2005, was based on the sale consideration, net of incidental costs.

The above investments consist of investments in equity securities and club debenture which were designated as available-for-sale financial assets on 1 January 2005 and have no fixed maturity date or coupon rate. As the unlisted equity investment has no published quoted prices available or is not able to be benchmarked with similar financial instruments, and the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, the Group has stated the unlisted equity investment at cost less impairment.

As at 31 December 2005, the details of the company held by the Group exceeding 20% of its total issued shares are as follows:

Name	Place of incorporation	Description of shares held	Percentage holding
Haier Electronics Group Co., Ltd.*	Cayman Islands	Ordinary shares	24

* Listed on the Main Board of the Stock Exchange.

21. HELD-TO-MATURITY FINANCIAL ASSETS

Group and Company

	As at 31 December		
HK$ million	2005	2006	2007
Unlisted held-to-maturity financial assets, at amortised cost	18	2	—
Less: Portion classified as current assets	—	(2)	—
Non-current assets	18	—	—

The held-to-maturity financial assets at 31 December 2005 had maturities of 2 to 4 years and carried effective interest rates of 1.7% to 4.0%. The held-to-maturity financial assets at 31 December 2006 had maturities of one year and carried an effective interest rate of 2.25% per annum. The held-to-maturity financial assets were realised during the year ended 31 December 2007 and there were no held-to-maturity financial assets outstanding as at 31 December 2007.

22. INVENTORIES

Group

	As at 31 December		
HK$ million	2005	2006	2007
Raw materials	95	78	61
Work in progress	71	57	55
Finished goods	128	98	107
	294	233	223

23. TRADE AND BILLS RECEIVABLES

Group

HK$ million	As at 31 December 2005	2006	2007
Trade and bills receivables	856	851	746
Impairment	(18)	(14)	(28)
	838	837	718

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. At 31 December 2005, 2006 and 2007, the Group had certain concentration of credit risk as 52%, 45% and 58% of the Group's trade receivables were due from the Group's largest customer, respectively, and 85%, 83% and 85% of the Group's trade receivables were due from the Group's five largest customers, respectively.

Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

Group

	As at 31 December					
	2005		2006		2007	
HK$ million	Balance	Percentage	Balance	Percentage	Balance	Percentage
Current to 30 days	286	34	294	35	217	30
31 to 60 days	259	31	249	30	223	31
61 to 90 days	239	29	243	29	199	28
Over 90 days	54	6	51	6	79	11
	838	100	837	100	718	100

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

The movements in provision for impairment of trade receivables are as follows:

HK$ million	Group 2005	2006	2007
At 1 January	4	18	14
Impairment losses recognised (note 6)	15	8	22
Amount written off as uncollectible	(1)	(12)	(8)
At 31 December	18	14	28

As at 31 December 2005, 2006 and 2007, included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$18 million, HK$14 million and HK$28 million, respectively, with a carrying amount of HK$488 million, HK$401 million and HK$586 million respectively. The individually impaired trade receivables relate to customers that were in default and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

An analysis of trade and bills receivables that were past due but not impaired is as follows:

Group

	As at 31 December		
HK$ million	**2005**	**2006**	**2007**
Neither past due nor impaired	238	349	107
Past due but not impaired			
— Within 6 months	114	88	53
— 7 to 12 months	16	13	—
	368	450	160

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December		
HK$ million	**2005**	**2006**	**2007**
Prepayments	21	10	238
Deposits and other receivables	29	32	38
	50	42	276

Company

	As at 31 December		
HK$ million	**2005**	**2006**	**2007**
Deposits and other receivables	2	1	1

The Group's prepayments at 31 December 2007 included prepayments for the acquisition of land use rights in Mainland China amounting to approximately HK$225 million (2006: Nil; 2005: Nil) in relation to the Group's property development business.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	As at 31 December		
HK$ million	**2005**	**2006**	**2007**
Listed equity investments in Hong Kong, at market value	4	71	227
Equity-linked deposits/notes, at fair value	57	155	153
Fund investments, at fair value	—	—	18
	61	226	398
Less: Portion classified as current assets	(24)	(226)	(398)
Non-current assets	37	—	—

Company

	As at 31 December		
HK$ million	**2005**	**2006**	**2007**
Listed equity investments in Hong Kong, at market value	—	71	—
Equity-linked deposits/notes, at fair value	57	155	—
	57	226	—
Less: Portion classified as current assets	(20)	(226)	—
Non-current assets	37	—	—

The above equity investments, equity-linked deposits/notes and fund investments at 31 December 2005, 2006 and 2007 were classified as held for trading. The market value of the Group's equity investments as at the close of business on 23 May 2008 was approximately HK$197 million.

As at 31 December 2005, the details of the company held by the Group exceeding 20% of its total issued shares are as follows:

Name	**Place of incorporation**	**Description of shares held**	**Percentage holding**
Tradeeasy Holdings Limited*	Cayman Islands	Ordinary shares	22.2

* Listed on the Growth Enterprise Market of the Stock Exchange and became a subsidiary of the Company during the year ended 31 December 2006 (note 38).

26. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

Group

	As at 31 December		
HK$ million	**2005**	**2006**	**2007**
Cash and bank balances	411	419	564
Time deposits	188	534	1,359
	599	953	1,923
Less: Time deposits pledged for bank facilities (note 30)	(71)	(88)	(88)
Time deposits pledged for stock accumulator contracts	—	—	(162)
Cash and cash equivalents	528	865	1,673

Company

	As at 31 December		
HK$ million	**2005**	**2006**	**2007**
Cash and bank balances	7	10	17
Time deposits	79	341	777
	86	351	794
Less: Time deposits pledged for bank facilities	—	(5)	—
Cash and cash equivalents	86	346	794

At 31 December 2005, 2006 and 2007, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$7 million, HK$11 million and HK$20 million, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

27. TRADE AND BILLS PAYABLES

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

Group

	As at 31 December					
	2005		2006		2007	
HK$ million	Balance	Percentage	Balance	Percentage	Balance	Percentage
Current to 30 days	290	29	232	26	184	22
31 to 60 days	243	25	233	26	229	27
61 to 90 days	167	17	168	19	159	18
Over 90 days	288	29	253	29	279	33
	988	100	886	100	851	100

The trade payables are non-interest-bearing and are normally settled on 60-90 day terms.

28. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December		
HK$ million	2005	2006	2007
Other payables	27	86	175
Accruals	112	91	125
	139	177	300

Company

	As at 31 December		
HK$ million	2005	2006	2007
Other payables	—	10	—
Accruals	5	5	7
	5	15	7

Other payables are non-interest-bearing and have an average term of three months.

29. DERIVATIVE FINANCIAL INSTRUMENTS

Group

HK$ million	As at 31 December 2005	2006	2007
Assets:			
Forward currency contracts	1	—	—
Liabilities:			
Stock accumulator contracts	—	—	35
Share swap contracts	—	—	27
Forward currency contracts	1	—	—
	1	—	62

The carrying amounts of the above forward currency contracts, stock accumulator contracts and share swap contracts are the same as their fair values.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December 2005			2006			2007		
	Effective interest rate (%)	Maturity	HK$ million	Effective interest rate (%)	Maturity	HK$ million	Effective interest rate (%)	Maturity	HK$ million
Group									
Current									
Finance lease payables (note 31)	2.50 – 3.00	2006	6	2.50 –5.75	2007	4	2.50 – 3.20	2008	3
Bank loans — unsecured	5.62 – 6.75	2006	46	6.01 –7.00	2007	26	6.00 – 7.00	2008	26
Bank loans — secured	4.25 – 6.75	2006	106	4.74 –7.25	2007	177	4.20 – 7.25	2008	183
			158			207			212
Non-current									
Finance lease payables (note 31)	2.50 – 3.00	2007 – 2008	4	N/A	N/A	—	3.20 –4.75	2010	5
Bank loans — secured	4.25 – 6.75	2007 – 2014	212	4.74 – 6.25	2008 – 2016	247	4.20 –6.72	2009 – 2016	176
2010 Convertible Bonds (note 32(a))	7.25	2010	77	7.25	2010	23	7.25	2010	15
2009 Convertible Bonds (note 32(b))	N/A	N/A	—	5.68	2009	26	5.68	2009	28
			293			296			224
			451			503			436
Company									
Non-current									
2010 Convertible Bonds (note 32(a))	7.25	2010	77	7.25	2010	23	7.25	2010	15
2009 Convertible Bonds (note 32(b))	N/A	N/A	—	5.68	2009	26	5.68	2009	28
			77			49			43

Group

HK$ million	As at 31 December 2005	2006	2007
Analysed into:			
Bank loans repayable:			
Within one year or on demand	152	203	209
In the second year	67	59	51
In the third to fifth years, inclusive	92	100	64
Beyond five years	53	88	61
	364	450	385
Other borrowings repayable:			
Within one year or on demand	6	4	3
In the second year	4	—	32
In the third to fifth years, inclusive	77	49	16
	87	53	51
	451	503	436

Company

HK$ million	As at 31 December 2005	2006	2007
Other borrowings repayable:			
In the second year	—	—	28
In the third to fifth years, inclusive	77	49	15
	77	49	43

(a) Certain of the Group's bank loans are secured by:

(i) mortgage over the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at 31 December 2005, 2006 and 2007 of approximately HK$254 million, HK$487 million and 314 million, respectively (note 15);

(ii) mortgage over the Group's leasehold land and buildings situated in Hong Kong and the PRC, which had an aggregate carrying value at 31 December 2005, 2006 and 2007 of approximately HK$567 million, HK$517 million and HK$490 million, respectively (note 14); and

(iii) the pledge of certain of the Group's time deposits as at 31 December 2005, 2006 and 2007 amounting to HK$71 million, HK$88 million and HK$88 million, respectively (note 26).

(b) At 31 December 2007, the Group's bank and other borrowings with carrying amounts of HK$216 million (2006: HK$304 million; 2005: HK$281 million), HK$7 million (2006: HK$22 million; 2005: HK$32 million) and HK$213 million (2006: HK$177 million; 2005: HK$138 million) are denominated in Hong Kong dollars, RMB and United States dollars, respectively.

Except for the convertible bonds, the carrying amounts of the Group's and the Company's borrowings approximate to their fair values. The fair value of the Group's and the Company's convertible bonds with a carrying amount of HK$77 million, HK$49 million and HK$43 million at 31 December 2005, 2006 and 2007 was HK$68 million, HK$44 million and HK$41 million, respectively.

The fair value of the liability portion of the convertible bonds is estimated using an equivalent market interest rate for a similar bond without a conversion option. The fair value of other borrowings has been calculated by discounting the expected future cash flows at the prevailing interest rates.

31. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles, machinery and office equipment for business use. These leases are classified as finance leases and have remaining lease term of three years.

At the balance sheet date, the total future minimum lease payments under finance leases and their present value were as follows:

	Minimum lease payments As at 31 December			Present value of minimum lease payments As at 31 December		
HK$ million	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Amounts payable:						
Within one year	7	4	4	6	4	3
In the second year	4	—	4	4	—	4
In the third to fifth years, inclusive	—	—	1	—	—	1
Total minimum finance lease payments	11	4	9	10	4	8
Future finance charges	(1)	—	(1)			
Total net finance lease payables	10	4	8			
Portion classified as current liabilities — note 30	(6)	(4)	(3)			
Non-current portion — note 30	4	—	5			

32. CONVERTIBLE BONDS

(a) On 25 April 2005, the Company issued convertible bonds with an aggregate nominal value of approximately HK$155 million (the "2010 Convertible Bonds") to those shareholders and noteholders of CCT Tech who accepted the general offers made by a subsidiary of the Company on 31 January 2005 to take over CCT Tech and who opted for the 2010 Convertible Bonds.

The 2010 Convertible Bonds are convertible at the option of the bondholders into ordinary shares of the Company at the conversion price of HK$0.604 per share (subject to adjustment as provided in the terms and conditions of the 2010 Convertible Bonds) at any time during the conversion period starting from the

date of issue and ending on the fifth business day before the fifth anniversary of the date of issue. The 2010 Convertible Bonds are unsecured, interest-free and have a maturity date of 25 April 2010. Unless converted into the shares of the Company or early repaid by the Company, the outstanding balance of the 2010 Convertible Bonds shall be redeemed in full on maturity. The Company may at its sole discretion repay, in whole or in part, the outstanding balance of the 2010 Convertible Bonds not yet repaid or converted into the shares of the Company any time before maturity by giving the holders of the convertible bonds a prior written notice of 14 days.

The 2010 Convertible Bonds with a nominal value of approximately HK$52 million, HK$75 million and HK$10 million were converted into 80,662,359 shares, 124,172,185 shares and 17,258,012 shares in the Company of HK$0.10 each during the years ended 31 December 2005, 2006 and 2007, respectively.

(b) On 23 June 2006, the Company issued a convertible bond with a nominal value of HK$30 million (the "2009 Convertible Bond") as part of consideration for the acquisition of a property as further detailed in note 45(a) below.

The 2009 Convertible Bond is convertible at the option of the bondholder into ordinary shares of the Company at the conversion price of HK$1.13 per share (subject to adjustment as provided in the terms and conditions of the 2009 Convertible Bond) at any time from the date of issue of the 2009 Convertible Bond to the fifth business day immediately prior to the maturity thereof. The 2009 Convertible Bond is unsecured, interest-free and has a maturity date of 23 June 2009. Unless converted into the shares of the Company or early repaid by the Company, the outstanding balance of the 2009 Convertible Bond shall be redeemed in full on maturity. The Company may at its sole discretion repay, in whole or in part, the outstanding balance of the 2009 Convertible Bond not yet repaid or converted into the shares of the Company any time before maturity by giving the holders of the convertible bonds a prior written notice of 14 days. There was no conversion of the 2009 Convertible Bond during the years ended 31 December 2006 and 2007.

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

The convertible bonds issued during the two years 31 December 2005 and 2006 have been split as to the liability and equity components, as follows:

Group and Company

	As at 31 December		
HK$ million	**2005**	**2006**	**2007**
Nominal value of convertible bonds issued during the year	155	30	—
Equity component (note 37(b))	(46)	(5)	—
Liability component at the issuance date	109	25	—
Conversion during the year	(37)	—	—
Interest expense	5	1	—
Liability component at 31 December (note 30)	77	26	—

33. LONG TERM RECEIVABLE/LONG TERM PAYABLE/DERIVATIVE FINANCIAL INSTRUMENT

Group and Company

		As at 31 December		
HK$ million	**Notes**	**2005**	**2006**	**2007**
Long term receivable	(a)	—	312	—
Long term payable	(b)	—	256	—
Derivative financial instrument	(c)	—	71	—

In 2006, in order to restore the public float of CCT Tech on the Stock Exchange, the Company and Deutsche Bank entered into a sale and purchase agreement dated 17 March 2006 (the "S&P Agreement") for the sale of 13.8 billion shares in CCT Tech (the "CCT Tech Sale Shares") (representing approximately 21.4% of the then issued share capital of CCT Tech owned by a subsidiary of the Company) to Deutsche Bank and three other independent third party investors at a price of HK$0.022 per share of CCT Tech with put options (the "Put Options") granted to Deutsche Bank which are exercisable under the terms of the put agreement (the "Put Agreement"). Under the Put Agreement, Deutsche Bank can exercise the Put Options to require the Company to repurchase the CCT Tech Sale Shares at a price of HK$0.02413 per share. The Put Options are not transferable and are only exercisable upon maturity of the Put Options on 9 May 2008 or the occurrence of certain events under the Put Agreement. The consideration for the disposal of the CCT Tech Sale Shares and the grant of the Put Options amounting to approximately HK$304 million (the "Consideration") was paid to Deutsche Bank as an initial exchange amount (the "Initial Exchange Amount") under the terms of the Put Agreement, and serves effectively as collateral to secure the obligations of the Company under the Put Agreement. The Initial Exchange Amount bears interest at a deposit rate of 4.53% per annum.

During the year ended 31 December 2007, Deutsche Bank and the three investors disposed of a total of 13,799,807,849 CCT Tech Sale Shares to third parties. The related Put Options were unwound and the related long term receivable plus interest up to the date of unwind was refunded to the Company. As at 31 December 2007, there were 192,151 CCT Tech Sale Shares not yet disposed of by one of the three investors.

In 2006, the Group determined that the financial asset derecognition conditions in relation to the CCT Tech Sale Shares as stipulated in HKAS 39 have not been fulfilled. Accordingly, the Company continued to consolidate the results of the CCT Tech group for the years ended 31 December 2006 and 2007 up to the respective dates of unwind of the Put Options attributable to the CCT Tech Sale Shares as if the CCT Tech Sale Shares had not been disposed of.

(a) Long term receivable

Long term receivable as at 31 December 2006 represented the sum of the Initial Exchange Amount of HK$304 million and the accrued interest of HK$8 million on the Initial Exchange Amount receivable by the Company. Under the terms of the Put Agreement, if any of the CCT Tech Sale Shares are disposed of by Deutsche Bank or any of the three investors, the related Put Options will be unwound and the related long term receivable plus interest up to the date of unwind will be refunded to the Company. The amount of the long term receivable not being refunded will be used to offset against the long term payable upon the exercise of the Put Options.

During the year ended 31 December 2007, as a total of 13,799,807,849 CCT Tech Sale Shares were disposed of by Deutsche Bank and the three investors through the stock market, the related portion of the long term receivable and the accrued interest were refunded to the Company. As at 31 December 2007, the long term receivable in relation to the 192,151 outstanding CCT Tech Sale Shares amounted to approximately HK$4,000.

(b) Long term payable

Long term payable as at 31 December 2006 represented the liability of the Company and the Group in respect of the repurchase obligations of the CCT Tech Sale Shares under the Put Agreement. Under the terms of the Put Agreement, if Deutsche Bank or any of the three investors disposes of all or part of the CCT Tech Sale Shares to third parties, the related Put Options will be unwound. The attributable amount of the long term payable will be recognised in the consolidated income statement and included in the calculation of the gain or loss on disposal of the relevant CCT Tech Sale Shares.

During the year ended 31 December 2007, as a total of 13,799,807,849 CCT Tech Sale Shares were disposed of by Deutsche Bank and the three investors, the related portion of the long term payable was recognised in the consolidated income statement and included in the calculation of the results on disposal of the relevant CCT Tech Sale Shares. As at 31 December 2007, the long term payable in relation to the 192,151 outstanding CCT Tech Sale Shares amounted to approximately HK$4,000.

(c) Derivative financial instrument

The derivative financial instrument as at 31 December 2006 represented the fair value of the Put Options. The derivative financial instrument was initially recognised at fair value at HK$50 million on the completion date of the S&P Agreement and was subsequently remeasured at fair value at 31 December 2006. The loss of HK$21 million on change in fair value of the Put Options for the year ended 31 December 2006 was taken directly to the income statement. The Put Options if not exercised or unwound will expire on 9 May 2008. If the CCT Tech Sale Shares are sold by Deutsche Bank and/or the three investors to third parties, the related Put Options will be unwound.

During the year ended 31 December 2007, the Put Options relating to the 13,799,807,849 CCT Tech Sale Shares were unwound following the disposal of the aforesaid shares by Deutsche Bank and the three investors. Accordingly, the carrying amount of the Put Options unwound was recognised in the consolidated income statement. As at 31 December 2007, the fair value of the Put Options in relation to the 192,151 outstanding CCT Tech Sale Shares was insignificant.

34. DEFERRED TAX

The movements in deferred tax liabilities and assets during the Relevant Periods are as follows:

Deferred tax liabilities

Group

HK$ million	**Depreciation allowance in excess of related depreciation**
At 1 January 2005	5
Deferred tax credited to the income statement during the year — note 10	(2)
Gross deferred tax liabilities recognised in the consolidated balance sheet at 31 December 2005, 1 January 2006 and 31 December 2006	3
Deferred tax charged to the income statement during the year — note 10	1
Gross deferred tax liabilities recognised in the consolidated balance sheet at 31 December 2007	4

Deferred tax assets

Group

HK$ million	**Losses available for offsetting against future taxable profits**
At 1 January 2005	4
Deferred tax charged to the income statement during the year — note 10	(1)
Gross deferred tax assets recognised in the consolidated balance sheet at 31 December 2005	3
Deferred tax credited to the income statement during the year — note 10	1
Gross deferred tax assets recognised in the consolidated balance sheet at 31 December 2006	4
Deferred tax charged to the income statement during the year — note 10	(2)
Gross deferred tax assets recognised in the consolidated balance sheet at 31 December 2007	2

As at 31 December 2005, 2006 and 2007, the Group has tax losses arising in Hong Kong of HK$194 million, HK$245 million and HK$202 million, respectively, and the Company has tax losses arising in Hong Kong of HK$170 million, HK$173 million and HK$107 million, respectively, that are available indefinitely for

offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2005, 2006 and 2007, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

35. SHARE CAPITAL

Shares

	As at 31 December		
HK$ million	**2005**	**2006**	**2007**
Authorised:			
2,000,000,000 ordinary shares of HK$0.10 each	200	200	200
Issued and fully paid:			
655,693,308, 779,865,493 and 797,123,505 ordinary shares of HK$0.10 each as at 31 December 2005, 2006 and 2007, respectively	65	78	80

In 2005, the 2010 Convertible Bonds with a nominal value of approximately HK$52 million were converted into 80,662,359 shares of the Company of HK$0.10 each. Further details relating to the 2010 Convertible Bonds have been set out in note 32(a) above.

In 2005, the subscription rights attaching to 41,780,000 share options were exercised at the subscription price of HK$0.75 per share, resulting in the issue of 41,780,000 shares of HK$0.10 each for a total cash consideration, before expenses, of approximately HK$31 million.

In 2005, 110,725,719 shares were issued at HK$0.10 each in the form of scrip dividend shares in lieu of cash as part of the payment of the special interim dividend with an equivalent total cash value of approximately HK$107 million. All the scrip dividend shares issued rank pari passu with the existing issued shares of the Company in all respects.

In 2006, the 2010 Convertible Bonds with a nominal value of approximately HK$75 million were converted into 124,172,185 shares in the Company of HK$0.10 each at a conversion price of HK$0.604 per share.

In 2007, the 2010 Convertible Bonds with a nominal value of approximately HK$10 million were converted into 17,258,012 shares in the Company of HK$0.10 each at a conversion price of HK$0.604 per share.

A summary of the transactions involving the Company's issued ordinary share capital during the Relevant Periods is as follows:

	Number of ordinary shares of HK$0.10 each in issue	Issued capital *HK$ million*	Share premium account *HK$ million*	Total *HK$ million*
At 1 January 2005	422,525,230	42	1,250	1,292
Exercise of share options	41,780,000	4	27	31
Issue of new shares upon conversion of convertible bonds	80,662,359	8	44	52
Issue of scrip dividend shares	110,725,719	11	96	107
Cancellation of share premium account	—	—	(1,417)	(1,417)
At 31 December 2005 and 1 January 2006	655,693,308	65	—	65
Issue of new shares upon conversion of convertible bonds	124,172,185	13	67	80
At 31 December 2006 and 1 January 2007	779,865,493	78	67	145
Issue of new shares upon conversion of convertible bonds	17,258,012	2	10	12
At 31 December 2007	797,123,505	80	77	157

On 18 November 2005, the cancellation of the entire amount of approximately HK$1,417 million standing to the credit of the share premium account of the Company and the credit arising be credited to the distributable reserve account of the Company (the "Cancellation of the Share Premium Account") was approved by a special resolution at the extraordinary general meeting of the Company. The Cancellation of the Share Premium Account became effective on 9 December 2005.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 36 below.

36. SHARE OPTION SCHEME

(a) A share option scheme was adopted by the Company on 28 February 2002 (the "Share Option Scheme") to comply with the new amendments to the Listing Rules in respect of the share option schemes of a listed company. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from the date of adoption. As at 31 December 2005, 2006 and 2007, there were no share options outstanding under the Share Option Scheme. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme during each of the Relevant Periods, save as 41,780,000 share options in the Company exercised resulting in the issue of 41,780,000 shares of HK$0.10 each during the year ended 31 December 2005.

The purpose of the Share Option Scheme is to provide incentives and rewards to the eligible participants who contribute to the success of the Group's operation. Eligible participants of the Share Option Scheme include any employee, executive or officer of the Group (including executive and non-executive directors of the Group) and any supplier, consultant, agent, adviser, shareholder, customer, partner, business associate who, in the sole discretion of the board of directors of the Group (the "Board"), has contributed to the Group.

Pursuant to the Share Option Scheme, the maximum number of shares in respect of which share options may be granted under the Share Option Scheme is such number of shares, when aggregated with shares subject to any other share option scheme(s) of the Group, must not exceed 10% of the issued share capital of the Group as at the date of adoption of the Share Option Scheme or 30% of the issued share capital of the Group from time to time.

The maximum number of shares issuable upon exercise of the share options granted under the Share Option Scheme and any other share option scheme(s) of the Group (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period is limited to 1% of the shares of the Group in issue as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Group and the shareholders' approval of the Group at a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Group, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors of the Group, excluding the independent non-executive director(s) of the Group who is/are the grantee(s) of the share options. In addition, any share option granted to a substantial shareholder or an independent non-executive director of the Group, or to any of their respective associates, in excess of 0.1% of the shares of the Group in issue as at the date of grant or with an aggregate value (based on the closing price of the Group's shares as at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to the issue of a circular by the Group and the shareholders' approval of the Group in advance at a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than 10 years from the date of grant of the share options or the expiry date of the Share Option Scheme, whichever is earlier.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the Group's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the shares of the Group as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares of the Group.

(b) During the year ended 31 December 2007, CCT Tech granted 1,550,000,000 share options in CCT Tech to certain of its directors and employees under CCT Tech's share option scheme. The fair value of the share options granted was HK$12 million of which the Group recognised a share option expense of HK$12 million during the year ended 31 December 2007.

The fair value of equity-settled share options granted by CCT Tech was estimated as at the date of grant, using the Black-Scholes model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used in respect of CCT Tech:

	2007
Dividend yield (%)	—
Expected volatility (%)	74.83
Historical volatility (%)	74.83
Risk-free interest rate (%)	3.89
Expected life of share options (year)	0.25
Weighted average share price (HK$)	0.055

The expected life of the share options is based on management's estimation and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted by CCT Tech was incorporated into the measurement of fair value.

(c) During the year ended 31 December 2006, Tradeeasy granted 117,850,000 share options in Tradeeasy to certain of its directors and employees under Tradeeasy's share option scheme. The fair value of the share options granted was HK$2 million of which the Group recognised a share option expense of HK$2 million during the year ended 31 December 2006.

The fair value of equity-settled share options granted by Tradeeasy was estimated as at the date of grant, using the Black-Scholes model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used in respect of Tradeeasy:

	2006
Dividend yield (%)	—
Expected volatility (%)	113.15
Historical volatility (%)	113.15
Risk-free interest rate (%)	4.06
Expected life of share options (year)	1
Weighted average share price (HK$)	0.041

The expected life of the share options is based on management's estimation and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted by Tradeeasy was incorporated into the measurement of fair value.

37. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statement of changes in equity on page 51 of this report.

The Group's capital reserve was created from the reduction of the Company's share capital on 8 April 2002.

(b) Company

HK$ million	Share premium account	Capital reserve (Note)	Distributable reserve	Equity component of convertible bonds	Retained profits/ (accumulated losses)	Total
At 1 January 2005	1,250	1,060	—	—	(102)	2,208
Exercise of share options	27	—	—	—	—	27
Issue of convertible bonds	—	—	—	46	—	46
Issue of shares upon conversion of convertible bonds	44	—	—	(15)	—	29
Issue of scrip dividend shares	96	—	—	—	—	96
Cancellation of share premium account	(1,417)	—	1,417	—	—	—
Profit for the year	—	—	—	—	428	428
2005 special interim dividend	—	(319)	—	—	—	(319)
Proposed 2005 final dividend	—	—	—	—	(13)	(13)
At 31 December 2005 and 1 January 2006	—	741	1,417	31	313	2,502
Issue of convertible bonds	—	—	—	5	—	5
Issue of shares upon conversion of convertible bonds	67	—	—	(23)	—	44
Profit for the year	—	—	—	—	32	32
2005 final dividend	—	—	—	—	(2)	(2)
2006 interim dividend	—	—	—	—	(16)	(16)
Proposed 2006 final dividend	—	—	—	—	(20)	(20)
At 31 December 2006 and 1 January 2007	67	741	1,417	13	307	2,545
Issue of shares upon conversion of convertible bonds	10	—	—	(3)	—	7
Profit for the year	—	—	—	—	208	208
2007 interim dividend	—	—	—	—	(20)	(20)
Proposed 2007 final dividend	—	—	—	—	(24)	(24)
At 31 December 2007	77	741	1,417	10	471	2,716

Note: The Company's capital reserve was created from the reduction of share capital on 8 April 2002.

38. BUSINESS COMBINATION

On 25 April 2006, the Group subscribed for a total of 550 million shares issued and allotted by Tradeeasy at a cash consideration of HK$22 million. Following the completion of the subscription of new shares, Tradeeasy became a 66.26% owned subsidiary of the Company. Tradeeasy and its subsidiaries (collectively referred as to the "Tradeeasy Group") are engaged in the provision of e-commerce services.

The fair value of the identifiable assets and liabilities of the Tradeeasy Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

HK$ million	**Fair value recognised on acquisition**	**Previous carrying amount**
Property, plant and equipment	3	3
Other intangible assets	7	7
Trade receivables	2	2
Prepayments, deposits and other receivables	2	2
Cash and bank balances	26	26
Other payables and accruals	(7)	(7)
Minority interests	(11)	(11)
	22	22
Goodwill on acquisition	39	
	61	
Satisfied by:		
Cash	22	
Reclassification from financial assets at fair value through profit or loss	4	
Restatement of fair value losses on financial assets at fair value through profit or loss upon the business combination	35	
	61	

An analysis of net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

HK$ million	**Year ended 31 December 2006**
Cash consideration	(22)
Cash and bank balances acquired	26
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	4

Since its acquisition, the Tradeeasy Group contributed approximately HK$34 million to the Group's turnover and a loss of HK$4 million to the consolidated profit for the year ended 31 December 2006.

Had the combination taken place at the beginning of the year ended 31 December 2006, there would have been no significant impact on the revenue and profit of the Group for that year.

39. DISPOSAL OF SUBSIDIARIES

HK$ million	Year ended 31 December 2005
Net assets disposed of:	
Other payables and accruals	(42)
Net gain on disposal of subsidiaries (note 6)	42
	—
Satisfied by:	
Cash	—

The disposal of subsidiaries had no significant impact on the cash and cash equivalents of the Group.

40. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

(a) During the years ended 31 December 2005, 2006 and 2007, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the finance leases of HK$4 million, HK$1 million and HK$10 million, respectively.

(b) As further detailed in note 32(b) above, during the year ended 31 December 2006, the Company issued the 2009 Convertible Bond with a nominal value HK$30 million to a company controlled by Mr. Mak as part of the consideration for the acquisition of a property from Mr. Mak.

(c) As further detailed in note 33 above, during the year ended 31 December 2006, the aggregate consideration for the disposal of the CCT Tech Sale Shares and the grant of the Put Options amounting to approximately HK$304 million was paid to Deutsche Bank as collateral to secure the obligations of the Company under the Put Agreement and was recorded as a long term receivable in the consolidated balance sheet.

41. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Company As at 31 December		
HK$ million	**2005**	**2006**	**2007**
Corporate guarantees given to banks in connection with facilities granted to subsidiaries	186	301	211

As at 31 December 2005, 2006 and 2007, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$154 million, HK$247 million and HK$165 million, respectively.

42. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group, are included in notes 26 and 30 above.

43. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 11 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	As at 31 December		
HK$ million	**2005**	**2006**	**2007**
Within one year	2	4	1
In the second to fifth years, inclusive	2	4	2
After five years	—	3	2
	4	11	5

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 2 to 5 years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
HK$ million	**2005**	**2006**	**2007**
Within one year	2	8	9
In the second to fifth years, inclusive	6	5	9
After five years	1	—	—
	9	13	18

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases with initial lease terms ranging from 50 to 51 years in respect of land on which certain of the Group's factories are situated falling due as follows:

	As at 31 December		
HK$ million	**2005**	**2006**	**2007**
Within one year	2	2	2
In the second to fifth years, inclusive	9	9	11
After five years	115	117	116
	126	128	129

44. COMMITMENTS

In addition to the operating lease commitments detailed in note 43(b) above, the Group had the following commitments at the balance sheet date:

Capital commitments

	As at 31 December		
HK$ million	**2005**	**2006**	**2007**
Contracted, but not provided for:			
Construction in progress	—	64	18
Purchases of plant and machinery and equipment	7	5	10
Acquisition of land	—	—	51
	7	69	79

45. RELATED PARTY TRANSACTIONS

(a) On 27 April 2006, Rich Full International Industries Limited ("Rich Full"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Fine Bonus Enterprises Limited ("Fine Bonus"), a company controlled by Mr. Mak and his associates, for the purchase of a property by Rich Full from Fine Bonus at a consideration of HK$80 million, of which HK$50 million was paid by cash and HK$30 million was satisfied by the issuance of the 2009 Convertible Bond. This transaction was approved by the independent shareholders of the Company on 5 June 2006 and was completed on 23 June 2006.

(b) Compensation of key management personnel of the Group

	Year ended 31 December		
HK$ million	**2005**	**2006**	**2007**
Short term employee benefits	48	64	68
Post-employment benefits	—	—	—
Total compensation paid to key management personnel	48	64	68

Further details of directors' emoluments are included in note 8 above.

46. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2005	**Group**				
Financial assets					
HK$ million	**Financial assets at fair value through profit or loss — held for trading**	**Held-to-maturity financial assets**	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
Held-to-maturity financial assets	—	18	—	—	18
Available-for-sale financial assets	—	—	—	569	569
Trade and bills receivables	—	—	838	—	838
Financial assets included in prepayments, deposits and other receivables (note 24)	—	—	29	—	29
Financial assets at fair value through profit or loss	61	—	—	—	61
Derivative financial instruments	1	—	—	—	1
Pledged time deposits	—	—	71	—	71
Cash and cash equivalents	—	—	528	—	528
	62	18	1,466	569	2,115

2005	**Group**	
Financial liabilities		
HK$ million	**Financial liabilities at fair value through profit or loss — designated as such upon initial recognition**	**Financial liabilities at amortised cost**	**Total**
Trade and bills payables	—	988	988
Financial liabilities included in other payables and accruals (note 28)	—	27	27
Derivative financial instruments	1	—	1
Interest-bearing bank and other borrowings	—	451	451
	1	1,466	1,467

2006 Financial assets	Group				
HK$ million	Financial assets at fair value through profit or loss — held for trading	Held-to-maturity financial assets	Loans and receivables	Available-for-sale financial assets	Total
Long term receivable	—	—	312	—	312
Available-for-sale financial assets	—	—	—	11	11
Trade and bills receivables	—	—	837	—	837
Financial assets included in prepayments, deposits and other receivables (note 24)	—	—	32	—	32
Financial assets at fair value through profit or loss	226	—	—	—	226
Held-to-maturity financial assets	—	2	—	—	2
Pledged time deposits	—	—	88	—	88
Cash and cash equivalents	—	—	865	—	865
	226	2	2,134	11	2,373

2006 Financial liabilities	Group		
HK$ million	Financial liabilities at fair value through profit or loss — designated as such upon initial recognition	Financial liabilities at amortised cost	Total
Trade and bills payables	—	886	886
Financial liabilities included in other payables and accruals (note 28)	—	86	86
Derivative financial instrument	71	—	71
Interest-bearing bank and other borrowings	—	503	503
Long term payable	—	256	256
	71	1,731	1,802

2007
Financial assets

HK$ million	Group Financial assets at fair value through profit or loss — held for trading	Loans and receivables	Available-for-sale financial assets	Total
Available-for-sale financial assets	—	—	11	11
Trade and bills receivables	—	718	—	718
Financial assets included in prepayments, deposits and other receivables (note 24)	—	38	—	38
Financial assets at fair value through profit or loss	398	—	—	398
Pledged time deposits	—	250	—	250
Cash and cash equivalents	—	1,673	—	1,673
	398	2,679	11	3,088

2007
Financial liabilities

HK$ million	Group Financial liabilities at fair value through profit or loss — designated as such upon initial recognition	Financial liabilities at amortised cost	Total
Trade and bills payables	—	851	851
Financial liabilities included in other payables and accruals (note 28)	—	175	175
Derivative financial instruments	62	—	62
Interest-bearing bank and other borrowings	—	436	436
	62	1,462	1,524

2005
Financial assets

	Company			
HK$ million	**Financial assets at fair value through profit or loss — held for trading**	**Held-to-maturity financial assets**	**Loans and receivables**	**Total**
Financial assets included in interests in subsidiaries (note 19)	—	—	2,451	2,451
Financial assets at fair value through profit or loss	57	—	—	57
Financial assets included in prepayments, deposits and other receivables (note 24)	—	—	2	2
Held-to-maturity financial assets	—	18	—	18
Cash and cash equivalents	—	—	86	86
	57	18	2,539	2,614

2005
Financial liabilities

	Company
HK$ million	**Financial liabilities at amortised cost**
Interest-bearing bank and other borrowings	77

2006
Financial assets

	Company			
HK$ million	**Financial assets at fair value through profit or loss — held for trading**	**Held-to-maturity financial assets**	**Loans and receivables**	**Total**
Financial assets included in interests in subsidiaries (note 19)	—	—	2,095	2,095
Long term receivable	—	—	312	312
Financial assets at fair value through profit or loss	226	—	—	226
Financial assets included in prepayments, deposits and other receivables (note 24)	—	—	1	1
Held-to-maturity financial assets	—	2	—	2
Pledged time deposits	—	—	5	5
Cash and cash equivalents	—	—	346	346
	226	2	2,759	2,987

2006	Company		
Financial liabilities			
HK$ million	**Financial liabilities at fair value through profit or loss — designated as such upon initial recognition**	**Financial liabilities at amortised cost**	**Total**
Financial liabilities included in other payables and accruals (note 28)	—	10	10
Interest-bearing bank and other borrowings	—	49	49
Long term payable	—	256	256
Derivative financial instrument	71	—	71
	71	315	386

2007	Company
Financial assets	
HK$ million	**Loans and receivables**
Financial assets included in interests in subsidiaries (note 19)	2,028
Financial assets included in prepayments, deposits and other receivables (note 24)	1
Cash and cash equivalents	794
	2,823

Financial liabilities	
	Financial liabilities at amortised cost
Interest-bearing bank and other borrowings	43

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, convertible bonds and finance leases. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2 above.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group operates at a low gearing ratio and as the interest rates are stable and are maintained at a relatively low level, the Group's interest rate risk is not significant.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

Group	2005			2006			2007		
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
		HK$ million	*HK$ million*		*HK$ million*	*HK$ million*		*HK$ million*	*HK$ million*
HK$	100	—	—	100	(3)	(2)	100	(2)	(1)
United States dollars ("US$")	100	(3)	(2)	100	(2)	(1)	100	(2)	(1)
HK$	(100)	—	—	(100)	3	2	(100)	2	1
US$	(100)	3	2	(100)	2	1	(100)	2	1

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales, purchases or expenditure by operating units in currencies other than the units' functional currency. During the Relevant Periods, the Group did not use any financial instruments for hedging purposes.

The following table demonstrates the sensitivity to a reasonably possible change in Australian dollars ("AUD"), US$, Renminbi and Euro exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

Group	2005			2006			2007		
	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	*HK$ million*	*HK$ million*	*%*	*HK$ million*	*HK$ million*	*%*	*HK$ million*	*HK$ million*
If AUD strengthens against HK$	—	—	—	—	—	—	18.568	13	11
If AUD weakens against HK$	—	—	—	—	—	—	(18.568)	(13)	(11)
If US$ strengthens against RMB	2.394	2	1	3.280	1	1	6.222	2	—
If US$ weakens against RMB	(2.394)	(2)	(1)	(3.280)	(1)	(1)	(6.222)	(2)	—
If Euro strengthens against HK$	9.615	1	1	—	—	—	—	—	—
If Euro weakens against HK$	(9.615)	(1)	(1)	—	—	—	—	—	—

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentration of credit risk is managed by counterparty.

There is no significant concentration of credit risk in relation to the Group's financial assets, other than trade receivables. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23 above.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, convertible bonds, other interest-bearing loans and finance leases. In addition, banking facilities have been put in place for contingency purposes.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted payments.

Group

	Within one year or on demand	In the second year	In the third to fifth years, inclusive	Beyond five years	Total
As at 31 December 2005					
Interest-bearing bank and other borrowings	158	71	169	53	451
Trade and bills payables	988	—	—	—	988
Other payables	27	—	—	—	27
Derivative financial instruments	1	—	—	—	1
	1,174	71	169	53	1,467
As at 31 December 2006					
Interest-bearing bank and other borrowings	207	59	149	88	503
Trade and bills payables	886	—	—	—	886
Other payables	86	—	—	—	86
Derivative financial instruments	—	71	—	—	71
Long term payable	—	256	—	—	256
	1,179	386	149	88	1,802

	Within one year or on demand	In the second year	In the third to fifth years, inclusive	Beyond five years	Total
As at 31 December 2007					
Interest-bearing bank and other borrowings	212	83	80	61	436
Trade and bills payables	851	—	—	—	851
Other payables	175	—	—	—	175
Derivative financial instruments	62	—	—	—	62
	1,300	83	80	61	1,524

Company

	Within one year or on demand	In the second year	In the third to fifth years, inclusive	Total
As at 31 December 2005				
Interest-bearing bank and other borrowings	—	—	77	77
As at 31 December 2006				
Interest-bearing bank and other borrowings	—	—	49	49
Other payables	10	—	—	10
Derivative financial instruments	—	71	—	71
Long term payable	—	256	—	256
	10	327	49	386
As at 31 December 2007				
Interest-bearing bank and other borrowings	—	28	15	43

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as trading equity investments (note 25) as at each balance sheet date of the Relevant Periods. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the balance sheet date.

The market equity index for the following stock exchange, at the close of business of the nearest trading day in the year to the balance sheet date, and their respective highest and lowest points during the year were as follows:

	31 December 2005	High/low 2005	31 December 2006	High/low 2006	31 December 2007	High/low 2007
Hong Kong — Hang Seng Index	14,876	15,509/ 13,321	19,965	20,049/ 14,844	27,813	31,958/ 18,659

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on the then carrying amounts at the balance sheet date.

	Carrying amounts of equity investments *HK$ million*	Increase/ (decrease) in equity price *%*	Increase/ (decrease) in profit before tax *HK$ million*	Increase/ (decrease) in equity *HK$ million*
2005				
Investments listed in:				
Hong Kong — Held for trading	4	3.64	—	—
	4	(3.64)	—	—
2006				
Investments listed in:				
Hong Kong — Held for trading	71	26.73	19	16
	71	(26.73)	(19)	(16)
2007				
Investments listed in:				
Hong Kong — Held for trading	227	59.54	135	111
	227	(59.54)	(135)	(111)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total capital plus total borrowings. The Group includes interest-bearing bank and other borrowings in the total borrowings. Capital includes equity attributable to the equity holders of the parent.

	Group As at 31 December		
HK$ million	**2005**	**2006**	**2007**
Interest-bearing bank and other borrowings	451	503	436
Total borrowings	451	503	436
Total capital	2,642	2,752	3,225
Total capital and borrowings	3,093	3,255	3,661
Gearing ratio	14.6%	15.5%	11.9%

III. SUBSEQUENT EVENTS

(a) In October 2007, Tradeeasy entered into an agreement (as amended subsequently in February and March 2008) for the acquisition of a forestry project in Indonesia (the "Forestry Project"). The total consideration for the acquisition of the Forestry Project amounts to approximately HK$785 million, which will be satisfied by way of cash and by way of an issue of convertible bonds by Tradeeasy. The Forestry Project principally involves the business of harvesting and extraction of timber, land clearing, plantation of oil palm and production of palm oil, operation of sawn mills, and production and export of sawn timber, and other timber and wood products in the natural forest concessions of approximately 313,500 hectares in the Papua Province of Indonesia.

Details of the acquisition of the Forestry Project were set out in the joint announcements of the Company and Tradeeasy dated 23 October 2007 and 28 March 2008. The circulars of Tradeeasy and the Company will be dispatched to the respective shareholders of Tradeeasy and the Company on or before 30 May 2008. The acquisition of the Forestry Project, upon the issue of the circulars, is subject to other conditions precedent including approval by the respective shareholders of Tradeeasy and the Company.

The consolidated income statements, consolidated balance sheets, consolidated cash flow statements and consolidated statements of changes in equity of the Tradeeasy Group prepared under HKFRSs in respect of the period from 25 April 2006 (date of acquisition) to 31 December 2006 and the year ended 31 December 2007 included in the Financial Information are set out as follows:

(i) Consolidated income statements of the Tradeeasy Group

HK$ million	**Period from 25 April 2006 (date of acquisition) to 31 December 2006**	**Year ended 31 December 2007**
REVENUE	34	45
Cost of sales	(22)	(28)
Gross profit	12	17
Other income and gains	1	1
Selling and distribution costs	(5)	(6)
Administrative expenses	(9)	(19)
Other expenses	(3)	(3)
LOSS FOR THE PERIOD/YEAR	(4)	(10)

(ii) Consolidated balance sheets of the Tradeeasy Group

HK$ million	**As at 31 December**	
	2006	**2007**
NON-CURRENT ASSETS		
Property, plant and equipment	4	3
Other intangible assets	9	8
Total non-current assets	13	11
CURRENT ASSETS		
Trade receivables	2	1
Prepayments, deposits and other receivables	2	10
Financial assets at fair value through profit or loss	—	9
Cash and cash equivalents	23	53
Total current assets	27	73
CURRENT LIABILITIES		
Trade payables	1	1
Other payables and accruals	8	18
Total current liabilities	9	19
NET CURRENT ASSETS	18	54
NET ASSETS	31	65
EQUITY		
Issued capital	10	12
Reserves	21	53
Total equity	31	65

(iii) Consolidated cash flow statements of the Tradeeasy Group

HK$ million	**Period from 25 April 2006 (date of acquisition) to 31 December 2006**	**Year ended 31 December 2007**
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(4)	(10)
Adjustments for:		
Depreciation	1	2
Amortisation of deferred development expenditure	1	1
Write-off and impairment of deferred development expenditure	—	4
Impairment of trade receivables	—	1
Equity-settled share option expenses	2	—
	—	(2)
Increase in prepayments, deposits and other receivables	—	(8)
Increase in trade payables	1	—
Increase in other payables and accruals	1	10
Net cash inflow from operating activities	2	—
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of financial assets at fair value through profit or loss	—	(9)
Purchases of items of property, plant and equipment	(2)	(1)
Additions to deferred development expenditure	(3)	(4)
Net cash outflow from investing activities	(5)	(14)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	—	44
Net cash inflow from financing activities	—	44
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(3)	30
Cash and cash equivalents at beginning of year/period	26	23
CASH AND CASH EQUIVALENTS AT END OF YEAR/ PERIOD	23	53
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	23	53

(iv) Consolidated statements of changes in equity of the Tradeeasy Group

HK$ million	Issued share capital	Share premium account	Contributed surplus	Share option reserve	Accumulated losses	Total
At 25 April 2006 (date of acquisition)	10	32	67	—	(76)	33
Loss for the period	—	—	—	—	(4)	(4)
Equity-settled share option arrangement	—	—	—	2	—	2
At 31 December 2006 and 1 January 2007	10	32	67	2	(80)	31
Loss for the year	—	—	—	—	(10)	(10)
Issue of shares	2	42	—	—	—	44
At 31 December 2007	12	74	67	2	(90)	65

(b) On 12 December 2007, Goldbay Investments Limited ("Goldbay", a wholly-owned subsidiary of the Company) entered into a binding preliminary sale and purchase agreement (the "Preliminary S&P Agreement") with an independent third party (the "Purchaser") for the sale of an investment property at a consideration of approximately HK$36 million. A formal sale and purchase agreement (the "Formal S&P Agreement") with similar terms of the Preliminary S&P was entered into between Goldbay and the Purchaser on 10 January 2008 and superseded the Preliminary S&P Agreement. The transaction was completed on 28 February 2008. The disposal of the investment property has no significant impact on the Group's financial results.

(c) The Company published an announcement dated 21 May 2008 (the "Conversion Announcement) and announced that each of Capital Winner Investments Limited ("Capital Winner") and New Capital Industrial Limited ("New Capital") served a conditional conversion letter dated 20 May 2008 to the Company in relation to the full conversion of the 2009 Convertible Bonds and the 2010 Convertible Bonds, respectively, subject to the fulfillment of the conditions as set out in the Conversion Announcement. Capital Winner and New Capital are companies incorporated in the British Virgin Islands and are wholly owned by Mr. Mak and his family members. The Conversion (as defined in the Conversion Announcement) would have increased the equity of the Group by the aggregate book carrying amount of the 2009 Convertible Bonds and the 2010 Convertible Bonds at the date of the Conversion. As at the date of this report, none of the conditions of the Conversion has been fulfilled and the Conversion has not taken place.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group and the Company in respect of any period subsequent to 31 December 2007.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

(2) MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

(a) Management discussion and analysis for the year ended 31 December 2005

The Group recorded a turnover of HK$3,980 million during the year of 2005, which represents a decrease of 1.9% over the corresponding previous year. The decrease is mainly attributable to the price reduction of certain telecom products and delay in shipment of goods of our factories arisen from the continuous labour shortage in the Pearl River Delta region throughout the year 2005.

Gross profit decreased by 2.1% due to decrease in turnover. Operating profit for our manufacturing business dropped due to the decrease in sale price and increase in the operating costs.

Other income and gains amounted to HK$175 million, more than tripled that of previous year mainly due to the realized gain of HK$109 million arising from the disposal and deemed disposal of 19.6% interest in Haier Electronics in January 2005.

Effective from January 2005, Haier Electronics ceased to be an associate of the Group and the Group has since ceased to share any of the results of Haier Electronics. In 2004, the Group's investment in Haier Electronics was classified as an interest in an associate. As a result of the adoption of the reverse acquisition accounting method by Haier Electronics, the results of Haier Electronics in prior years have been restated.

The Group's share of result of Haier Electronics for the year ended 31 December 2004 was therefore restated from a loss to a profit of HK$49 million.

Finance costs surged by approximately 283.3% to HK$23 million in 2005. The increase was mainly attributable to the increase in bank loans borrowed for the operations and the increase in interest rates during the year. Also, due to the adoption of the new HKAS 32, a deemed effective interest of approximately HK$5 million was accrued on the zero rate convertible bonds of the Company. Despite the increase in finance costs, the Company maintains a very healthy financial position as its gearing ratio is only 14.6% and interest cover is over 12 times.

Profit shared by minority interest decreased sharply by 65% because the Group increased its shareholding in CCT Tech during the year. Profit after tax attributable to shareholders of the Company for the year under review amounted to HK$225 million, up 110.3% from that of previous year, attributable mainly to the investment gains from disposal and dilution of our interest in Haier Electronics and the reversal of previous impairment loss of the investment property.

Capital Structure and Gearing Ratio

The Group's gearing ratio, calculated on the basis of the Group's total borrowings (including bank and other borrowings, convertible notes and finance lease payables) over total capital employed (total shareholders' fund plus total borrowings), was approximately 14.6% as at 31 December 2005 which was the same as that at 31 December 2004. The low gearing ratio reflects a healthy financial position and the prudent financial policy of the Group.

Outstanding bank borrowings amounted to HK$364 million at 31 December 2005 (31 December 2004: HK$321 million). Approximately 41.8% of these bank borrowings was arranged on a short-term basis for the ordinary business of the Group and was repayable within one year. The remaining 58.2% of the bank borrowings was of long-term nature, principally comprised of mortgage loans on properties held by the Group.

As a result of the offers made by the Company relating to CCT Tech during the year, the Company issued convertible bonds in an aggregate principal amount of approximately HK$155 million, among which the convertible bonds with total principal amounts of approximately HK$52 million were converted into shares of the Company during the year. As at the balance sheet date, the total outstanding carrying amount of the convertible bonds amounted to HK$108 million (including HK$77 million accounted for as a liability and HK$31 accounted for as equity in accordance with HKAS 32). The convertible bonds are interest free and will mature in 2010.

Acquisition of certain of the Group's assets were financed by way of finance leases and the total outstanding finance lease payables for the Group as at 31 December 2005 amounted to approximately HK$10 million (31 December 2004: HK$13 million).

As at 31 December 2005, the maturity profile of the bank and other borrowings and the liability component of the convertible notes of the Group falling due within one year, in the second to the fifth year and in the sixth to the tenth year amounted to HK$158 million, HK$240 million and HK$53 million, respectively (31 December 2004: HK$195 million, HK$113 million and HK$71 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

Liquidity and Financial Resources

Current ratio (a ratio of current assets over current liabilities) as at 31 December 2005 was 180% (31 December 2004: 154%). The strong liquid position was attributable to strong cash flow from the operations and the effective financial management of the Group.

As at 31 December 2005, the cash balance (excluding amounts reclassified as other assets under HKAS 39) of the Group amounted to HK$599 million (31 December 2004: HK$949 million), among which HK$71 million (31 December 2004: HK$117 million) was pledged for general banking facilities.

Almost all of the Group's cash was placed on deposits with licensed banks in Hong Kong. The strong cash balance plus the cash generated from the Group's operations and funds available from the bank facilities are expected to be sufficient to cover all cash requirements, including working capital and capital expenditure needs.

Capital Expenditure and Commitments

During the year, the Group incurred capital expenditure amounted to approximately HK$201 million, which was mainly related to the core manufacturing businesses of the Group. The Group also incurred HK$55 million for research and development expenditure which has been capitalized as intangible assets and amortised in accordance with the financial standard.

The Group had authorised and contracted capital commitments of approximately HK$7 million (31 December 2004: HK$33 million) as at 31 December 2005, which was mainly related to capital expenditure for the expansion of the manufacturing business of the Group and all of which will be financed by internal resources.

Treasury Management

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

During the year, the Group's receipts were mainly denominated in US dollars, with some in Hong Kong dollars and the Euro. Payments were mainly made in Hong Kong dollars, US dollars and Renminbi

and some made in Euros. Cash was generally placed in short-term deposits and medium-term deposits denominated in Hong Kong dollars and US dollars and some in European currencies. As at 31 December 2005, the Group's borrowings were mainly denominated in Hong Kong dollars and US dollars. As at 31 December 2005, other than the convertible bonds in an aggregate principal amount of approximately HK$103 million which is interest-free, the Group's borrowings were principally made on a floating rate basis.

The objective of the Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. The Group does not have any significant interest rate risk, as both the borrowings of the Group and the interest rates currently remain at low levels. In terms of foreign exchange exposures, the Group is principally exposed to two major currencies, namely the US dollar in terms of receipts and the Renminbi in terms of the production costs (including mainly wages and overhead) in China.

For US dollar exposure, since the Hong Kong dollar remains pegged to the US dollar, the exchange fluctuation is not expected to be significant. The introduction of the refinements to the operation of the Linked Exchange Rate System by the Hong Kong Monetary Authority in 2005, which limits the fluctuation between the two currencies, further reinforces the stability of exchange rates between Hong Kong dollar and US dollar. Above all, as most of the Group's purchases are also made in US dollars, which are to be paid out of our sales receipts in US dollars, the management considers that the foreign exchange exposure risk for the US dollar is not material.

For Renminbi exposure, the Group entered into forward exchange contracts with banks in China to cover a significant part of our Renminbi expenses for the period up to mid 2006. Our risk to any Renminbi fluctuation has, therefore, been partly hedged for the period up to mid 2006 although the appreciation of the Renminbi has increased forward rates which has made hedging more costly. Our future production costs will no doubt be increased by the Renminbi appreciation. Any further appreciation of Renminbi in the future will be of concern to all manufacturers with manufacturing facilities in China, and to their respective customers.

Acquisition and Disposal of Material Subsidiaries and Associates

The asset injection for Haier Electronics was successfully completed on 28 January 2005. Following the Asset Injection and after the placing of shares to restore the public float of Haier Electronics in January this year, the Company's interest in Haier Electronics was reduced from 43.6% to 24.0% during the year under review. Since then, Haier Electronics ceased to be an associate of the Group and became an investment held by the Group.

The Group further disposed its entire remaining interest of in 3,926,774,819 shares in Haier Electronics to Deutsche Bank on 5 January 2006. Since then, the Group does not own any interest in Haier Electronics.

Significant Investment

There was no significant investment unrelated to the core manufacturing businesses of the Group during the year under review.

Pledge of Assets

As at 31 December 2005, certain of the Group's assets with a net book value of HK$821 million (31 December 2004: HK$254 million) and time deposits of HK$71 million (31 December 2004: HK$117 million) were pledged to secure the general banking facilities granted to the Group.

Contingent Liabilities

As at 31 December 2005, the banking facilities granted to the subsidiaries subject to the corporate guarantees given to the banks by the Company were utilized to the extent of approximately HK$154 million (31 December 2004: HK$173 million).

As at 31 December 2005, 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 million (31 December 2004: HK$9 million). Save as aforesaid, the Group did not have any other significant contingent liabilities as at 31 December 2005.

(b) Management discussion and analysis for the year ended 31 December 2006

The Group reported a record turnover of HK$4,199 million during the year, which represents a slightly increase of 5.5% over last year. The increase in turnover is attributable to contribution from our securities investment business and the growth of our manufacturing businesses. Gross profit dropped by 9.7% from HK$454 million in 2005 to HK$410 million in 2006. The drop in gross profit is mainly due to the reduction in selling price of some product models due to competition and rise in production costs.

Other income and gains amounted to HK$444 million in 2006, up 153.7% from 2005. The significant increase in other income and gains was attributable to (i) the realized gain of approximately HK$316 million from the disposal of our interest in Haier Electronics, (ii) the gain and interest income of HK$48 million derived from the securities investment business and (iii) the unrealized revaluation gain on our investment properties portfolio of HK$39 million recorded in the year 2006. Profit attributable to equity shareholders of the Company amounted to HK$358 million, up 59.1% from previous reporting year, helped mainly by the rise in other income and gains.

Profit shared by minority interest decreased significantly by 71.4% due to the dilution of the minority interests in CCT Tech in May 2006 upon the full conversion of the convertible notes by the Company into shares in CCT Tech.

Capital structure and gearing ratio

The Group's gearing ratio was approximately 15.5% as at 31 December 2006 as compared with that of 14.6% as at 31 December 2005. The increase in gearing ratio was mainly due to the aggregate effect of (i) the borrowing of new mortgage loans for the financing of the newly acquired luxury properties; (ii) issue of the 2009 Convertible Bonds; (iii) conversion of part of the 2010 Convertible Bonds; and (iv) the net repayment of the bank borrowings. After taking into account the cash on hand, the Group did not have any net borrowings but was in a net cash position.

Outstanding bank borrowings amounted to HK$450 million at 31 December 2006 (31 December 2005: HK$364 million). Approximately 45.1% of these bank borrowings was arranged on a short-term basis for the ordinary business of the Group and was repayable within one year. The remaining 54.9% of the bank borrowings was of long-term nature, principally comprising mortgage loans on properties held by the Group.

During the year, the 2009 Convertible Bonds with a nominal value of HK$30 million were issued by the Company to a company controlled by Mr. Mak as part of the consideration to acquire a property by the Company from Mr. Mak in April 2006. In addition, part of the 2010 Convertible Bonds with a nominal value of HK$75 million was converted into approximately 124 million shares of the Company during the year.

Acquisition of certain of the Group's assets were financed by way of finance leases and the total outstanding finance lease payables for the Group as at 31 December 2006 amounted to approximately HK$4 million (31 December 2005: HK$10 million).

As at 31 December 2006, the maturity profile of the bank and other borrowings and convertible notes of the Group falling due within one year, in the second to the fifth year and in the sixth to the tenth year amounted to HK$207 million, HK$208 million and HK$88 million, respectively (31 December 2005: HK$158 million, HK$240 million and HK$53 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

Liquidity and financial resources

Current ratio as at 31 December 2006 was 177% (31 December 2005: 180%). The strong liquid position was attributable to strong cash flow from the operations and the effective financial management of the Group.

As at 31 December 2006, the Group maintained a total cash balance of HK$953 million (31 December 2005: HK$599 million), of which HK$88 million (31 December 2005: HK$71 million) was pledged for general banking facilities.

Almost all of the Group's cash was placed on deposits with licensed banks in Hong Kong. The strong cash balance plus the cash generated from the Group's operations and funds available from the bank facilities are expected to be sufficient to cover all cash requirements, including working capital and capital expenditure needs.

Capital expenditure and commitments

During the year, the Group incurred capital expenditure amounted to approximately HK$369 million, which was mainly related to the core manufacturing businesses of the Group.

The Group had authorised and contracted capital commitments of approximately HK$69 million (31 December 2005: HK$7 million) as at 31 December 2006, which was mainly related to capital expenditure for the expansion of the manufacturing business of the Group. The outstanding capital commitments will be financed partly by internal resources and partly by bank borrowings.

Treasury management

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

During the year, the Group's receipts were mainly denominated in US dollars, with some in Hong Kong dollars and the Euro. Payments were mainly made in Hong Kong dollars, US dollars and Renminbi and some made in Euros. Cash was generally placed in short-term deposits and medium-term deposits denominated in Hong Kong dollars and US dollars and some in European currencies. As at 31 December 2006, the Group's borrowings were mainly denominated in Hong Kong dollars and US dollars. As at 31 December 2006, other than the convertible bonds in an aggregate principal amount of approximately HK$59 million which is interest-free, the Group's borrowings were principally made on a floating rate basis.

The objective of the Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. The Group does not have any significant interest rate risk, as both the borrowings of the Group and the interest rates currently remain at low levels.

In terms of foreign exchange exposures, the Group is principally exposed to two major currencies, namely the US dollar in terms of receipts and the Renminbi in terms of the production costs (including mainly wages and overhead) in China. For US dollar exposure, since the Hong Kong dollar remains pegged to the US dollar, the exchange fluctuation is not expected to be significant. Above all, as most of the Group's purchases are also made in US dollars, which are to be paid out of our sales receipts in US dollars, the management considers that the net foreign exchange exposure risk for the US dollar is not material.

For Renminbi exposure, the Group entered into forward exchange contracts with banks in China to cover a significant part of our Renminbi expenses for the period up to mid 2006. Our exposure to any Renminbi fluctuation has, therefore, been partly hedged against such risks for the period up to mid 2006 although the appreciation of the Renminbi has increased forward rates which has made hedging more costly. Our future production costs will no doubt be increased by the Renminbi appreciation. Any further appreciation of Renminbi in the future will be of concern to all businesses with manufacturing facilities in China, and to their respective customers. We have invested some of our surplus funds on investments that we believe will benefit from appreciation of the Renminbi. We hope that the returns and gains that we are hoping to derive from these investments will hedge partly against the potential appreciation of the Renminbi.

Acquisition and disposal of material subsidiaries and associates

During the year 2006, we sold 13.8 billion ordinary shares in CCT Tech to Deutsche Bank and three other independent investors for a total consideration of approximately HK$303.6 million. Put options have been granted to Deutsche Bank which give Deutsche Bank the right to sell back the shares to us on the expiration date of the put options or upon occurrence of certain events. The proceeds for the sale of CCT Tech shares were paid to Deutsche Bank to effectively secure the put options. After the disposal, the Group's shareholding interests in CCT Tech are approximately 74.63%. Deutsche Bank and the three other independent investors together held in total approximately 21.44% of the total issued share capital of CCT Tech.

In April 2006, the Group subscribed a total of 550,000,000 shares in Tradeeasy for a total consideration of HK$22 million. Upon completion of the subscription, the Group's shareholding in Tradeeasy has increased from 22.18% to 66.26%. Tradeeasy has become a non-wholly owned subsidiary of the Company since then. Tradeeasy is engaged in provision of e-commerce services.

Significant investment

During the year 2006, the Group has further increased its property investment by acquiring two luxury residential properties for a total consideration of HK$177 million. Besides, the Group has invested in aggregate HK$178 million in shares listed on the Stock Exchange. Save as disclosed, there was no significant investment unrelated to the core manufacturing businesses of the Group.

Pledged assets

As at 31 December 2006, certain of the Group's assets with a net book value of HK$1,004 million (31 December 2005: HK$821 million) and time deposits of HK$88 million (31 December 2005: HK$71 million) were pledged to secure the general banking facilities granted to the Group.

Contingent liabilities

As at 31 December 2006, the banking facilities granted to the subsidiaries subject to the corporate guarantees given to the banks by the Company were utilized to the extent of approximately HK$247 million (31 December 2005: HK$154 million).

As at 31 December 2006, 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 million (31 December 2005: HK$1 million). Save as aforesaid, the Group did not have any other significant contingent liabilities as at 31 December 2006.

(c) Management discussion and analysis for the year ended 31 December 2007

The Group reported a turnover of approximately HK$4,066 million during the financial year 2007, which represents a decrease of approximately 3.2% over last year. The decrease in turnover is attributable to the decrease in turnover from our telecom and electronic products business.

Gross profit dropped significantly from approximately HK$410 million in 2006 to approximately HK$288 million in 2007. The drop in gross profit is mainly due to the substantial increase in production costs and the reduction in the average selling price of our telecom and electronic products.

Other income and gains amounted to approximately HK$667 million in 2007, up 50.2% from HK$444 million. The significant increase in other income and gains was mainly attributable to disposal of investments and dilution gains upon the exercise of shares options of the CCT Tech and Tradeeasy.

Profit attributable to equity shareholders of the Company amounted to approximately HK$484 million, up 35.2% from previous financial year 2006, mainly due to the increase in gains from disposal of investments.

Profit/(loss) shared by minority interests changed significantly. The change arose from the decrease in equity interest of the Group in CCT Tech during the year under review and the share of loss of the CCT Tech Group by the minority shareholders for the year ended 31 December 2007, compared with the share of net profit of CCT Tech by the minority shareholders for the financial year 2006.

Capital Structure and Gearing Ratio

The Group's gearing ratio was approximately 11.9% as at 31 December 2007 (31 December 2006: 15.5%). The gearing ratio maintained at low level which reflects a healthy financial position and the prudent financial policy of the Group. Taking into account the cash on hand, the Group in fact did not have any net borrowings and the net cash balance (net of borrowings) of the Group amounted to HK$1,487 million (31 December 2006: HK$450 million).

Outstanding bank borrowings amounted to HK$385 million at 31 December 2007 (31 December 2006: HK$450 million). Approximately 54.3% of these bank borrowings was arranged on a short-term basis for the ordinary business of the Group and was repayable within one year. The remaining 45.7% of the bank borrowings was of long-term nature, principally comprised mortgage loans on investment properties and properties used by the Group.

Acquisition of certain of the Group's assets was financed by way of finance leases and the total outstanding finance lease payables for the Group as at 31 December 2007 amounted to approximately HK$8 million (31 December 2006: HK$4 million).

As at 31 December 2007, the maturity profile of the bank and other borrowings and convertible bonds of the Group falling due within one year, in the second to the fifth year and in the sixth to the tenth year amounted to HK$212 million, HK$163 million and HK$61 million, respectively (31 December 2006: HK$207 million, HK$208 million and HK$88 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

Liquidity and Financial Resources

Current ratio as at 31 December 2007 was 243.0% (31 December 2006: 177.1%). The current ratio improved significantly, mainly due to the increase in cash during the year 2007. The strong liquid position was attributable to our effective financial management of the Group.

As at 31 December 2007, the Group's total cash balance amounted to HK$1,923 million (31 December 2006: HK$953 million), of which HK$250 million (31 December 2006: HK$88 million) was pledged for banking facilities and granted to the Group.

Almost all of the Group's cash was placed on deposits with licensed banks in Hong Kong. The strong cash balance plus the funds available from the bank facilities are expected to be sufficient to cover all cash requirements, including working capital and capital expenditure needs.

Capital Expenditure and Commitments

During the year ended 31 December 2007, the Group incurred capital expenditure to acquire fixed assets and addition of intangible assets amounted to approximately HK$252 million, which was mainly related to the core manufacturing businesses of the Group.

The Group's capital commitments amounted to approximately HK$79 million (31 December 2006: HK$69 million) as at 31 December 2007, which was mainly related to capital expenditure for the manufacturing business of the Group and all of which will be financed by internal resources.

Treasury Management

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

During the financial year 2007, the Group's receipts were mainly denominated in US dollars, with some in Hong Kong dollars and the Euro. Payments were mainly made in Hong Kong dollars, US dollars and Renminbi and some made in Euros. Cash was generally placed in short-term deposits and medium-term deposits denominated in Hong Kong dollars and US dollars. As at 31 December 2007, the Group's borrowings were mainly denominated in Hong Kong dollars and US dollars. As at 31 December 2007, other than the convertible bonds in an aggregate principal amount of approximately HK$48 million which is interest-free, the Group's borrowings were principally made on a floating rate basis.

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

For Renminbi exposure, as our wages and overheads in our factories in China are paid in Renminbi, our production costs will rise due to the possible further appreciation of Renminbi. Any further appreciation of the Renminbi in the near future will be of concern to all manufacturers with manufacturing facilities in China. The Group will continue to explore ways and methods to hedge future appreciation of

Renminbi. We have invested some of our surplus funds on listed shares that we believe will benefit from appreciation of Renminbi. We hope that the returns and gains that we may derive from these listed shares will hedge partly against the potential appreciation of the Reniminbi.

Acquisition and Disposal of Material Subsidiaries and Associates

Save as disclosed below, the Group did not acquire or dispose of any material subsidiaries and associates during the period under review. During the period under review, the Group disposed of part of its shareholding interest in CCT Tech to the extent of 15 billion shares. After the disposal, the Group still held 50.5% shareholding interest in CCT Tech as at 31 December 2007 and CCT Tech is still a principal subsidiary of the Company.

Significant Investment

During prior financial year 2006, the Group increased its property investment by acquiring two luxury residential properties for rental purpose for a total consideration of HK$177 million. Save as disclosed, there was no significant investment unrelated to the core manufacturing businesses of the Group during the financial year 2006 and 2007.

Pledge of Assets

As at 31 December 2007, certain of the Group's assets with a net book value of HK$804 million (31 December 2006: HK$1,004 million) and time deposits of HK$250 million (31 December 2006: HK$88 million) were pledged to secure the banking facilities granted to the Group.

Contingent Liabilities

As at 31 December 2007, the banking facilities granted to the subsidiaries subject to the corporate guarantees given to banks by the Company were utilised to the extent of approximately HK$165 million (31 December 2006: HK$247 million).

(3) MANAGEMENT DISCUSSION AND ANALYSIS OF THE MTG GROUP

Each member of the MTG Group has not conducted any material business activities since its incorporation. The MTG Group did not have revenue and its expenses were not material. The assets and liabilities of the MTG Group were not material.

Revenue

The MTG Group has not commenced business since incorporation of MTG. Therefore, the MTG Group did not have any revenue during the period from the date of incorporation of MTG to 31 December 2007.

Operating expenses

The MTG Group incurred approximately HK$1 million expenses representing administrative expenses during the period ended 31 December 2007. As the MTG Group has not commenced business, the MTG Group did not have any cost of sales and selling expenses during the period ended 31 December 2007.

Liquidity and Financial Resources

Current ratio of the MTG Group as at 31 December 2007 was 90.6%. The current liabilities of the MTG Group as at 31 December 2007 amounted to approximately HK$10 million, most of which will be refinanced by funds to be received from the Subscription after Completion.

Capital Expenditure and Commitments

During the period ended 31 December 2007, the MTG Group did not incur significant capital expenditure to acquire fixed assets. The MTG Group did not have significant capital commitment as at 31 December 2007.

Treasury Management

During the financial period ended 31 December 2007, each member of the MTG Group has not conducted any business activities and the MTG Group did not have any significant foreign currency receipts or payments. The MTG Group did not have any significant foreign exchange exposure. During the financial period ended 31 December 2007, the MTG Group did not have any interest bearing borrowings and therefore there was no interest rates exposure to the MTG Group.

Acquisition and Disposal of Material Subsidiaries and Associates

The MTG Group did not acquire or dispose of any subsidiaries and associates during the financial period ended 31 December 2007.

Significant Investment

There was no significant investment of the MTG Group during the financial period ended 31 December 2007.

Pledged of Assets

As at 31 December 2007, the MTG Group did not have any assets pledged for any banking facilities.

Contingent Liabilities

As at 31 December 2007, the MTG Group did not have any contingent liabilities.

(4) MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP FOR THE YEAR ENDED 31 DECEMBER 2007

The Remaining Group reported a turnover of approximately HK$4,021 million during the financial year 2007. The decrease in turnover is attributable to the decrease in turnover from our telecom and electronic products business. Gross profit of the Remaining Group dropped significantly to approximately HK$271 million in 2007. The drop in gross profit is mainly due to the substantial increase in production costs and the reduction in the average selling price of our telecom and electronic products.

Other income and gains of the Remaining Group amounted to approximately HK$671 million in 2007. The significant increase in other income and gains was mainly attributable to disposal of investments and dilution gains upon the exercise of shares options of the CCT Tech. Profit attributable to equity shareholders of the Company amounted to approximately HK$516 million, mainly due to the increase in gains from disposal of investments.

Capital Structure and Gearing Ratio

The Remaining Group's gearing ratio, calculated on the basis of the Remaining Group's total borrowings (including bank and other borrowings, convertible notes and finance lease payables) over total capital employed (total shareholders' fund plus total borrowings), was approximately 10.9% as at 31 December 2007. The gearing

ratio maintained at low level which reflects a healthy financial position and the prudent financial policy of the Remaining Group. Taking into account the cash on hand, the Remaining Group in fact did not have any net borrowings and the net cash balance (net of borrowings) of the Group amounted to HK$1,295 million.

Outstanding bank borrowings of the Remaining Group amounted to HK$385 million at 31 December 2007. Approximately 54.3% of these bank borrowings was arranged on a short-term basis for the ordinary business of the Remaining Group and was repayable within one year. The remaining 45.7% of the bank borrowings was of long-term nature, principally comprised mortgage loans on investment properties and properties used by the Remaining Group.

Acquisition of certain of the Remaining Group's assets was financed by way of finance leases and the total outstanding finance lease payables for the Remaining Group as at 31 December 2007 amounted to approximately HK$8 million. As at 31 December 2007, the maturity profile of the bank and other borrowings and convertible bonds of the Remaining Group falling due within one year, in the second to the fifth year and in the sixth to the tenth year amounted to HK$212 million, HK$163 million and HK$61 million, respectively. There was no material effect of seasonality on the Remaining Group's borrowing requirements.

Liquidity and Financial Resources

Current ratio of the Remaining Group as at 31 December 2007 was 231.5%. The current ratio improved significantly, mainly due to the increase in cash during the year 2007. The strong liquid position was attributable to our effective financial management of the Remaining Group.

As at 31 December 2007, the Remaining Group's total cash balance amounted to HK$1,731 million, of which HK$250 million was pledged for banking facilities and granted to the Remaining Group. Almost all of the Remaining Group's cash was placed on deposits with licensed banks in Hong Kong. The strong cash balance plus the funds available from the bank facilities are expected to be sufficient to cover all cash requirements, including working capital and capital expenditure needs.

Capital Expenditure and Commitments

During the year ended 31 December 2007, the Remaining Group incurred capital expenditure to acquire fixed assets and addition of intangible assets amounted to approximately HK$247 million, which was mainly related to the core manufacturing businesses of the Remaining Group. The Remaining Group's capital commitments amounted to approximately HK$79 million as at 31 December 2007, which was mainly related to capital expenditure for the manufacturing business of the Remaining Group and all of which will be financed by internal resources.

Treasury Management

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

During the financial year 2007, the Remaining Group's receipts were mainly denominated in US dollars, with some in Hong Kong dollars and the Euro. Payments were mainly made in Hong Kong dollars, US dollars and Renminbi and some made in Euros. Cash was generally placed in short-term deposits and medium term deposits denominated in Hong Kong dollars and US dollars. As at 31 December 2007, the Remaining Group's borrowings were mainly denominated in Hong Kong dollars and US dollars. As at 31 December 2007, other than the convertible bonds in an aggregate principal amount of approximately HK$48 million which is interest-free, the Remaining Group's borrowings were principally made on a floating rate basis. The objective of the Remaining Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. The Remaining Group does not have any significant interest rate risk as both the borrowings of the Remaining Group and the interest rates currently remain at low levels.

In terms of foreign exchange exposures, the Remaining Group is principally exposed to two major currencies, namely the US dollar in terms of receipts and the Renminbi in terms of the production costs (including mainly wages and overheads) in China. For US dollar exposure, since the Hong Kong dollar remains pegged to the US dollar, the exchange fluctuation is not expected to be significant. Above all, as most of the Remaining Group's purchases are also made in US dollars, which are to be paid out of our sales receipts in US dollars, the management considers that the foreign exchange exposure risk for the US dollar is not material.

For Renminbi exposure, as our wages and overheads in our factories in China are paid in Renminbi, our production costs will rise due to the possible further appreciation of Renminbi. Any further appreciation of the Renminbi in the near future will be of concern to all manufacturers with manufacturing facilities in China. The Remaining Group will continue to explore ways and methods to hedge future appreciation of Renminbi. The Remaining Group has invested some of its surplus funds on listed shares that the Remaining Group believe will benefit from appreciation of Renminbi. The Remaining Group hope that the returns and gains that the Remaining Group may derive from these listed shares will hedge partly against the potential appreciation of the Renminbi.

Acquisition and Disposal of Material Subsidiaries and Associates

Save as disclosed below, the Remaining Group did not acquire or dispose of any material subsidiaries and associates during the period under review. During the period under review, the Remaining Group disposed of part of its shareholding interest in CCT Tech to the extent of 15 billion shares. After the disposal, the Remaining Group still held 50.5% shareholding interest in CCT Tech as at 31 December 2007 and CCT Tech is still a principal subsidiary of the Company.

Significant Investment

There was no significant investment unrelated to the core manufacturing businesses of the Remaining Group during the financial year 2007.

Pledge of Assets

As at 31 December 2007, certain of the Remaining Group's assets with a net book value of HK$804 million and time deposits of HK$250 million were pledged to secure the banking facilities granted to the Remaining Group.

Contingent Liabilities

As at 31 December 2007, the banking facilities granted to the subsidiaries subject to the corporate guarantees given to banks by the Company were utilised to the extent of approximately HK$165 million.

(5) MATERIAL ADVERSE CHANGES

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2007, being the date of which the latest audited financial statements of the Group were made up.

(6) STATEMENT OF INDEBTEDNESS

As at the close of business on 31 March 2008 (being the latest practicable date for ascertaining information regarding this indebtedness statement), the Enlarged Group had outstanding borrowings of approximately HK$441 million and unsecured convertible notes with a principal sum of approximately HK$48 million. The borrowings comprised secured bank loans of approximately HK$320 million, unsecured bank loans approximately HK$114 million and obligations under finance lease contracts of approximately HK$7 million. The Enlarged Group's borrowings and banking facilities were secured by (i) the fixed charges over certain leasehold land and buildings and investment properties held by the Enlarged Group with aggregate net book values of approximately HK$759 million at 31 March 2008; and (ii) certain fixed deposits of the Enlarged Group of approximately HK$88 million at 31 March 2008.

Save as aforesaid, and apart from intra-group liabilities, the Enlarged Group did not have any bank loans, bank overdrafts and liabilities under acceptances (other than normal trade bills) or other similar indebtedness, debentures or other loan capital, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities outstanding at the close of business on 31 March 2008.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the rates of the exchange prevailing at the close of business on 31 March 2008.

(7) WORKING CAPITAL

The Directors are of the opinion that the Enlarged Group will, following the Completion and taking into account the present internal financial resources available to the Enlarged Group including internally generated cash flows and other credit facilities available, have sufficient working capital for its present requirements in next 12 months from the date of this circular.

The following is the text of an accountants' report on the Merdeka Timber Group Limited, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Yip Leung & So Limited, Certified Public Accountants, Hong Kong.

Yip Leung & So Limited
Certified Public Accountants
5/F., Effectual Building,
16 Hennessy Road,
Wanchai,
Hong Kong

30 May 2008

The Directors of CCT Telecom
CCT Telecom Holdings Limited
and
The Directors of Tradeeasy
Tradeeasy Holdings Limited

Dear Sirs,

We set out below our report on the consolidated financial information ("Financial Information") relating to Merdeka Timber Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the period ended 31st December, 2007 (the "Relevant Periods") for inclusion in the circular of Tradeeasy Holdings Limited ("Tradeeasy") dated 30 May 2008 (the "Tradeeasy Circular") and the circular of CCT Telecom Holdings Limited ("CCT Telecom") dated 30 May 2008 (the "CCT Telecom Circular") in connection with the proposed acquisition of 100% of the issued shares capital of the Company by Tradeeasy.

The Company was incorporated as a limited liability company under the International Business Companies Act of the Territory of the British Virgin Islands on 23rd April, 2007. The Group has not carried on any business for the period from its date of incorporation to 31st December 2007. The Company entered into a conditional agreement on 4th October, 2007 and a supplemental agreement on 17th October, 2007 (the "Agreements") with its existing immediate holding company and a third party, pursuant to which the third party agreed to purchase the entire issued capital of the Company and to subscribe for new shares in the Company. Upon completion of the transactions pursuant to the Agreements, the third party will become the holding company of the Company. The Company will establish project companies in Indonesia, which will be engaged in the upstream and downstream forestry businesses in the Papua Province of Indonesia. The proceeds from the subscription of the new shares will be used to finance the capital expenditure and the working capital of the forestry projects. As at the date of this accountants' reports, the Agreements have not been completed.

As at 31st December, 2007, the Company had the following subsidiaries:

Name of company	Place and date of incorporation/ registration	Issued and fully paid-up capital	Equity interest attributable to the Company	Principal activities
Merdeka Logging Limited	British Virgin Islands 1st August 2007	US$100	100%	Dormant
Merdeka Plantation Limited	British Virgin Islands 1st August 2007	US$100	100%	Dormant

For the purpose of this report, we have undertaken an independent audit of the financial statements of the respective companies in the Group for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of the Group and financial statements of the Company (the "Underlying Financial Statements") for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. We have examined the Underlying Financial Statements for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" promulgated by the HKICPA.

The Financial Information of the Company for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in Note 1 to Section VI below.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. It is also the responsibility of the directors of Company to compile the Financial Information set out in this report from the Underlying Financial Statements. The directors of Merdeka Timber Group Limited are responsible for the contents of the Financial Information, based on our examination, and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report and on the basis of preparation set out in Note 1 in Section VI below, a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2007 and the Group's results and cash flows for the period ended 31st December, 2007.

FINANCIAL INFORMATION

I. CONSOLIDATED INCOME STATEMENT

	Notes	**23.4.2007 (date of incorporation) to 31.12.2007** *HK$*
Turnover	3	—
Cost of sales		—
Gross profit		—
Other revenue	3	6
Administrative and operating expenses		(1,013,679)
Finance costs		—
Loss before taxation	4	(1,013,673)
Taxation	6	—
Loss for the period		(1,013,673)
Attributable to:		
Equity holders of the Company		(1,013,673)

II. CONSOLIDATED BALANCE SHEET

	Notes	31.12.2007 (date of incorporation) to 31.12.2007 *HK$*
Current assets		
Other receivable	9	4,021,870
Cash and bank balances	10	4,998,521
Total assets		9,020,391
Equity and Liabilities		
Capital and reserves		
Share capital	11	78,000
Accumulated losses		(1,013,673)
Shareholders' deficit		(935,673)
Current liabilities		
Other payable and accruals	12	6,782,330
Amount due to immediate holding company	8	3,173,734
Deposit received		
Total liabilities		9,956,064
Total equity and liabilities		9,020,391

III. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated losses	Total
	HK$	*HK$*	*HK$*
Issue of ordinary shares	78,000	—	78,000
Loss for the period	—	(1,013,673)	(1,013,673)
31st December, 2007	78,000	(1,013,673)	(935,673)

IV. CONSOLIDATED CASH FLOW STATEMENT

	23.4.2007 (date of incorporation) to 31.12.2007 *HK$*
Cash flows from operating activities	
Loss before taxation	(1,013,673)
Adjustment for:-	
Interest income	(6)
Operating loss before changes in working capital	(1,013,679)
Increase in other receivable	(4,021,870)
Increase in other payable and accruals	6,782,330
Cash generated from operations	1,746,781
Interest received	6
Net cash inflow from operating activities	1,746,787
Cash flows from financing activities	
Proceeds from the issue of shares	78,000
Increase in amount due to immediate holding company	3,173,734
Net cash inflow from financing activities	3,251,734
Net increase in cash and cash equivalents	4,998,521
Cash and cash equivalents at the beginning of the period	**—**
Cash and cash equivalents at the end of the period	4,998,521
Analysis of cash and cash equivalents	
Bank balances	4,998,521

V. COMPANY BALANCE SHEET

	Notes	**31.12.2007**
		HK$
Assets		
Non-current assets		
Investment in subsidiaries	7	1,560
Current assets		
Amount due from subsidiaries		14,000
Other receivable		4,021,870
Cash and bank balances		4,988,517
		9,024,387
Total assets		9,025,947
Equity and liabilities		
Capital and reserves		
Share capital	11	78,000
Accumulated losses		(975,077)
Total equity		(897,077)
Current liabilities		
Other payable and accruals		6,749,290
Amount due to immediate holding company	8	3,173,734
Total liabilities		9,923,024
Total equity and liabilities		9,025,947

VI. NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company is a limited liability company incorporated in the British Virgin Islands on 23rd April, 2007. Its principal activity is investment holding.

All significant intra-group transactions, cash flows and balances have been eliminated on consolidation.

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collectively include all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA. The measurement basis used in the preparation of the Financial Information is the historical cost basis. The Financial Information is presented in Hong Kong dollars, the functional currency of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in conformity with HKFRSs requires the directors to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors have considered the development, selection and disclosure of the Group's critical accounting policies and estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities are as follows:

(a) Allowance of bad and doubtful trade and other receivables

The Group makes the allowance of bad and doubtful trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of the customers and other debtors and the current market condition. The directors reassess the allowance at each balance sheet date.

(b) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

Impairment losses are recognised as an expense immediately, unless the relevant asset is land or buildings other than investment property carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(c) Investment in a subsidiary

A subsidiary is an entity controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investment in subsidiary is stated in the Company's balance sheet at cost less any identified impairment losses. Results of the subsidiary are accounted for by the Company on the basis of dividends received and receivable.

(d) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at cost less allowance for bad and doubtful debts. An allowance for bad and doubtful trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtors, probability that the debtors will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivables are impaired. The amount of the allowance is the difference between the receivables' carrying amounts and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognised in the income statement.

(e) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(f) Provision

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow

of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities, unless the probability of outflow of economic benefits is remote.

(g) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:-

(i) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(h) Foreign currency translation

Group

The balance sheets of the overseas subsidiaries are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date, whilst their income statements are translated at the average rates for the period. The exchange difference arising on the retranslation of opening net assets, and the difference between the income statements translated at the average rates and at the closing rates are taken directly to reserves.

Company

Transactions in foreign currencies are translated into Hong Kong dollars at the approximate rates ruling on the dates of the individual transactions. Monetary assets and liabilities denominated in other currencies are translated at the approximate rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

(i) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in income statement as an integral part of the aggregate net lease payments made. Contingent rentals, if any, are charged to income statement in the accounting period in which they are incurred.

(j) Related parties

A party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence;

(ii) the party is a member of the key management personnel of the Group;

(iii) the party is a close member of the family of any individual referred to in i) or ii);

(iv) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in ii) or iii); or

(v) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(k) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition, less advances from banks repayable within three months from the date of the advance, if any.

(l) Taxation

Taxation in the income statement represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reserve in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. TURNOVER AND REVENUE

An analysis of turnover and revenue is as follows:-

	HK$
Turnover	—
Other income — interest income	6
Total revenue recognised during the period	6

4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	HK$
Auditors' remuneration	65,000

5. DIRECTORS' EMOLUMENTS

Details of the emoluments paid by the Group to the directors during the period are as follows:-

	HK$
Fees	—
Other emoluments	—
	—

Emoluments of the directors fell within the following bands:

	Number of director
Nil — HK$1,000,000	4

There was no arrangements under which a director waived or agreed to waive any emoluments during the relevant period.

6. TAXATION

No provision for domestic taxation has been made by the Company as the Company is not subject to tax in the British Virgin Islands and elsewhere. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

The reconciliation between loss before taxation and taxation in the consolidated income statements is as follows:

	HK$
Loss before taxation	(1,013,673)
Tax at statutory income tax at 17.5%	(177,393)
Tax effect of unused tax losses not recognised	177,393
Taxation	—

No provision for deferred tax has been made as there are no temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

7. INVESTMENT IN SUBSIDIARIES

	HK$
Unlisted shares, at cost	1,560

In the opinion of the directors, the recoverable amount of the investment in subsidiary is not less than the carrying amount reflected in the balance sheet and no provision for impairment is required.

8. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

Amount due to immediate holding company is unsecured, interest-free and there are no fixed terms for repayment.

9. OTHER RECEIVABLES

	HK$
Sundry debtors	390,320
Prepayments and deposits	1,067,388
Advance payment for establishment of a subsidiary	2,564,162
Taxation	4,021,870

The directors consider that the carrying amounts of other receivables approximate to their fair value.

10. CASH AND BANK BALANCES

	HK$
Denominated in Hong Kong dollars	4,998,521

11. SHARE CAPITAL

	HK$
Authorised:-	
50,000 ordinary shares of US$1 each	390,000
Issued and fully paid:-	
10,000 ordinary shares of US$1 each	78,000

The Company was incorporated with an authorized share capital of US$50,000 divided into 50,000 shares of US$1 each. 1 share was issued at par during the period to provide for the initial capital of the Company.

Pursuant to an ordinary resolution passed on 3rd October, 2007 the issued share capital of the Company was increased from US$1 to US$10,000 by the issue of 9,999 ordinary shares of US$1 each for cash at par.

12. OTHER PAYABLES AND ACCRUALS

	HK$
Amount due to a creditor	5,000,000
Other payables	1,704,290
Accruals	79,600
	6,783,890

The directors consider that the carrying amounts of other payables approximate to their fair value.

13. RECENT ACCOUNTING AND FINANCIAL REPORTING PRONOUNCEMENTS

The HKICPA has issued the following amendments, new standards and interpretations which may be/are relevant to the preparation of the Group's financial statements for the accounting period after 1 January 2007:

		Effective for accounting periods beginning on or after
HKAS 23 (Revised)	Borrowing costs	1st January, 2009
HKFRS 8	Operating Segments	1st January, 2009
HK(IFRIC)-Int 12	Service Concession Arrangements	1st January, 2008

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

VII. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group in respect of any period subsequent to 31st December, 2007

Yours faithfully,
Yip Leung & So Limited
Certified Public Accountants
Hong Kong

Set out below is the letter from Ernst & Young, the auditors of the Company, on the unaudited pro forma financial information of the Enlarged Group together with the unaudited pro forma financial information of the Enlarged Group in connection with the Transactions and the Manistar Subscription of the Group.

安永會計師事務所

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

30 May 2008

The Directors
CCT Telecom Holdings Limited

Dear Sirs,

CCT Telecom Holdings Limited (the "Company") and its subsidiaries (the "Group")

We report on the unaudited pro forma financial information of the Group (the "Unaudited Pro Forma Financial Information") set out on pages 157 to 174 in Appendix III to the circular of the Company dated 30 May 2008 (the "Circular") in connection with very substantial acquisition, possible discloseable acquisition and possible very substantial disposal transactions of the Company, which has been prepared by the directors of the Company for illustrative purposes only, to provide information to the shareholders of the Company about how the Transactions (as defined in the Circular) and the Manistar Subscription (as defined in the Circular) might have affected the financial information presented in respect of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 157 to 174 to the Circular.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standards on Investment Circular Reporting Engagements (HKSIR) 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement does not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group had the Transactions and the Manistar Subscription actually occurred as at the dates indicated therein or at any future dates; or

- the results and cash flows of the Group for the year ended 31 December 2007 or any future periods.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group in respect of the year ended 31 December 2007; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) Unaudited pro forma consolidated balance sheet of the Enlarged Group

The following is an illustrative and unaudited pro forma consolidated balance sheet of the Enlarged Group which is prepared based on the audited consolidated balance sheet of the Group as at 31 December 2007 and the audited consolidated balance sheet of the MTG Group as at 31 December 2007, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Transactions and the Manistar Subscription on the financial position of the Enlarged Group as if the Transactions and the Manistar Subscription had taken place on 31 December 2007 and the Concession covering the Mimika Concession Areas had been granted to the MTG Group on 31 December 2007, assuming that there is no conversion or redemption of the MCL Convertible Bonds and the Manistar Convertible Bonds.

The unaudited pro forma consolidated balance sheet has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Transactions and the Manistar Subscription been completed as at 31 December 2007 or at any future dates.

(1) Unaudited pro forma consolidated balance sheet of the Enlarged Group (continued)

HK$ million	**The Group as at 31 December 2007** Note (a)	**The MTG Group as at 31 December 2007** Note (b)	**Pro forma adjustments**	**Notes**	**Unaudited pro forma Enlarged Group**
NON-CURRENT ASSETS					
Property, plant and equipment	1,287	—			1,287
Investment properties	315	—			315
Prepaid land lease payments	219	—			219
Other intangible assets	32	—	827	*(c)*	859
Goodwill	55	—			55
Available-for-sale financial assets	11	—			11
Deferred tax assets	2	—			2
Total non-current assets	1,921	—			2,748
CURRENT ASSETS					
Inventories	223	—			223
Trade receivables	718	—			718
Prepayments, deposits and other receivables	276	4			280
Financial assets at fair value through profit or loss	398	—			398
Pledged time deposits	250	—			250
Cash and cash equivalents	1,673	5	(8)	*(d)*	1,670
Total current assets	3,538	9			3,539
CURRENT LIABILITIES					
Trade payables	851	—			851
Tax payable	31	—			31
Other payables and accruals	300	7	3	*(h)*	310
Due to immediate holding company	—	3	(3)	*(h)*	—
Derivative financial instruments	62	—			62
Interest-bearing bank and other borrowings	212	—			212
Total current liabilities	1,456	10			1,466
NET CURRENT ASSETS/(LIABILITIES)	2,082	(1)			2,073
TOTAL ASSETS LESS CURRENT LIABILITIES	4,003	(1)			4,821
NON-CURRENT LIABILITIES					
Interest-bearing bank loans and other borrowings	181	—			181
Convertible bonds	43	—	604	*(e)*	647
Deferred tax liabilities	4	—			4
Total non-current liabilities	228	—			832
Net assets	3,775	(1)			3,989

(1) Unaudited pro forma consolidated balance sheet of the Enlarged Group (continued)

HK$ million	**The Group as at 31 December 2007**	**The MTG Group as at 31 December 2007**	**Pro forma adjustments**	**Notes**	**Unaudited pro forma Enlarged Group**
EQUITY					
Equity attributable to equity holders of the parent					
Issued share capital	80	—			80
Equity component of convertible bonds	10	—	94	*(f)*	104
Reserves	3,111	(1)	1	*(c)*	3,111
Proposed final dividend	24	—			24
	3,225	(1)			3,319
Minority interests	550	—	120	*(f), (g)*	670
Total equity	3,775	(1)			3,989

Notes:

(a) The audited consolidated balance sheet of the Group as at 31 December 2007 was extracted from the accountants' report on the Group, which is set out in Appendix I to the Circular.

(b) The audited consolidated balance sheet of the MTG Group as at 31 December 2007 was extracted from the accountants' report on the MTG Group, which is set out in Appendix II to the Circular.

(c) The adjustments represent the estimated fair value of the Concession covering the Mimika Concession Areas, which is arrived at by allocating the cost of the acquisition of the MTG Group based on the relative fair values of the individual identifiable assets and liabilities of the MTG Group at the date of acquisition, and is derived by grossing up the Sale Consideration of HK$785 million, representing 95% interest in the Concession, to HK$826 million and adding back the deficiency in assets of the MTG Group in the amount of HK$1 million.

(d) The adjustment represents the Cash Consideration of HK$7.8 million to be paid for the Acquisition.

(e) The adjustment represents the liability component of the MCL Convertible Bonds to be issued under the Agreement as if they were issued on 31 December 2007. The fair value of the liability component of the MCL Convertible Bonds is estimated to be HK$604 million, assuming the market interest rate of 8.75% per annum on straight bonds without conversion right as at 31 December 2007.

(f) The equity component of the MCL Convertible Bonds is estimated to be HK$173 million, of which HK$94 million (representing 54.53% of the equity component of the MCL Convertible Bonds) is attributable to Manistar's shareholding interest in Tradeeasy as at 31 December 2007. The balance of HK$79 million (representing 45.47% of the equity component of the MCL Convertible Bonds) is attributable to the minority interest of Tradeeasy as at 31 December 2007.

(1) Unaudited pro forma consolidated balance sheet of the Enlarged Group (continued)

(g) The adjustment represents the aggregate total of (i) share of the 5% minority interest in the net assets of the MTG Group as if the Concession covering the Mimika Concession Areas had been granted to the MTG Group on 31 December 2007, which is equal to HK$41 million; and (ii) share of the minority interest of Tradeeasy in the equity component of the MCL Convertible Bonds, which is equal to HK$79 million, calculated as follows:

	HK$ million	HK$ million
(i) Net assets of the MTG Group had the Concession been granted on 31 December 2007	826	
5% interest attributable to the minority shareholder of PTMP		41
(ii) Equity component of the MCL Convertible Bonds	173	
Amount of the equity component attributable to the 45.47% interest of the minority shareholders of Tradeeasy as at 31 December 2007 (as explained in note (f))		79
		120

(h) The adjustment represents the reclassification of the amount due to the then immediate holding company of MTG to other payable after Completion.

(2) Unaudited pro forma consolidated income statement of the Enlarged Group

The following is an illustrative and unaudited pro forma consolidated income statement of the Enlarged Group which is prepared based on the audited consolidated income statement of the Group for the year ended 31 December 2007 and the audited consolidated income statement of the MTG Group for the period from 23 April 2007 (date of incorporation) to 31 December 2007, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Transactions and the Manistar Subscription on the results of the Enlarged Group as if the Transactions and the Manistar Subscription had taken place on 1 January 2007 and the Concession covering the Mimika Concession Areas had been granted to the MTG Group on 1 January 2007, assuming that there is no conversion or redemption of the MCL Convertible Bonds and the Manistar Convertible Bonds.

This illustrative pro forma consolidated income statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the results of the Enlarged Group for the year ended 31 December 2007 or any future periods had the Transactions and the Manistar Subscription been completed on 1 January 2007 or at any future dates.

HK$ million	**The Group Year ended 31 December 2007** (Note a)	**The MTG Group Period ended 31 December 2007** (Note b)	**Pro forma adjustments**	**Notes**	**Unaudited pro forma Enlarged Group**
REVENUE	4,066	—			4,066
Cost of sales	(3,778)	—			(3,778)
Gross profit	288	—			288
Other income and gains	667	—	(20)	(e)	647
Selling and distribution costs	(56)	—			(56)
Administrative expenses	(324)	(1)			(325)
Other expenses	(118)	—	(14)	(c)	(132)
Finance costs	(43)	—	(53)	(d)	(96)
PROFIT/(LOSS) BEFORE TAX	414	(1)			326
Tax	(17)	—			(17)
PROFIT/(LOSS) FOR THE YEAR	397	(1)			309
Profit/(loss) attributable to:					
Equity holders of the parent	484	(1)	(59)		424
Minority interests	(87)	—	(28)	(f)	(115)
	397	(1)			309

Notes:

(a) The audited consolidated income statement of the Group for the year ended 31 December 2007 was extracted from the accountants' report on the Group, which is set out in Appendix I to the Circular.

(b) The audited consolidated income statement of the MTG Group for the period from 23 April 2007 (date of incorporation) to 31 December 2007 was extracted from the accountants' report on the MTG Group, which is set out in Appendix II to the Circular.

(c) The adjustment represents the amortisation charge of the Concession covering the Mimika Concession Areas for the year ended 31 December 2007 as if the Concession had been granted to the MTG Group on 1 January 2007 for a term of 60 years, and on the basis that the Concession is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of 60 years starting from 1 January 2007. This unaudited pro forma adjustment will have continuing income statement effect to the Enlarged Group.

(2) Unaudited pro forma consolidated income statement of the Enlarged Group (continued)

(d) The adjustment represents the imputed interest expense for the year ended 31 December 2007 on the liability component of the MCL Convertible Bonds, assuming an effective interest rate of 8.75% per annum, as if they were issued on 1 January 2007. This unaudited pro forma adjustment will have continuing income statement effect to the Enlarged Group, and the actual amount will vary according to the timing of the whole or any part of the MCL Convertible Bonds being converted or redeemed and the applicable effective interest rate.

(e) The adjustment represents the additional financial impact on the deemed disposal of interest in Tradeeasy presented in the consolidated income statement of the Group for the year ended 31 December 2007 as if the Transactions and the Manistar Subscription had taken place on 1 January 2007.

The deemed disposal represents the dilution of CCT Telecom's shareholdings in Tradeeasy which was due to (i) the issue of new Tradeeasy Shares arising from the exercise of Tradeeasy Share Options and (ii) the placing and top-up subscription of 150,000,000 Tradeeasy Shares during the year ended 31 December 2007 (the "Dilution Events"). Such dilution in shareholding percentage was regarded, for accounting purpose, as a deemed disposal of CCT Telecom's interest in Tradeeasy. Before taking into account the effect of the Transactions and the Manistar Subscription, the gain on the deemed disposal of CCT Telecom's interest in Tradeeasy for the year ended 31 December 2007 amounted to HK$21 million (the "Deemed Disposal Gain") (as shown in page 76 of the Circular).

Had the Completion of the Transactions and the Manistar Subscription taken place on 1 January 2007, the net asset value of the Tradeeasy Group would have been increased by an amount of HK$173 million equal to the equity component of the MCL Convertible Bonds, calculated as follows:

	HK$ million
Increase in other intangible assets	827
Less: 5% share attributable to minority shareholders of PTMP	(41)
Net assets attributable to the Tradeeasy Group	786
Less: payment of the Cash Consideration	(8)
Less: liability component of the MCL Convertible Bonds	(604)
Less: deficiency in assets of the MTG Group	(1)
Increase in the net asset value of the Tradeeasy Group, which equals to the equity component of the MCL Convertible Bonds	173

(All the above figures were extracted from Appendix III(A)(1))

Had the Completion of the Transactions and the Manistar Subscription taken place on 1 January 2007, the Deemed Disposal Gain would have been decreased by HK$20 million, calculated as below:

Percentage of CCT Telecom's shareholding in Tradeeasy as at 1 January 2007	66.26%
Percentage of CCT Telecom's shareholding in Tradeeasy as at 31 December 2007	54.53%
Percentage of dilution (which was regarded as a deemed disposal) of CCT Telecom's shareholdings in Tradeeasy due to the Dilution Events during the year ended 31 December 2007	11.73%
Increase in net asset value of the Tradeeasy Group resulting from the Transactions	HK$173 million
Additional financial impact on the deemed disposal of CCT Telecom's shareholding in Tradeeasy, representing a decrease in the Deemed Disposal Gain (HK$173 million multiplied by 11.73%)	HK$ 20 million

This unaudited pro forma adjustment will not have continuing income statement effect to the Enlarged Group.

(f) The adjustment represents the share of the effect of the pro forma adjustments in respect of the amortisation charge in note (c) and the imputed interest expense in note (d) by the minority shareholders of Tradeeasy and its subsidiary. This unaudited pro forma adjustment will have continuing income statement effect to the Enlarged Group.

(g) No adjustments have been made to reflect any trading results or other transactions of the Group and the MTG Group entered into subsequent to 31 December 2007.

(3) Unaudited pro forma consolidated cash flow statement of the Enlarged Group

The following is an illustrative and unaudited pro forma consolidated cash flow statement of the Enlarged Group which is prepared based on the audited consolidated cash flow statement of the Group for the year ended 31 December 2007 and the audited consolidated cash flow statement of the MTG Group for the period from 23 April 2007 (date of incorporation) to 31 December 2007, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Transactions and the Manistar Subscription on the cash flows of the Enlarged Group as if the Transactions and the Manistar Subscription had taken place on 1 January 2007 and the Concession covering the Mimika Concession Areas had been granted to the MTG Group on 1 January 2007, assuming that there is no conversion or redemption of the MCL Convertible Bonds and the Manistar Convertible Bonds.

This illustrative pro forma consolidated cash flow statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the cash flows of the Enlarged Group for the year ended 31 December 2007 or any future periods had the Transactions and the Manistar Subscription been completed on 1 January 2007 or at any future dates.

HK$ million	**The Group Year ended 31 December 2007** (Note a)	**The MTG Group Period ended 31 December 2007** (Note b)	**Pro forma adjustments**	**Notes**	**Unaudited pro forma Enlarged Group**
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	414	(1)	(87)	(c), (d), (e)	326
Adjustments for:					
Finance costs	43	—	53	(c)	96
Interest income	(98)	—			(98)
Depreciation	135	—			135
Equity-settled share option expense	12	—			12
Amortisation of prepaid land lease payments	6	—			6
Goodwill impairment	25	—			25
Amortisation of deferred expenditure	36	—			36
Amortisation of other intangible assets	—	—	14	(d)	14
Impairment of trade receivables	22	—			22
Write-off of other receivables	6	—			6
Write-off and impairment of deferred development costs	14	—			14
Write-off or impairment of items of property, plant and equipment	14	—			14
Fair value gain on investment properties	(19)	—			(19)
Gain on disposal of an investment property	(34)	—			(34)
Gain on partial disposal of subsidiaries	(456)	—			(456)
Gain on derecognition of derivative financial instrument	(71)	—			(71)
Write-down of inventories to net realisable value	14	—			14
Fair value gain on financial assets at fair value through profit or loss	(18)	—			(18)

(3) Unaudited pro forma consolidated cash flow statement of the Enlarged Group (continued)

HK$ million	The Group Year ended 31 December 2007	The MTG Group Period ended 31 December 2007	Pro forma adjustments	Notes	Unaudited pro forma Enlarged Group
Gain on deemed disposal of interest in CCT Tech	(21)	—	—		(21)
Gain on deemed disposal of interest in Tradeeasy	(21)	—	20	(e)	(1)
Fair value loss on derivative financial instruments	36	—			36
	39	(1)			38
Increase in inventories	(4)	—			(4)
Decrease in trade and bills receivables	97	—			97
Increase in prepayments, deposits and other receivables	(240)	(4)			(244)
Increase in trade and bills payables and other payables and accruals	88	6			94
Cash generated from/(used in) operations	(20)	1			(19)
Interest received	98	—			98
Interest paid	(26)	—			(26)
Hong Kong profits tax paid	(1)	—			(1)
PRC tax paid	(7)	—			(7)
Net cash inflow from operating activities	44	1			45
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	(205)	—			(205)
Proceeds from disposal of items of property, plant and equipment	5	—			5
Proceeds from disposal of an investment property	228	—			228
Additions to intangible assets	(36)	—			(36)
Proceeds from partial disposal of subsidiaries	748	—			748
Decrease in a long term receivable	312	—			312
Proceeds from disposal of held-to-maturity financial assets	2	—			2
Net purchases of financial assets at fair value through profit or loss	(154)	—			(154)
Increase in derivative financial instruments	26	—			26
Increase in pledged time deposits	(162)	—			(162)
Net cash inflow from investing activities	764	—			764

(3) Unaudited pro forma consolidated cash flow statement of the Enlarged Group (continued)

	The Group Year ended 31 December 2007	The MTG Group Period ended 31 December 2007	Pro forma adjustments	Notes	Unaudited pro forma Enlarged Group
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares by subsidiaries	101	—			101
Increase in amount due to immediate holding company	—	3			3
New bank loans	116	—			116
New/(repayment of) trust receipts loans, net	19	—			19
Repayment of bank loans	(200)	—			(200)
Capital element of finance lease rental payments	(6)	—			(6)
Dividends paid	(40)	—			(40)
Net cash inflow/(outflow) from financing activities	(10)	3			(7)
NET INCREASE IN CASH AND CASH EQUIVALENTS	798	4			802
Cash and cash equivalents at beginning of year/period	865	—	(8)	(f)	857
Effect of foreign exchange rate changes, net	10	—			10
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	1,673	4			1,669

Notes:

(a) The audited consolidated cash flow statement of the Group for the year ended 31 December 2007 was extracted from the accountants' report on the Group, which is set out in Appendix I to the Circular.

(b) The audited consolidated cash flow statement of the MTG Group for the period from 23 April 2007 (date of incorporation) to 31 December 2007 was extracted from the accountants' report on the MTG Group, which is set out in Appendix II to the Circular.

(c) The adjustment represents the imputed interest expense for the year ended 31 December 2007 on the liability component of MCL Convertible Bonds, assuming an effective interest rate of 8.75% per annum, as if they were issued on 1 January 2007. This unaudited pro forma adjustment will have continuing cash flow statement effect to the Enlarged Group, and the actual amount will vary according to the timing of the whole or any part of the MCL Convertible Bonds being converted or redeemed and the applicable effective interest rate.

(d) The adjustment represents the amortisation charge of the Concession covering the Mimika Concession Areas for the year ended 31 December 2007 as if the Concession had been granted to the MTG Group on 1 January 2007 for a term of 60 years, and on the basis that the Concession is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of 60 years starting from 1 January 2007. This unaudited pro forma adjustment will have continuing cash flow statement effect to the Enlarged Group.

(e) The adjustment represents the additional financial impact on the deemed disposal of interest in Tradeeasy presented in the consolidated income statement of the Group for the year ended 31 December 2007 as if the Transactions and the Manistar Subscription had taken place on 1 January 2007. This unaudited pro forma adjustment will not have continuing cash flow effect to the Enlarged Group.

(f) The adjustment to cash and cash equivalents as at 1 January 2007 represents the Cash Consideration of HK$7.8 million to be paid for the Acquisition. This unaudited pro forma adjustment will not have continuing cash flow effect to the Enlarged Group.

(g) No adjustments have been made to reflect any trading results or other transactions of the Group and the MTG Group entered into subsequent to 31 December 2007.

(B) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

(1) Unaudited pro forma consolidated balance sheet of the Remaining Group

The following is an illustrative and unaudited pro forma consolidated balance sheet of the Remaining Group which is prepared based on the unaudited pro forma consolidated balance sheet of the Enlarged Group as at 31 December 2007, after giving the effect to the pro forma adjustments as explained in the notes below, for the purposes of illustrating the effect on the financial position of the Remaining Group due to the maximum possible decrease in the percentage of shareholdings of the Company (through Manistar) in Tradeeasy arising from the full conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds, assuming that the Transactions, the Manistar Subscription and the full conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds had taken place on 31 December 2007 and the Concession covering the Mimika Concession Areas been granted to the MTG group on 31 December 2007.

The unaudited pro forma consolidated balance sheet has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group had the Transactions, the Manistar Subscription and the full conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds been completed as at 31 December 2007 or at any future dates.

HK$ million	**(For comparative purpose only) The Group as at 31 December 2007**	**Unaudited pro forma Enlarged Group** Note (a)	**Pro forma adjustments** Note (b)	Note (c)	Note (d)	Note (e)	Note (f)	**Unaudited pro forma Remaining Group**
NON-CURRENT ASSETS								
Property, plant and equipment	**1,287**	**1,287**	(3)					1,284
Investment properties	**315**	**315**						315
Prepaid land lease payments	**219**	**219**						219
Other intangible assets	**32**	**859**	(8)		(827)			24
Goodwill	**55**	**55**						55
Available-for-sale financial assets	**11**	**11**				192	316	519
Deferred tax assets	**2**	**2**						2
Total non-current assets	**1,921**	**2,748**						2,418
CURRENT ASSETS								
Inventories	**223**	**223**						223
Trade and bills receivables	**718**	**718**	(1)					717
Prepayment, deposits and other receivables	**276**	**280**	(10)	(4)				266
Financial assets at fair value through profit or loss	**398**	**398**	(9)					389
Pledged time deposits	**250**	**250**						250
Cash and cash equivalents	**1,673**	**1,670**	(53)	(5)	(131)			1,481
Total current assets	**3,538**	**3,539**						3,326
CURRENT LIABILITIES								
Trade and bills payables	**851**	**851**	(1)					850
Tax payable	**31**	**31**						31
Other payables and accruals	**300**	**310**	(18)	(10)				282
Derivative financial instruments	**62**	**62**						62
Interest-bearing bank loans and other borrowings	**212**	**212**						212
Total current liabilities	**1,456**	**1,466**						1,437

(1) Unaudited pro forma consolidated balance sheet of the Remaining Group (continued)

HK$ million	**(For comparative purpose only) The Group as at 31 December 2007**	**Unaudited pro forma Enlarged Group** Note (a)	**Pro forma adjustments** Note (b)	Note (c)	Note (d)	Note (e)	Note (f)	**Unaudited pro forma Remaining Group**
NET CURRENT ASSETS	**2,082**	**2,073**						1,889
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,003**	**4,821**						4,307
NON-CURRENT LIABILITIES								
Interest-bearing bank loans and other borrowings	**181**	**181**						181
Convertible bonds	**43**	**647**			(604)			43
Deferred tax liabilities	**4**	**4**						4
Total non-current liabilities	**228**	**832**						228
Net assets	**3,775**	**3,989**						4,079
EQUITY								
Equity attributable to equity holders of the parent								
Issued capital	**80**	**80**						80
Equity component of convertible bonds	**10**	**104**			(94)			10
Reserves	**3,111**	**3,111**	(35)	1	(140)	192	316	3,445
Proposed final dividend	**24**	**24**						24
	3,225	**3,319**						3,559
Minority interests	**550**	**670**	(30)		(120)			520
Total equity	**3,775**	**3,989**						4,079

Notes :

(a) The unaudited pro forma consolidated balance sheet of the Enlarged Group was extracted from the unaudited pro forma financial information of the Enlarged Group under the section headed "(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP" in Appendix III to the Circular.

(b) The adjustments represent the de-consolidation of the consolidated assets and liabilities of the Tradeeasy Group as at 31 December 2007 immediately before completion of the Transactions and the Manistar Subscription (as extracted from note (a)(ii) of Section III in the accountants' report in the Group set out in Appendix I to the Circular). The full conversion of the Manistar Convertible Bonds and the MCL Convertible Bonds will result in the shareholding of the Company (through Manistar) in Tradeeasy dropping below 50% and as a result, the consolidated assets and liabilities of Tradeeasy Group will be de-consolidated from the consolidated balance sheet of the Group.

The net asset value of the Tradeeasy Group as at 31 December 2007 immediately before completion of the Transactions and the Manistar Subscription amounted to approximately HK$65 million. As a result of the de-consolidation of the Tradeeasy Group, the amount of HK$35 million (representing 54.53% of the net asset value of the Tradeeasy Group attributable to CCT Telecom's shareholding in Tradeeasy as at 31 December 2007) and the amount of HK$30 million (representing 45.47% of the net asset value of the Tradeeasy Group attributable to the minority interests in Tradeeasy as at 31 December 2007) would be de-consolidated from the reserves and the minority interests, respectively, in the unaudited pro forma consolidated balance sheet of the Enlarged Group.

(c) The adjustment represents the de-consolidation of the consolidated assets and liabilities of the MTG Group as at 31 December 2007 immediately before completion of the Transactions and the Manistar Subscription.

(d) The adjustments represent the aggregate effect on the net asset value of the Tradeeasy Group, arising from (i) the de-consolidation of the assets and liabilities attributable to the Transactions and the Manistar Subscription; and (ii) the effect of the payment by the Remaining Group to Tradeeasy for the Manistar Subscription amounting to HK$139 million as a result of de-consolidation of the Tradeeasy Group.

(1) Unaudited pro forma consolidated balance sheet of the Remaining Group (continued)

The calculation of the aggregate effect to the assets and liabilities is as follows:

HK$ million	Other Intangible Assets	Cash and cash equivalents	Liability component of Convertible Bonds	Total
(i) Assets and liabilities attributable to the Transactions and the Manistar Subscription:				
(a) Estimated fair value of the Concession	827	—	—	827
(b) Payment of the Cash Consideration	—	(8)	—	(8)
(c) Liability component of the MCL Convertible Bonds	—	—	(604)	(604)
	827	(8)	(604)	215
De-consolidated assets and liabilities attributable to The Transactions and the Manistar Subscription	(827)	8	604	(215)
(ii) Payment by the Remaining Group to Tradeeasy for the Manistar Subscription	—	(139)	—	(139)
Total aggregate effect	(827)	(131)	604	(354)

The calculation of the aggregate effect to the equity is as follows:

HK$ million	Equity component of convertible bonds	Reserves	Minority interests	Total
(i) Equity component of the MCL Convertible Bonds				
— attributable to Manistar's 54.53% shareholding in Tradeeasy as at 31 December 2007	(94)	—	—	(94)
— attributable to 45.47% minority interest in Tradeeasy as at 31 December 2007	—	—	(79)	(79)
	(94)	—	(79)	(173)
(ii) De-consolidation of the equity of the MTG Group as at 31 December 2007	—	(1)	—	(1)
(iii) De-consolidation of the 5% interest attributable to the minority shareholder of PTMP	—	—	(41)	(41)
(iv) Payment by the Remaining Group to Tradeeasy for the Manistar Subscription	—	(139)	—	(139)
Total aggregate effect	(94)	(140)	(120)	(354)

(1) Unaudited pro forma consolidated balance sheet of the Remaining Group (continued)

(e) The adjustment represents the recognition of the carrying amount of the Group's 19.59% shareholding interest in the Tradeeasy Group, arising from the full conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds which will result in the de-consolidation of the Tradeeasy Group from the Group and reclassification of the Company's investment in Tradeeasy as an available-for-sale financial asset on the basis that the Group's 19.59% shareholding interest in Tradeeasy is not held for trading. The net assets of the Tradeeasy Group as enlarged by the Transactions and the full conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds attributable to the Group's 19.59% shareholding interest are calculated as follows:

	HK$ million
Net asset value of the Tradeeasy Group as at 31 December 2007 immediately before the Transactions and the Manistar Subscription (see page 124 of this circular)	65
Add: Estimated fair value of the Concession covering the Mimika Concession Areas	827
Proceeds from the Manistar Subscription	139
Less: Cash Consideration to be paid for the Acquisition	(8)
5% interest attributable to the minority shareholder of PTMP	(41)
Shareholders' equity of the Tradeeasy Group as enlarged by the Transactions and the Manistar Subscription assuming full conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds	982
Attributable to the Group's 19.59% shareholding interest in Tradeeasy after full conversion of the Manistar Convertible Bonds and the MCL Convertible Bonds (equal to HK$982 million multiplied by 19.59%)	192

(f) The adjustment represents the mark-to-market adjustment on the Group's shareholding interest in Tradeeasy, classified as available-for-sale financial assets, based on the closing market price of Tradeeasy Shares on the GEM Board as at 31 December 2007, and is derived based on the difference between the carrying amount of HK$192 million (note (e) above) and the aggregate market value of HK$508 million (equal to 2,031,764,070 Tradeeasy Shares multiplied by HK$0.25) as at 31 December 2007.

(2) Unaudited pro forma consolidated income statement of the Remaining Group

The following is an illustrative and unaudited pro forma consolidated income statement of the Remaining Group which is prepared based on the audited consolidated income statement of the Group for the year ended 31 December 2007, after giving the effect to the pro forma adjustments as explained in the notes below, for the purposes of illustrating the effect on the results of the Remaining Group due to the maximum possible decrease in the percentage of shareholdings of the Company (through Manistar) in Tradeeasy arising from the full conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds, assuming that the Transactions, the Manistar Subscription and the full conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds had taken place on 1 January 2007 and the Concession covering the Mimika Concession Areas had been granted to the MTG Group on 1 January 2007.

The unaudited pro forma consolidated income statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the results of the Remaining Group for the year ended 31 December 2007 or any future periods had the Transactions, the Manistar Subscription and the full conversion of the Manistar Convertible Bonds and the MCL Convertible Bonds been completed on 1 January 2007 or at any future dates.

HK$ million	**The Group for the year ended 31 December 2007** (Note a)	**Pro forma adjustments**	**Notes**	**Unaudited pro forma Remaining Group**
REVENUE	4,066	(45)	(b)	4,021
Cost of sales	(3,778)	28	(b)	(3,750)
Gross profit	288			271
Other income and gains	667	4	(b), (c)	671
Selling and distribution costs	(56)	6	(b)	(50)
Administrative expenses	(324)	19	(b)	(305)
Other expenses	(118)	23	(b), (d)	(95)
Finance costs	(43)			(43)
PROFIT/(LOSS) BEFORE TAX	414			449
Tax	(17)			(17)
PROFIT/(LOSS) FOR THE YEAR	397			432
Profit/(loss) attributable to:				
Equity holders of the parent	484	32	(b), (c)	516
Minority interests	(87)	3	(b)	(84)
	397			432

Notes:

(a) The audited consolidated income statement of the Group for the year ended 31 December 2007 was extracted from the accountants' report on the Group, which is set out in Appendix I to the Circular.

(b) The adjustments represents the de-consolidation of the results of the Tradeeasy Group for the year ended 31 December 2007 immediately before completion of the Transactions (as extracted from note (a)(i) of Section III in the accountants' report on the Group set out in Appendix I to the Circular). The full conversion of the Manistar Convertible Bonds and the MCL Convertible Bonds will result in the shareholding of the Company (through Manistar) in Tradeeasy dropping below 50% and as a result, the result of Tradeeasy Group will be de-consolidated from the consolidated income statement of the Group. This unaudited pro forma adjustment will not have continuing income statement effect to the Remaining Group.

(2) Unaudited pro forma consolidated income statement of the Remaining Group (continued)

(c) The adjustment represents the net aggregate effect of the followings:

(i) the reversal (as a result of de-consolidation of the Tradeeasy Group) of the gain on deemed disposal of interest in Tradeeasy during the year ended 31 December 2007 in the amount of approximately HK$21 million (as extracted from page 76 of the Circular), and

(ii) dilution gain arising from the full conversion of the Manistar Convertible Bonds and the MCL Convertible Bonds on 1 January 2007 in the amount of approximately HK$26 million (the "Dilution Gain"), calculated as follows:

Assuming that the completion of the Transactions, the Manistar Subscription and the full conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds had taken place on 1 January 2007, the net asset value of the Tradeeasy Group would have increased from HK$31 million to HK$948 million, calculated as follows:

	HK$ million
Net asset value of the Tradeeasy Group as at 1 January 2007 immediately before the completion of the Transactions and the Manistar Subscription ("Tradeeasy NAV") (see page 124 of the Circular)	31
Add/(deduct): Estimated fair value of the Concession covering the Mimika Concession Areas	827
5% interest attributable to the minority shareholder of PTMP	(41)
Proceeds from the Manistar Subscription	139
Cash Consideration to be paid for the Acquisition	(8)
Shareholders' equity of the Tradeeasy Group as enlarged by the Transactions, the Manistar Subscription and the full conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds (the "Enlarged Tradeeasy Shareholders' Equity")	948
Percentage of the Group's shareholdings in Tradeeasy as at 1 January 2007 immediately before the completion of the Transactions and the Manistar Subscription and the full conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds	66.26%
Percentage of the Group's shareholdings in Tradeeasy as at 1 January 2007 immediately after the completion of the Transactions and the Manistar Subscription and the full conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds	19.59%

On the basis of the above assumptions, the Dilution Gain is calculated as below:

	HK$ million
Enlarged Tradeeasy Shareholders' Equity attributable to the Group's 19.59% shareholding interest in Tradeeasy (HK$948 million x 19.59%)	186
Less:	
Tradeeasy NAV attributable to the Group's 66.26% shareholding interest in Tradeeasy (HK$31 million x 66.26%)	(21)
Payment by the Remaining Group to Tradeeasy for the Manistar Subscription	(139)
Dilution Gain	26

This unaudited pro forma adjustment will not have continuing income statement effect to the Remaining Group.

(d) The adjustment represents the reversal (as a result of de-consolidation of the Tradeeasy Group from the Group) of the impairment of goodwill on the Tradeeasy Group for the year ended 31 December 2007 in the amount of approximately HK$20 million (as extracted from note 18 of Section II in the accountants' report on the Group set out in Appendix I to the Circular). This unaudited pro forma adjustment will not have continuing income statement effect to the Remaining Group.

(e) No adjustments have been made to reflect any trading results or other transactions of the Group and the Tradeeasy Group entered into subsequent to 31 December 2007.

(3) Unaudited pro forma consolidated cash flow statement of the Remaining Group

The following is an illustrative and unaudited pro forma consolidated cash flow statement of the Remaining Group which is prepared based on the audited consolidated cash flow statement of the Group for the year ended 31 December 2007, after giving the effect to the pro forma adjustments as explained in the notes below, for the purposes of illustrating the effect on the cash flows of the Remaining Group due to the maximum possible decrease in the percentage of shareholdings of the Company (through Manistar) in Tradeeasy arising from the full conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds, assuming that the Transactions, the Manistar Subscription and the full conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds had taken place on 1 January 2007 and the Concession covering the Mimika Concession Areas had been granted to the MTG Group on 1 January 2007.

The unaudited pro forma consolidated cash flow statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the cash flows of the Remaining Group for the year ended 31 December 2007 or any future period, had the Transactions, the Manistar Subscription and the full conversion of the Manistar Convertible Bonds and the MCL Convertible Bonds been completed on 1 January 2007 or at any future dates.

HK$ million	**The Group for the year ended 31 December 07** (Note a)	**Pro forma adjustments**	**Notes**	**Unaudited pro forma Remaining Group**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	414	35	(b), (c), (d),(e)	449
Adjustments for:				
Finance costs	43			43
Interest income	(98)			(98)
Depreciation	135	(2)	(b)	133
Equity-settled share option expense	12			12
Amortisation of prepaid land lease payments	6			6
Goodwill impairment	25	(20)	(c)	5
Amortisation of deferred expenditure	36	(1)	(b)	35
Impairment of trade receivables	22	(1)	(b)	21
Write-off of other receivables	6			6
Write-off and impairment of deferred development costs	14	(4)	(b)	10
Write-off or impairment of items of property, plant and equipment	14			14
Fair value gain on investment properties	(19)			(19)
Gain on disposal of an investment property	(34)			(34)
Gain on partial disposal of subsidiaries	(456)			(456)
Gain on derecognition of derivative financial instrument	(71)			(71)
Write-down of inventories to net realisable value	14			14
Fair value gain on financial assets at fair value through profit or loss	(18)			(18)
Gain on deemed disposal of interest in CCT Tech	(21)			(21)

(3) Unaudited pro forma consolidated cash flow statement of the Remaining Group (continued)

HK$ million	The Group for the year ended 31 December 07 (Note a)	Pro forma adjustments	Notes	Unaudited pro forma Remaining Group
Gain on deemed disposal of interest in Tradeeasy	(21)	21	(d)	—
Dilution Gain	—	(26)	(e)	(26)
Fair value loss on derivative financial instruments	36			36
	39			41
Decrease/(increase) in inventories	(4)			(4)
Decrease/(increase) in trade and bills receivables	97	8	(b)	105
Decrease/(increase) in prepayments, deposits and other receivables	(240)			(240)
(Decrease)/increase in trade and bills payables and other payables and accruals	88	(10)	(b)	78
Cash generated from/(used in) operations	(20)			(20)
Interest received	98			98
Interest paid	(26)			(26)
Hong Kong profits tax paid	(1)			(1)
PRC tax paid	(7)			(7)
Net cash inflow from operating activities	44			44
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment	(205)	1	(b)	(204)
Proceeds from disposal of items of property, plant and equipment	5			5
Proceeds from disposal of an investment property	228			228
Additions to intangible assets	(36)	4	(b)	(32)
Proceeds from partial disposal of subsidiaries	748			748
Decrease in a long term receivable	312			312
Proceeds from disposal of held-to-maturity financial assets	2			2
Net purchases of financial assets at fair value through profit or loss	(154)	9	(b)	(145)
Increase in derivative financial instruments	26			26
Increase in pledged time deposits	(162)			(162)
Net cash inflow from investing activities	764			778
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares by/subscription of shares in subsidiaries	101	(44)	(b)	57
New bank loans	116			116
New/(repayment of) trust receipts loans, net	19			19
Repayment of bank loans	(200)			(200)
Capital element of finance lease rental payments	(6)			(6)
Dividends paid	(40)			(40)
Net cash inflow/(outflow) from financing activities	(10)			(54)
NET INCREASE IN CASH AND CASH EQUIVALENTS	798	(30)	(b)	768
Cash and cash equivalents at beginning of year	865	(162)	(b), (f)	703
Effect of foreign exchange rate changes, net	10			10
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,673			1,481

(3) Unaudited pro forma consolidated cash flow statement of the Remaining Group (continued)

Notes :

(a) The audited consolidated cash flow statement of the Group for the year ended 31 December 2007 was extracted from the accountants' report of the Group, which is set out in Appendix I to the Circular.

(b) The adjustments represent the de-consolidation of the cash flows of the Tradeeasy Group for the year ended 31 December 2007 immediately before completion of the Transactions (as extracted from note (a)(iii) of Section III in the accountants' report on the Group set out in Appendix I to the Circular). The full conversion of the Manistar Convertible Bonds and the MCL Convertible Bonds will result in the shareholding of the Company (through Manistar) in Tradeeasy dropping below 50% and as a result, the cash flows of the Tradeeasy Group will be de-consolidated from the consolidated cash flow statement of the Group. This unaudited pro forma adjustment will not have continuing cash flow effect to the Remaining Group.

(c) The adjustment represents the reversal (as a result of de-consolidation of the Tradeeasy Group from the Group) of the impairment of goodwill on the Tradeeasy Group for the year ended 31 December 2007 in the amount of approximately HK$20 million (as extracted from note 18 of section II in the accountants' report on the Group set out in Appendix I to the Circular). This unaudited pro forma adjustment will not have continuing cash flow effect to the Remaining Group.

(d) The adjustment represents the reversal (as a result of de-consolidation of the Tradeeasy Group from the Group) of the gain on deemed disposal of interest in the Tradeeasy Group in the amount of approximately HK$21 million, upon exercise of the Tradeeasy Share Options and placing of the Tradeeasy Shares during the year ended 31 December 2007 (as shown in page 76 of the Circular). This unaudited pro forma adjustment will not have continuing cash flow effect to the Remaining Group.

(e) The adjustment represents the Dilution Gain (as defined and calculated in note (c)(ii) of Appendix III (B)(2) on page 171 of the Circular). This adjustment will not have continuing cash flow effect to the Remaining Group.

(f) The adjustment to cash and cash equivalents as at 1 January 2007 reflects the payment of HK$139 million for the Manistar Subscription and the de-consolidation of the cash and cash equivalents of the Tradeeasy Group in the amount of HK$23 million as at 1 January 2007. This unaudited pro forma adjustment will not have continuing cash flow effect to the Remaining Group.

(g) No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2007.

The following is the text of the valuation reports prepared by Pöyry Forest Industry Pte. Ltd for the purpose of incorporation in this circular, in respect of the valuation of the Mimika Project. The valuation report has been prepared in compliance with the International Standards.



30 May 2008

The Board of Directors
Tradeeasy Holdings Limited,
HONG KONG

The Board of Directors
CCT Telecom Holdings Limited,
HONG KONG

Dear Sirs,

At the request of the Board of Directors of Tradeeasy Holdings Ltd (Tradeeasy) and CCT Telecom Holdings Limited (CCT), Pöyry Forest Industry Pte. Limited (Pöyry) has carried out a Standing Stock valuation of forestry concession in the region of Mimika, Papua, Indonesia.

Pöyry certify the following statements to be true to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- Pöyry has no present or prospective interest in the subject properties, and no personal interest or bias with respect to the parties involved.

The report has been prepared by staff consultants, sub-contracted consultants and office support personnel of Pöyry. The valuation of the Standing Stock within the concessions is derived based on the due diligence review and on site inspection of the concessions conducted by Poyry and data supplied by the client.

Pöyry is a global client and technology-oriented consulting and engineering services firm with offices in 45 countries. It has three core areas of expertise encompassing the forest industry, energy, and infrastructure & environment sectors. Group companies employ more than 5,600 experts. Pöyry is listed on the Helsinki Stock Exchange.

The Forest Industry Consulting business group provides advice to its clients in business strategy, processes and operations designed to enhance stakeholder value. The business group's expertise covers the complete supply chain from raw materials to technology, markets and financing. Consulting and advisory services are provided in three main practice areas:

- Management Consulting
- Investment Banking
- Operations Management

Pöyry Forest Industry is an independent management company within the Pöyry Group and is recognised as one of the world's leading advisors to the global forest industry. The cornerstones of its operations are its strong business understanding and industry expertise. The business group's global network of over 300 experts covers all major forest products regions in the world.

PREFACE

Tradeeasy Holdings Limited, a subsidiary of CCT Telecom Holdings Limited (**CCT/Tradeeasy**) is considering acquiring concessions in the region of Mimika, Papua, Indonesia (**Mimika Concessions**).

For this reason Pöyry Forest Industry Pte. Ltd. (**Pöyry**) has been contracted to assess these concessions and to undertake an independent valuation of the forest assets comprising the concessions. This report contains Pöyry's opinion as to the value of the concessions using the standing stock method, i.e. the value is estimated by multiplying the standing stock with prevailing wood prices.

The key forest consulting team of Pöyry directly involved in this valuation all hold relevant forest related academic qualifications and have many years of forest valuation experience between them. Within Asia-Pacific, Pöyry annually values in excess of USD 5 billion of forest assets.

Project Supervisor: Andy Fyfe

Mr Fyfe is President of Asia Pacific Consulting based in Pöyry's Singapore office. Mr Fyfe holds a Bachelor of Forestry Science from University of Canterbury, New Zealand, gained in 1983, and has over 20 years experience in Forest Valuations within in Asia Pacific region. Mr Fyfe's forest valuation experience covers asset valuations for both private and public companies as well as valuations for acquisition, divestment and capital raising. His forest valuation experience for listed companies include an independent technical report and asset valuation for Samling Global Limited (stock code: HK03938) for IPO on the Hong Kong Stock Exchange and the valuation of the forest concession in Guyana for China Timber Resources Ltd (stock code: HK00269). Mr Fyfe is a member of the New Zealand Institute of Foresters.

Project Manager: Louis Carbonnier

Mr Carbonnier is an Associate Principal based in Pöyry's London office. Mr Carbonnier holds a Masters of Forestry from University of Stockholn, Sweden, gained in 1968. Mr Carbonnier has also studied economics, statistics, computer programming, systems analysis and business administration at the University of Stockholm between 1962 and 1978. Mr Carbonnier has over 30 years experience of forestry valuations worldwide. He has undertaken independent valuation of several forest assets for the group companies of StoraEnso, whose shares are listed in Hesinki and Stockholm.

Survey Consultant: Alex Thorp

Mr Thorp was employed by Pöyry as a sub-consultant on this engagement. For the last 15 years Mr Thorp has been based in Indonesia and working in the Indonesian forest sector. Mr Thorp has a Bachelor of Forestry Science from University of Canterbury, New Zealand, gained in 1987, and has over 15 years experience of forest valuations in Indonesia. He undertook valuation of certain forest assets for PT Sumalindo Lestari Jaya Tbk, whose shares are listed on the Jakarta Stock Exchange.

Consultant: Hannes Lechner

Mr Lechner is an analyst based in Pöyry's London office. Mr Lechner has recently completed a Masters in Forestry Science from University of Freiburg, Germany and the United Kingdom. He has involved in valuation of various forest assets worldwide. He has also involved in the evaluation of biofuel supply and alternative biofuel sourcing for bioenergy generator or energy plant for certain listed companies in the United Kingdom.

Nothing in the report is, or should be relied upon as a promise by Pöyry as to the future growth, yields, costs or returns of the forests. Actual results may be different from the opinion contained in this report, as anticipated events may not occur as expected and the variation may be significant.

Pöyry has no responsibility to update this report for events and circumstances occurring after the date of this report.

Andy Fyfe
President

Contact

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Pöyry Forest Industry Pte. Ltd.

SUMMARY

Tradeeasy Holdings Limited (Tradeeasy), a subsidiary of CCT Telecom Holdings Limited, is currently considering the acquisition of several forest concessions in the Papua Province of Indonesia. This report describes such concessions in the vicinity of Timika, Southern Papua, and presents an independent valuation of this area, called the Mimika Concessions.

Area Description

The proposed concession area consists of three separate geographic blocks with a total reported area of 313,500 ha. A crosscheck made by on-screen digitising of jpeg maps supplied by the Mimika Project gave a total of 335,362 ha which, considering the re-digitising, corresponds closely with the reported figure.

The Mimika Project is currently in the early stages of applying for an IUPPHK — HA license for the entire 313,500 ha area. This is a long term (up to 60 years) license which allows selective logging in natural forests within pre-defined annual logging coupes. The land which the Mimika Project is applying for is zoned for conversion and is located outside the permanent state forest estate boundary. It is therefore open for applications for agricultural development. Until an agricultural or other development license is granted, the land remains under the jurisdiction of the Forestry Department, but in the event of an agriculture license being granted, the land will be declassified and permanently removed from the forest estate.

For the purpose of this independent valuation Pöyry has assumed that the required licences will be obtained.

The concession blocks are situated on the flat coastland between the New Guinea central mountain range and the Arafura Sea. Based on satellite imagery, aerial and field surveys Pöyry created 15 forest types. Similar forest types can be found in more than one block, but they were classified separately, mainly for modelling purposes. Nine of the forest types are judged to be suitable or marginally suitable for selective forest management.

Volume Estimates

As Pöyry judged the information presented by the vendor about the stocking in the concession areas as very general and not properly reflecting the actual situation in the areas, we undertook a limited forest survey between 25 October and 21 November 2007 in the Central and East Blocks by three field teams. A total of 18 transect lines were established and 539 circular plots were measured for trees with a DBH of 15+cm.

Volumes per ha for the dominating species have been calculated, based on the survey results, for the forest types judged to have potential for selective harvesting on a sustainable basis. The largest volume of merbau (14.6 m^3/ha of logs with a diameter of 50+cm), considered the most valuable species in the region, is found in the Central Dryland Virgin Forest, but in terms of total volume of all species it is the Eastern Block that has the highest volume (46.8 m^3/ha).

Although these estimated volumes have been used for the purpose of this valuation, it is important to point out that the limited survey undertaken should only be considered as an indicative assessment of existing volumes. Before any detailed planning can be undertaken, a regular forest inventory should be carried out of the concession areas.

Market Prices

Market log prices were compared with those that an industry consisting of a sawmill, a veneer mill and a chip mill, located in Timika, could sustain. The latter proved to be more favourable, even after assuming a return on the investment in such industry of 10%, so such prices were used for the valuation.

Standing Stock Valuation

The utilisable volumes estimated from the limited forest survey have been used as the standing stock. These volumes were multiplied with wood prices derived from what can be paid by the industry less the costs of operations required to bring the logs to the industry. Administration costs, fees and taxes have also been deducted.

The Standing Stock Valuation Standard is a standard recognised by forestry consulting professionals in valuation of forestry projects based on a mature forest resource. Pöyry has adopted the Standard Stock Valuation Standard in this report in the valuation of the Mimika Concession Areas.

Given that the vendors intend to apply for a license to clear the land for agriculture development, we have assumed that such licences will be obtained and that suitable areas for agriculture will be cleared. The corresponding volumes therefore form the standing stock for the valuation. Using this method the standing stock value has been estimated to be **USD148.7 million**.

The valuation approach followed in this report complies fully with the International Financial Reporting Standards for Agriculture ("IFRS 41").

Environmental Issues

Finally, it should be stressed that operating a concession in partly virgin tropical forest entails a large responsibility towards society. However, there are mechanisms, through certification schemes, whereby the owner can help ensure that production will be sustainable and that the forest products produced will be received in the markets long term.

List of Abbreviations and Terms

BAPEDALDA	Regional Environmental Impact Control Board
DBH	Diameter at breast height over bark
CIF (C&F)	Cost, insurance and freight (cost and freight) delivered to customer port price point
CoC	Chain of custody in relation to certification
EBITDA	Earnings before interest, tax, depreciation and amortisation
EIA	Environmental Impact Assessment
DR	Dana Reboisasi is a reforestation levy
FOB	Free on board ship price point
Gross Area	Entire area included within legal or other spatial boundary. It includes forested areas, roads, infrastructure and other unstocked areas.
Gross Margin	Gross revenue — cost of goods sold expenses
Gross Margin %	Gross margin /gross revenue * $\frac{100}{1}$
ha	hectares
m	million
m3	cubic metres
Net Area	Area covered with forest of sufficient density to be regarded as closed forest.
NPV	Net present value
PSDH	Provisi Sumber Daya Hutan, resource tax set by the Ministry of Trade
Pöyry	Pöyry Forest Industry Consulting
Productive Area	Cumulative total of net areas within the legal boundaries of a concession
RKT	Rencana Karya Tahunan an annual operational plan for concession areas
TPTI	Indonesian Selective Felling and Enrichment Planting System
t	tonne (metric ton)
yr	year

1 INTRODUCTION

Tradeeasy Holdings Limited, a subsidiary of CCT Telecom Holdings Limited, is currently considering the acquisition of certain forest concessions in the Papua Province of Indonesia. The concessions are located on the island of Papua, Indonesia and total some 313,500 ha. The acquisition is of such magnitude that it would have to be reported to The Stock Exchange of Hong Kong Limited as a very substantial acquisition.

CCT/Tradeeasy has therefore engaged Pöyry Forest Industry Consulting Pte Ltd (Pöyry) to make an independent valuation of the forest concessions in order to assist CCT/Tradeeasy in the negotiations with the owners of the concessions and to provide a valuation report for preparation the circular in relation to the acquisition.

Pöyry conducted an on site review of the Mimika Concessions between 25 October and 21 November 2007. The review included discussions with representatives of the seller, interviews with local operators, aerial surveys and ground inspections, including over 500 field plots where volume estimates were made. Recent satellite imagery and mapping techniques have been used by Pöyry to independently establish the areas by forest type within the concessions.

The results of the review and the valuation are presented in the following sections of this report.

2 BACKGROUND

2.1 PAPUA

2.1.1 PAPUA FOREST LAND ZONING

Forest land zone in the Papua Province covers 42 million ha and accounts for 95.5% of the area of the province.

Based on satellite imagery analysis, about 75% of the land area on the Papua mainland had forest cover.

Table 2-1:
Land Cover Papua Province

Forest Type	Forested (000 ha)	Non Forest (000 ha)	No data (000 ha)
Protection Forest	7,164.8	716.7	1,288.6
Wildlife Sanctuaries	5,384.1	1,026.4	1,745.2
Production Forest	7,794.3	1,035.9	1,125.5
Limited Production Forest	3,332.5	107.6	240.9
Conversion Forest	6,401.4	1,537.6	844.1
Other Land Use	626.6	360.5	99.9
Total	30,703.6	4,784.7	5,344.1

Source: Pusat Data dan Perpetaan 1998

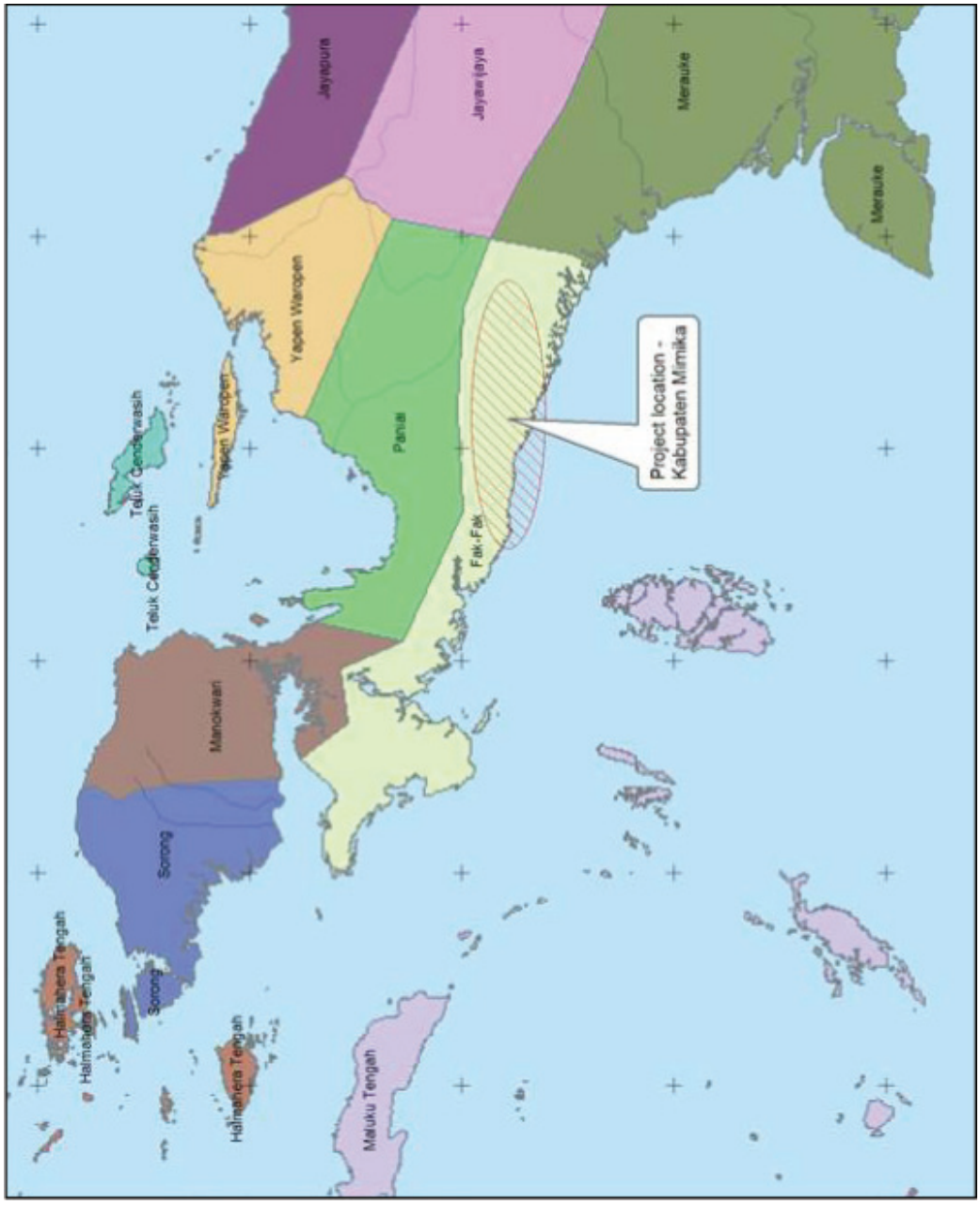
2.1.2 LOG PRODUCTION PAPUA

As of 2002 there were 48 registered active selective logging (HPH) operations in Papua. The log production was almost halved in 2000 and was further reduced in 2001, but has since then slowly increased.

Table 2-2:
Log Production Papua Province

Year	Log Production in m^3
1999	1.492.603
2000	739.674
2001	522.275
2002	612.571
2003	694.244

Figure 2-1:
Papua Location Map



2.2 KABUPATEN MIMIKA

The district where the southern concessions are located is called Mimika. The main town is called Timika, which has airport and port facilities.

2.2.1 CLIMATE

Annual rainfall in Kabupaten Mimika (2002) was 4 481mm. The highest rainfall month was May (674 mm) and the lowest October (190mm).

2.2.2 LAND USE ZONING KABUPATEN MIMIKA

Table 2-3 shows the current land use zoning in Kabupaten Mimika. Although 97% is forested land, only 9% has been allocated to forest production. The concessions being valued in this report are principally within the area allocated as conversion forest.

Table 2-3:
Land Use Zoning Kabupaten Mimika

Kecamatan (Sub District)	Lorentz National	Protection Forest	Limited Production	Production Forest	Conversion Forest	Other Land Use	Water Body	TOTAL
Agimuga	272,967							272,967
Jila	206,664							206,664
Jita	213,587							213,587
Mimika Barat		95,865	32,926	9,605	176,265	2,369		317,030
Mimika Barat Jauh		30,147	34,412	104,270		65		168,894
Mimika Barat Tengah		60,759	50,199	86,955	8,687	30		206,630
Mimika Baru					108,426	28,175		136,601
Kuala Kencana					44,523	1,771		46,294
Tembagapura	74,124	116,138	37,216		132,807	25,199		385,484
Mimika Timur					31,426	809		32,235
Mimika Timur Jauh	43,273				26,265	538		70,076
Mimika Tengah	12,633	535			43,396	6,321		62,885
Water (non-district)							5,044	5,044
Total	823,248	303,444	154,753	200,830	571,795	65,277	5,044	2,124,391
Percent	39%	14%	7%	9%	27%	3%	0%	100%

Source: Dinas Kehutanan Kabupaten Mimika, 2007

2.2.3 LORENTZ NATIONAL PARK

This National Park was established in 1997 with an area of 2.5 Mha, of which 823,248 ha (33%) are in Kabupaten Mimika.

The Lorentz Park stretches from the Arafura Sea coast up to the peaks of the Puncak Jaya range. The majority of the area consists of steep mountainous terrain with altitudes ranging 2,000 — 5,000 m above sea level. There are a wide range of ecosystems across the park making it an important forest conservation area for the province and the country.

2.3 INDONESIA FORESTRY SECTOR

Indonesia's forest estate is managed by the Department Kehutanan (Forestry Department). The Department of Forestry operates at central, provincial and district (Kabupaten) Government levels. Under Indonesia's decentralised Government system, the District Forestry Office has a dominant role in planning and monitoring forest management activities of concession holders in the district. The role of provincial and central Government is primarily to oversee policy and carry out periodic monitoring and auditing of forest management performance at the district level.

Despite the decentralisation trend, applications for almost all long-term forest concessions (the exception being very small license areas) are assessed at provincial and central Government level, and final licenses are signed by the Minister of Forestry. There is a planned change to this process in 2008 which, if implemented, will mean that the Central Forestry Department office in Jakarta will only be responsible for assessment of environmental aspects of license applications.

The standard license allocated by the Forestry Dept for selective logging is the IUPHHK — HA license (Izin Usaha Pemanfaatan Hasil Hutan Kayu pada Hutan Alam). This is allocated primarily for land zoned as production forest, although in Papua conversion land is also often included as there is so much undeveloped conversion land.

The agricultural estate industry in Indonesia continues to expand, particularly oil palm plantations. Agriculture is allowed only on land zoned for conversion. In Papua many of the conversion forest areas are still undeveloped and forested. In these cases, once an agriculture license is approved, the Department of Forestry will release the land from the forest estate and issue a land clearing permit (IPK), which permits the sale of wood harvested during the land clearing process.

There is a strong drive towards involvement of local communities in decision making regarding management of forests in their area. All applications for new forestry licenses must be able to produce documentation demonstrating free and prior informed consent of all affected communities.

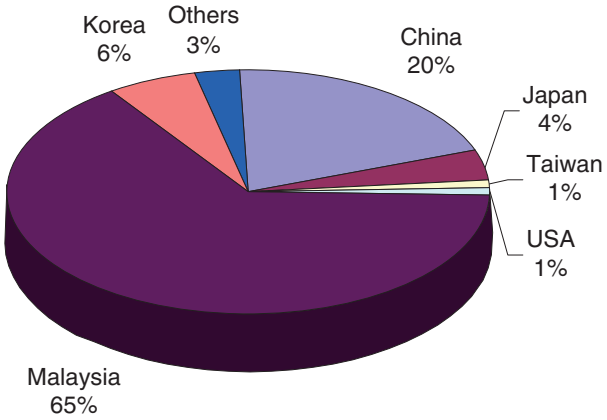
2.4 WOOD PRODUCTION AND TRADE

In 2006 Indonesia was the third largest producer of tropical hardwood logs in the Asia-Pacific region, closely followed by Malaysia and India. With the export ban on logs, tropical hardwood logs produced in Indonesia are processed domestically into sawn wood and panels. Processed wood products are consumed in the domestic market or exported to other countries.

As Indonesia's restriction on illegal logging has strengthened over the past five years, its tropical hardwood log production, and consequently production volume of sawn wood and panel products, has decreased over the same period. Indonesia's sawn wood production has fallen at an average rate of -9.0%/a. whereas plywood production decreased at an average rate of -8.0%/a. over the past five years.

Major sawn wood export destinations for Indonesia are Malaysia and China, together accounting for about 85% of the total export of 1.5 million m³ in 2006.

Figure 2-2:
Indonesia Sawn Wood Export Destinations in 2006

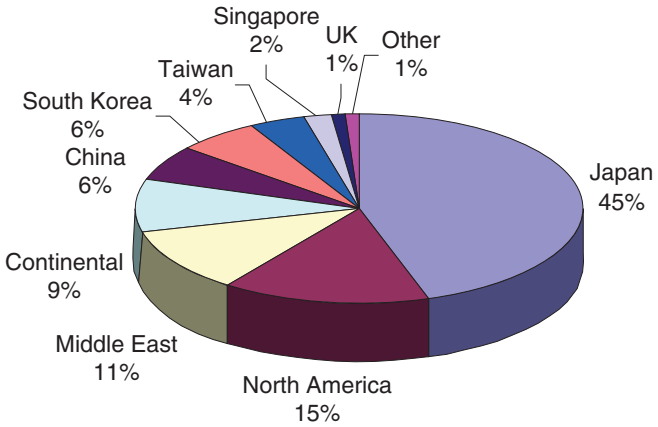


Indonesia sawn timber exports in 2006: 1 479 000 m³

Source: WTA and Pöyry Forest Industry

Major plywood export destinations for Indonesia are Japan, North America, the Middle East, and Europe as well as China. As plywood production decreased over the past five years, plywood exports from Indonesia have also decreased at an average rate of -9.0%/a over the same period.

Figure 2-3:
Indonesia Plywood Export Destinations in 2006



Indonesia's Plywood Exports in 2006: 3 526 000 m³

Source: Pöyry Forest Industry

It is likely that future tropical hardwood production in the region, including log, sawn wood and plywood, will continue its trend of decreasing due to limited availability and increasing environmental restrictions on tropical forests. Demand for logs in the Asia-Pacific region has increased over the past decade, especially in India and China. It is expected that economic and construction industry growth in the region will develop

strongly over the next five years. This consequently will result in increased demand for wood products and logs in the region. Availability of tropical hardwood in the region is likely to decrease in the next five years. Hence, although underlying demand for tropical hardwood is expected to continue, tropical hardwood consumption in the region is likely to gradually decrease partially substituted by softwood or other materials where possible.

2.5 EXISTING INFRASTRUCTURE

Timika Airport offers daily domestic flight connections to Jakarta and Jayapura in the North of Western Papua. The airport also is the base for a unit of the Indonesian Air Force with helicopters.

The harbour close to the proposed mill site has a jetty and an area of about 1 ha for storing and handling containers. No stationary crane for loading and unloading of ships is available at present. The only loading equipment that could be seen during the site visit was a truck mounted crane used for container handling at the storage area. For loading and unloading of ships a ship mounted crane has to be used.

The main user of the harbour is the Jakarta based shipping company SPIL (Salam Pacific Indonesia Lines). Four container vessels from SPIL dock in the harbour per month. One vessel can carry about 200 containers or a total of 22 tonnes. The vessels bring in goods from Surabaya (Java) and return with empty containers. According to SPIL this unutilised capacity could be used for the domestic export of sawn wood or veneer to Surabaya.

Figure 2-4:
Harbour jetty near the proposed millsite



In order to handle the additional freight volume coming from the saw- and veneer mills the storage area would have to be improved and increased. If the Mimika Project wishes to set up a chipping plant then facilities for handling wood chips would also have to be installed.

PT Freeport Indonesia operates its own harbour close by. Due to restricted access this harbour could not be visited and possible utilisation of the PT Freeport harbour seems unlikely.

A further description of the existing road infrastructure in the concession area can be found in Section 4.2.

3 SITE DESCRIPTION

3.1 FOREST LOCATION AND AREA

The proposed Mimika Concession areas evaluated by Pöyry are located in Kabupaten Mimika, Papua Province, the eastern-most province of Indonesia (see Figure 3-1). Maps signed by the Forestry Dept District Head indicate a total area of 313,500 ha. The proposed concession area consists of three separate geographic blocks:

West Block	43,700 ha
Central Block	229,800 ha
East Block	40,000 ha
Total	313,500 ha

The blocks lie between 4°08' to 4°43' S and 135°04' to 137°10' E (Figure 3-1).

A crosscheck made by on-screen digitising of jpeg maps supplied by the Mimika Project gave a total of 335,362 ha which, considering the re-digitising, corresponds closely with the above figure.

3.2 AREA VERIFICATION

Aerial surveys of the concession areas were undertaken on 26 October 2007 using a helicopter. The aerial inspection was used to verify the current condition of the forest canopy, identify main forest types and to identify areas of disturbance caused by wind damage, roading or harvesting. Low-level oblique photographs were taken either side of the flight track and geo-located using a GPS. The flight track can be shown in Figure 3-1.

The aerial survey provided the following findings:

Western Block

1. Forests in the Western Block have been logged previously. Although the area remains forested the residual stocking of commercially valuable species is likely to be rather low.

2. The southern half of the Western Block is flat and seasonally or permanently inundated. The northern part of the block is dry land and is a potential palm oil development location, apart from some hilly areas.

Central Block

3. The majority of the Central Block is seasonally or permanently inundated with a very low standing commercial volume per ha and very difficult roading conditions.

4. Four large rivers dissect the Block from north to south which will hinder operational land logistics. On the other hand, the rivers should be suitable for barging and/or rafting of logs.

5. A thin strip of dry land running along the northern boundary of the Central Block holds unlogged productive forest but a significant part of this is zoned as protection forest. The economics of operating this block are questionable due to the small residual area available.

6. A significant area of dry flat land exists in the north eastern corner of the Block near Timika. Forests on this dry land have been logged previously and although the area remains forested the residual stocking of commercially valuable species is likely to be rather low.

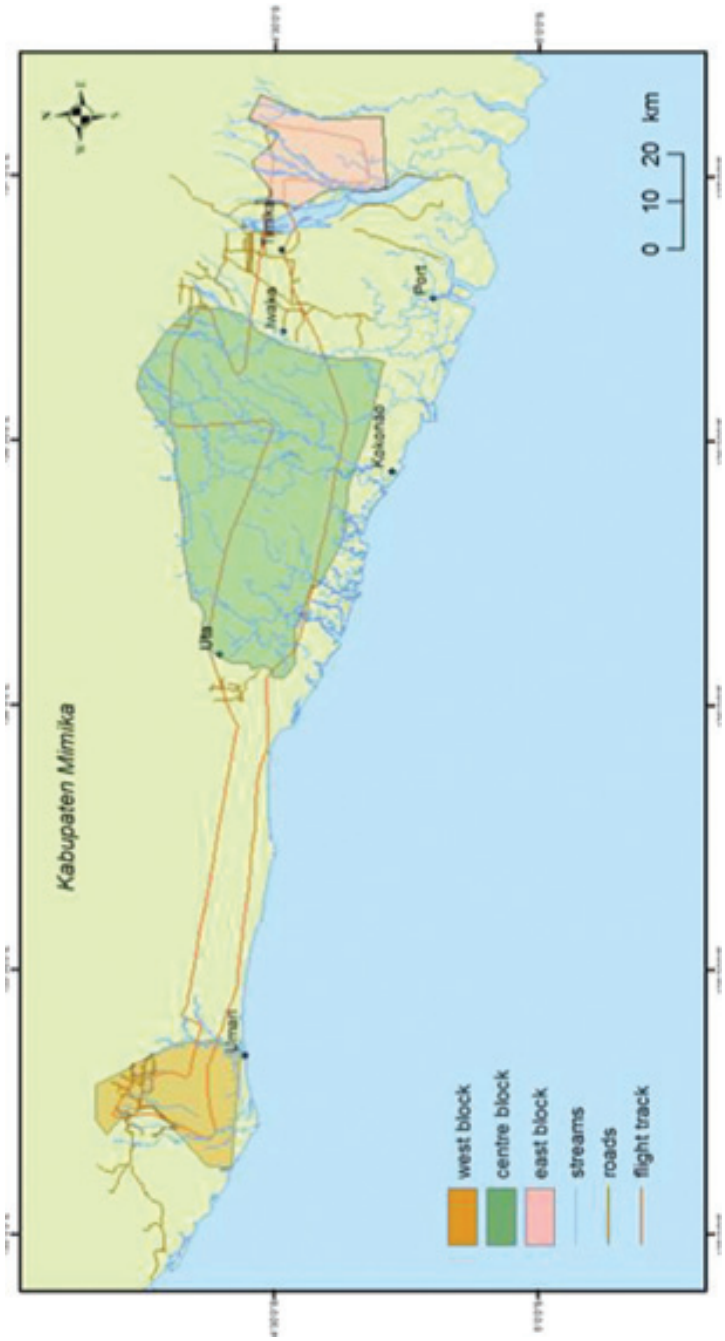
Eastern Block

7. The Eastern Block contains the largest concentration of unlogged productive dry land forest in the Mimika area.

8. Southern parts of the Block are flat and seasonally or permanently inundated with a very low standing commercial volume per ha.

The aerial inspection was further augmented by fieldwork including a limited forest survey carried out between 25 October and 21 November 2007 in the Central and East Blocks. Time constraints meant field inspection was not carried out in the West Block. Results of the forest survey are set out in Section 5.

Figure 3-1:
Map of the Mimika Concessions with Aerial Survey Track



3.3 LAND USE RIGHTS AND THE MIMIKA PROJECT LICENSE STATUS

The Mimika Project is currently in the early stages of applying for an IUPPHK — HA license for the entire 313,500 ha area. This is a long term (up to 60 years) license which allows selective logging in natural forests within pre-defined annual logging coupes. Coupes are set out in a long term Forest Management Plan prepared before logging can begin.

It has not been part of the Pöyry review and valuation task to assess the status of necessary licences for the operation of the Mimika Concession areas. We have therefore assumed that such licences will be obtained.

3.4 GEOLOGY AND TOPOGRAPHY

The Mimika Concession areas occupy the broad coastal lowlands between the Papua, Indonesia central mountain range and the Arafura Sea. The underlying strata are mostly unmetamorphosed Pliocene and Holocene marine and non-marine sedimentary rocks.

The alluvial plains and fans of the coastal lowlands have a subdued topography with slopes rarely exceeding a few degrees. Along the northern margins of all three blocks the terrain becomes hilly in places with slopes up to 20 degrees (Figure 3-2 and Figure 3-3).

Elevations increase steadily northwards. In the western block about 75% of the land lies at an elevation of less than 50 m above sea level, but rising rapidly to ~250 m to the north. In the central block, elevations range between 10 and 50 m except along the northern margin where an east-west trending ridge attains heights of up to 200 m. In the eastern block, elevations increase gradually to about 100 m, and rise rapidly to about 300 m above sea level in the north-eastern corner.

Land that is either seasonally or permanently inundated occupies the low-lying areas in the southern parts of all three blocks. In the Central Block (the Kokonau River catchment) the topographically depressed areas are more extensive so that the seasonally or permanently inundated land extends almost all the way to its northern boundary.

Figure 3-2:
Topography and Elevation — Western Block

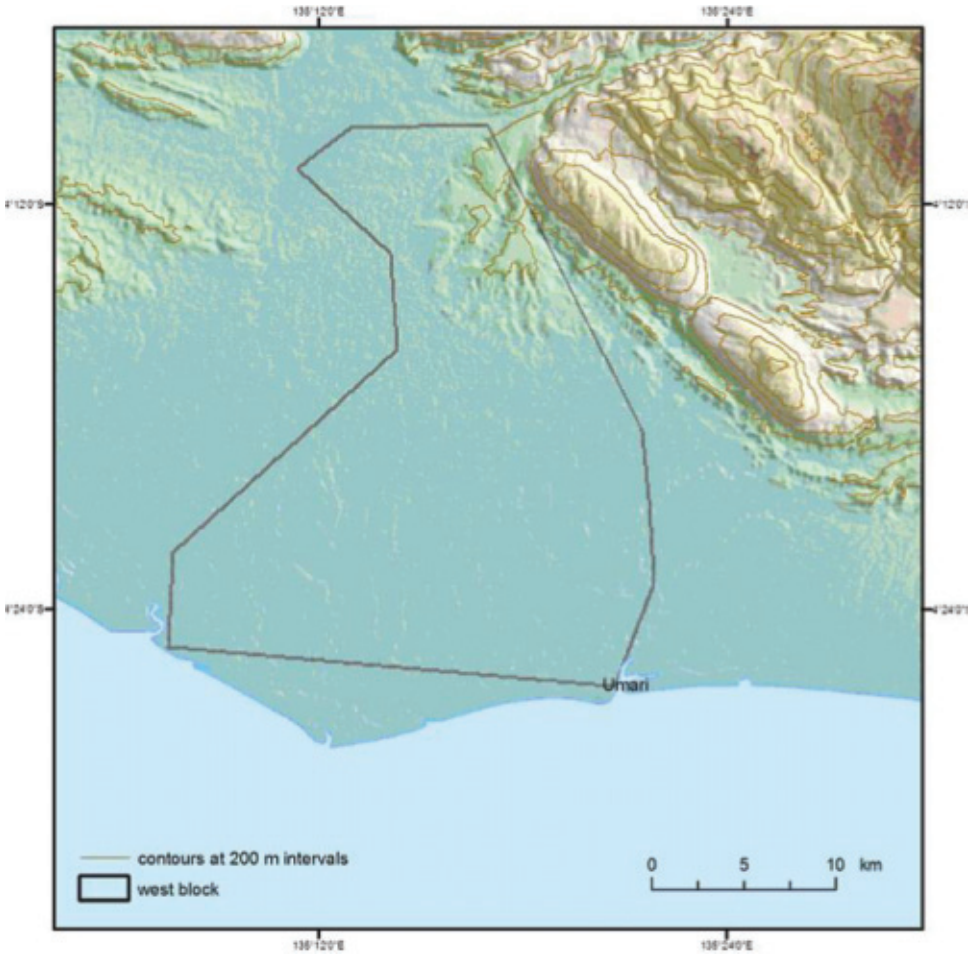
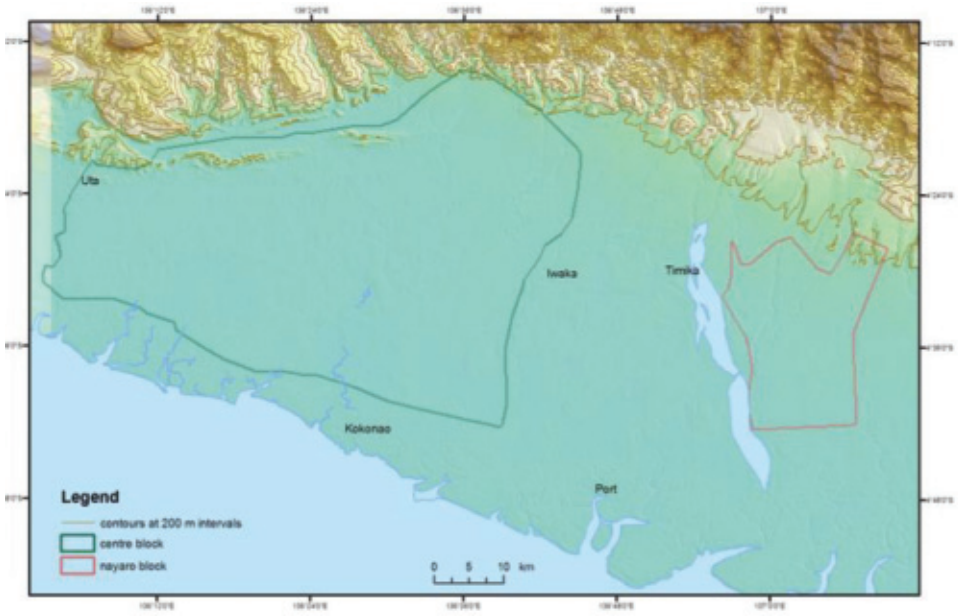


Figure 3-3:
Topography and Elevation — Central and Eastern Blocks



4 SOILS

Land system descriptions indicate the following soil conditions:

1. Organic soils with shallow to deep peat deposits (tropohemists) in permanently inundated areas.

2. Dry alluvial plains are dominated by eutropepts. Field visits showed these soils to be rather shallow and gravely.

4.1 HYDROLOGY AND DRAINAGE

The drainage of the Mimika Concession area is characterised by a series of rivers traversing in a generally southerly direction out of the Grasberg Range to the north, across the coastal plain before discharging into the Arafura Sea (Figure 4-1 and Figure 4-2).

Three types of stream channel are represented. Braided channels occur along the hilly northern parts where the sudden reduction in the stream gradient causes rapid deposition of sediment. These channels are highly mobile, particularly during the flood periods which are common given the high rainfall in the area. A few short seasonal streams with relatively straight channels are also evident in the high-lying areas. As the gradients decrease southwards the braided channels change into meandering streams that snake through the broad coastal plain before terminating at coastal estuaries.

The main rivers are the Aindua (West Block), Urumuka, Kapare, Mimika, Kamora (Central Block), and Aimua (East Block). Significant mangrove and nipah palm areas are found in the estuaries of these rivers.

Figure 4-1:
Hydrology and Drainage of the Western Block

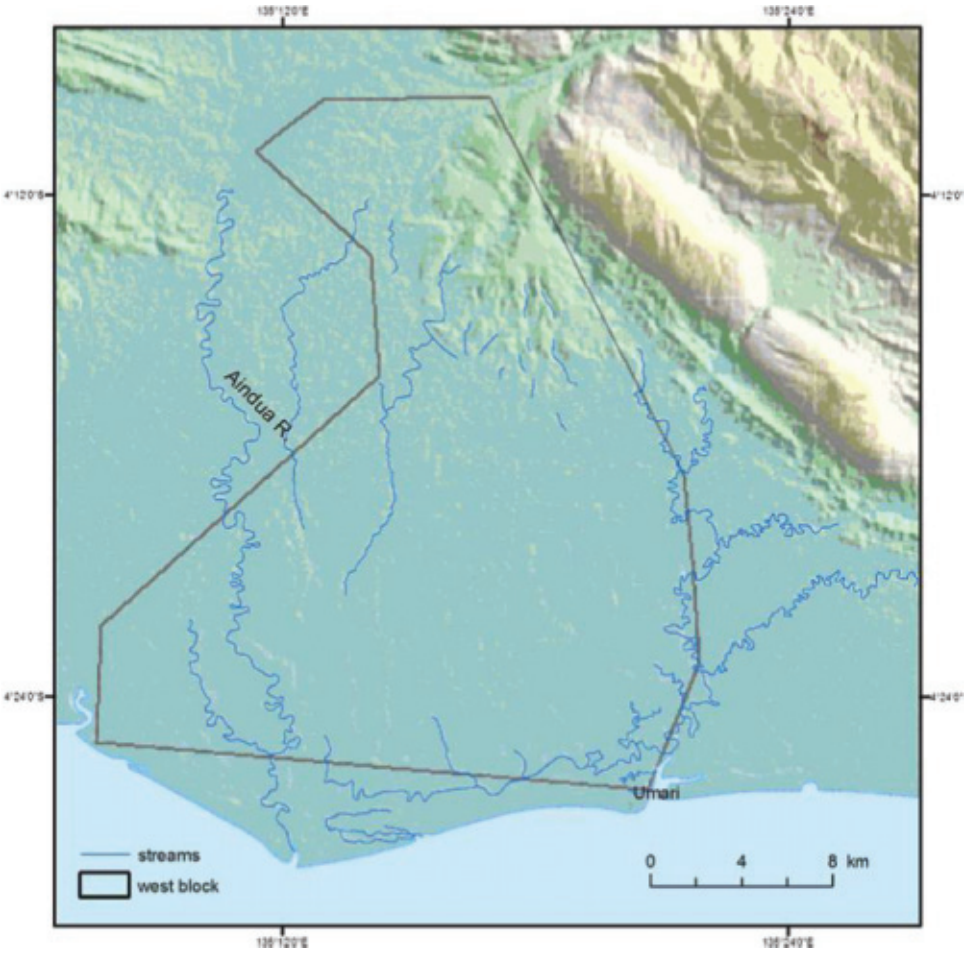
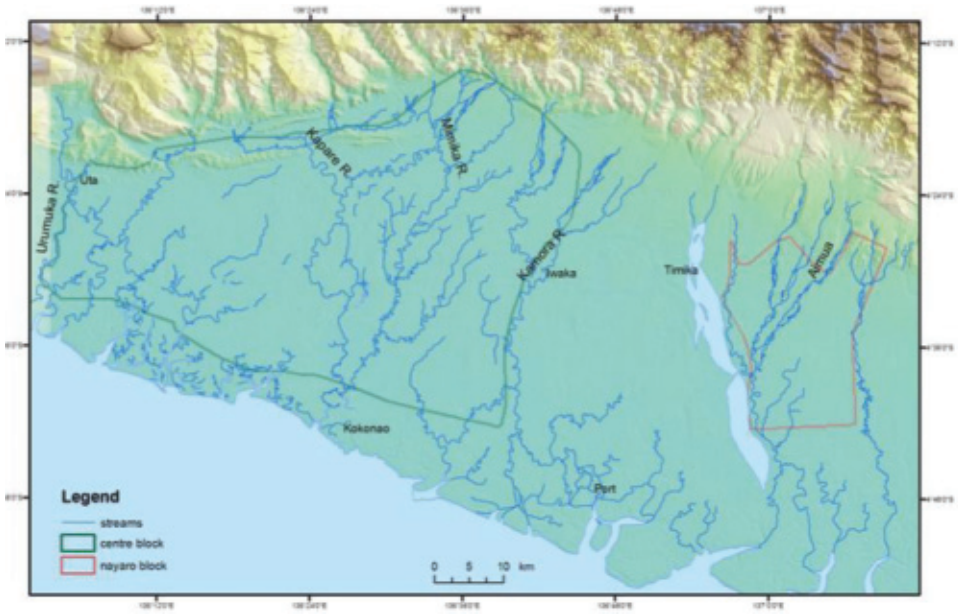


Figure 4-2:
Hydrology and Drainage of the Central and Eastern Block



4.2 ACCESS AND SURROUNDING LAND-USE

West Block

Access to the West Block is from Timika by sea and then river. No road access exists from Timika. A landing strip suitable for single engine aircraft was reportedly available not far from the block at Potowai Buru, but since the previous logging company pulled out there are no vehicles available for transport to the block.

Forestry Department maps indicate the existing logging roads inside the block link to the old Jayanti logpond near the Buru River mouth to the west. The condition of this road network is likely to be poor as the area has been abandoned for several years.

Central Block

The only readily accessible part of the Central Block is the north eastern corner where old logging roads should be able to be rehabilitated, providing road access to Timika. These roads utilise fords to cross several small rivers so this access is weather dependent.

The large rivers which traverse the Central Block provide the only access routes to the central and western parts of the Block. The Urumuka, Kapare, Mimika and Kamora Rivers are all thought to be navigable by small log barges at least up to the middle of the Block. On the downside these rivers are too large to consider building log bridges, and permanent bridges would be very expensive so accessibility will impact on the economics of the project here.

East Block

Access to the East Block from Timika is good via PT Freeport Indonesia roads which are constructed to a high standard. A road runs north — south along the eastern embankment of the PT Freeport tailings catchment zone providing good access to the Nayaro village, which can be reached from Timika in around 1 hour by car. However, access to Freeport roads is restricted and it is unlikely that the roads would be available for log transport to the Timika port area.

Navigable river access routes exist to points close to the Block along rivers to the south of the Block (Aimua to the south west and Amovita to the south east of the Block). These are the logical logpond sites for loading log barges.

Current Land Use

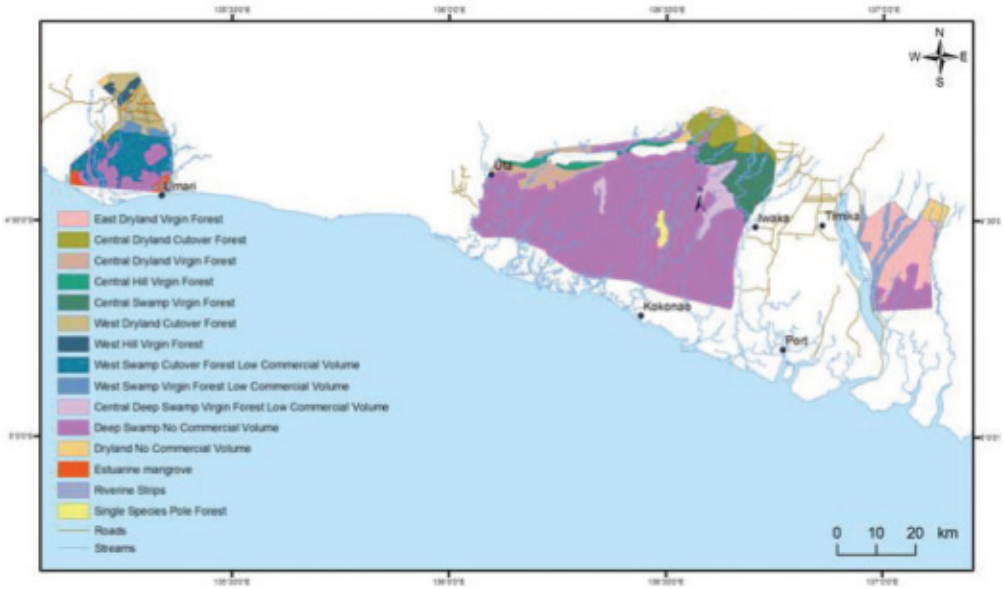
Apart from logging operations (which have all stopped), almost no land in the Mimika Concession area has been developed or changed from its original condition. There are a number of small villages inside or near the area. Villagers use the area for sago harvesting, hunting and gathering, and also in some areas gold panning. There is small scale sawn timber production ongoing using chainsaws along the Kamoro River. The timber is sold into the Timika market.

5 FOREST DESCRIPTION

5.1 FOREST CLASSIFICATION

No existing information is available on classification of forests in the Mimika Concession area. Pöyry therefore developed a classification using satellite imagery complemented with information gathered during the aerial and field inspections (Figure 5-1). The satellite data (7 images) provided recent cloud-free (2004 to 2005) coverage over all areas

Figure 5-1:
Forest Classification Map



The classification differentiates 15 forest types. Similar forest types may be found in more than one block, but they have been classified separately, mainly for modelling purposes. The exceptions to this are non-productive forest types which have been combined across the blocks. Pöyry's assessment of forest type productivity under the TPTI selective logging system is as follows:

1. The four dryland virgin and hill virgin forest types are assessed to be productive under a selective logging silvicultural system with a 50 cm minimum diameter.

2. The two dryland cutover and hill cutover forest types are assessed to be marginal from an economic standpoint for management under a selective logging silvicultural system with a 50 cm minimum diameter due to low current stocking. Having been logged over in the past 10 years, these areas

cannot be expected to be immediately productive under a selective logging system such as TPTI. They could be expected to provide a productive crop if given time to recover, but the time period required to produce an economic crop is difficult to predict.

3. All inundated forest types are assessed to be marginal for economic reasons. Stocking is low and soil conditions make road construction and log extraction very difficult and expensive.

4. All four dryland forest types are included in modelling of wood flows under a land clearing scenario. Pöyry has not assessed suitability of soils for agriculture in any forest types. However, it has been assumed that all inundated forest types would be excluded from land-clearing.

The gross area of each forest type was calculated from the digital forest classification map. Net production area for each class was calculated by first removing the area associated with protection forest, and riparian buffer zones. A further correction was made to account for non-productive land that would not be detected by the satellite imagery.

5.2 DESCRIPTION OF FOREST TYPES

The following is a description of the forest types used by Pöyry for the purpose of establishing operable areas and standing volume estimates. **Dryland Cutover Forest** occupies the northern area of the West Block (West Dryland Cutover Forest), and the north-eastern area of the Centre Block (Central Dryland Cutover Forest).

Figure 5-2:
West Dryland Cutover Forest



Dryland Virgin Forest occupies the northern areas of the Central Block (Central Dryland Virgin Forest), and most of the East Block (East Dryland Virgin Forest), the exception being the southern parts where there are extensive seasonal or permanent inundated areas.

Figure 5-3:
East Dryland Virgin Forest



Hill Virgin Forest occurs in small patches in the north of the West Block (West Hill Virgin Forest) and the Central Block (Central Hill Virgin Forest).

Figure 5-4:
Central Virgin Hill Forest



Inundated Virgin Forest Low Commercial Volume forest type is found in the north east of the Centre Block. It is characterised by small diameter trees and increasing occurrence of sago palm as area gets wetter. Wetter areas have been included in the **Deep Swamp Low Commercial Volume** forest type.

Figure 5-5:
Inundated Virgin Forest Low Commercial Volume



Deep Swamp No Commercial Volume forest type is found in all three blocks and is characterised by very small diameter forest, in some cases with one or a limited number of species, graduating into scrub and marsh vegetation and small lakes.

Figure 5-6:
Swamp Single Species Pole Forest



Figure 5-7:
Deep Swamp No Commercial Volume Areas — Small Lakes



5.3 RIPARIAN BUFFERS

The river systems in much of the Mimika Concession area are gravelly and braided in the upstream dryland areas. They take up significant land areas as they frequently shift during flood episodes. Bridging is difficult and expensive, and previous logging operators appear to have preferred to wait for low water and ford the rivers. However, given the very high rainfall in the Timika area, this is a risky strategy.

Figure 5-8:
Riparian Areas — North East of Central Block



River networks and the slope classification were generated using elevation data at a 90 m resolution obtained from the Shuttle Radar Topography Mission (SRTM). The road locations were obtained using GPS or digitised off imagery.

These data were used as a basis to remove a 50 m riparian buffer zone from the forest classification areas.

5.4 SILVICULTURAL SYSTEM

The Mimika Concession forests are assumed to be managed according to the Indonesian Selective Felling and Enrichment Planting System (TPTI), which has been the management standard for most of Indonesia's selective logging concessions for the last 30 years. This system follows a 35-year cutting cycle, and has 12 basic prescription steps:

1. Coupe identification, mapping and boundary marking
2. Pre-logging inventory (100%) identifying crop trees and future crop trees
3. Opening up forest area (roading and landings construction)
4. Felling and extraction
5. Underbrushing
6. Inventory of residual stand
7. 1st liberation

8. Seedling production

9. Planting and rehabilitation

10. Tending of planted seedlings

11. 2nd and 3rd liberation

12. Thinning

The planning is based on a long-term management plan (20 years), with operational five-year plans and one-year plans.

In forests within the production forest zone (HP) and the conversion forest zone (HK), trees with diameter >50 cm at breast height (dbh over bark) can be felled, while in limited production forest (HPT) the minimum is 60 cm. One hundred percent post-felling inventories are planned to determine damage to the residual stand. Enrichment planting and roadside planting are undertaken to restore degraded or insufficiently stocked logging sites.

The TPTI system regulates felling within coupes purely using minimum diameters. Research in Indonesia has shown that in better stocked natural forests such as the mixed dipterocarp forests in Kalimantan, the TPTI system allows over-intensive harvesting and heavy damage to the residual forest structure. Reduced impact logging (RIL) techniques are an important component of selective logging systems in that they reduce damage to residual commercial trees and regeneration, permitting faster stand recovery and less tree mortality. However, under high felling intensity (>8 trees/ha) the effectiveness of RIL in reducing tree damage is lessened. In this situation limits to the number and distribution of crop trees extracted, over and above the standard TPTI system, are required to avoid declining yields in subsequent harvests.

RIL techniques have been implemented by a number of logging companies in Indonesia but they are not legally required.

Stocking of commercial crop trees over 50 cm dbh in the Mimika Concession area is relatively low. Pöyry considers that by managing the concessions under a TPTI plus RIL system, a non-declining yield should be achievable on a 35 year cycle.

5.5 EXISTING INFORMATION ON FOREST YIELDS

Pöyry has not been able to source any previous forest inventory data from the Mimika Concession area. The Forestry Dept office in Timika supplied a table showing average standing sawlog volume with diameter 30cm up to be around 38 m^3/ha in production forests in Kabupaten Mimika. The data source is not clear but it was indicated that it comes from operating logging companies and so is likely to represent forests at the higher end of the range of forest stocking levels found in the District.

The major commercial species identified in the Forestry Department data include matoa (*Pometia spp*), pulai (*Alstonia spp*), merbau (*Intsia bijuga*) ketapang (*terminalia spp*), binuang (*Octomeles sumatrana*), terentang (*Camnosperma spp*), sukun (*Artocarpus spp*), plus smaller volumes of a wide range of other species.

6 PÖYRY LIMITED FOREST SURVEY RESULTS

6.1 BACKGROUND

Pöyry judged the information presented by the vendor as to the stocking in the concession areas as very general and not properly reflecting the actual situation. Consequently, we undertook a limited forest survey between 29 October and 21 November 2007 in the Central and East Blocks using three field teams.

A total of 18 transect lines were established and 539 circular plots with an area of 0.06 ha were enumerated assessing all trees over 30 cm diameter regardless of species. Using the same plot centre, smaller plots with an area of 0.015 ha were enumerated assessing trees of diameter 15-29 cm.

In view of the large size of the Mimika Concession Areas, it is impossible to conduct field survey on the entire large areas. As the size of the West Block is relatively small, representing approximately 13.9% of the entire Mimika Concession Areas, it was not covered by ground field survey because of time constraint. However, Pöyry has conducted an aerial survey by a helicopter on the entire Mimika Concession Areas (including the West Block) and has obtained satellite images that cover the entire Mimika Concession Areas (including the West Block). Based on the aerial survey, the satellite images and the ground field survey (on the East Block and the Central Block) and Pöyry's experience in similar forest areas elsewhere in Papua, Pöyry has been able to estimate the forest volume of the West Block for purpose of the valuation.

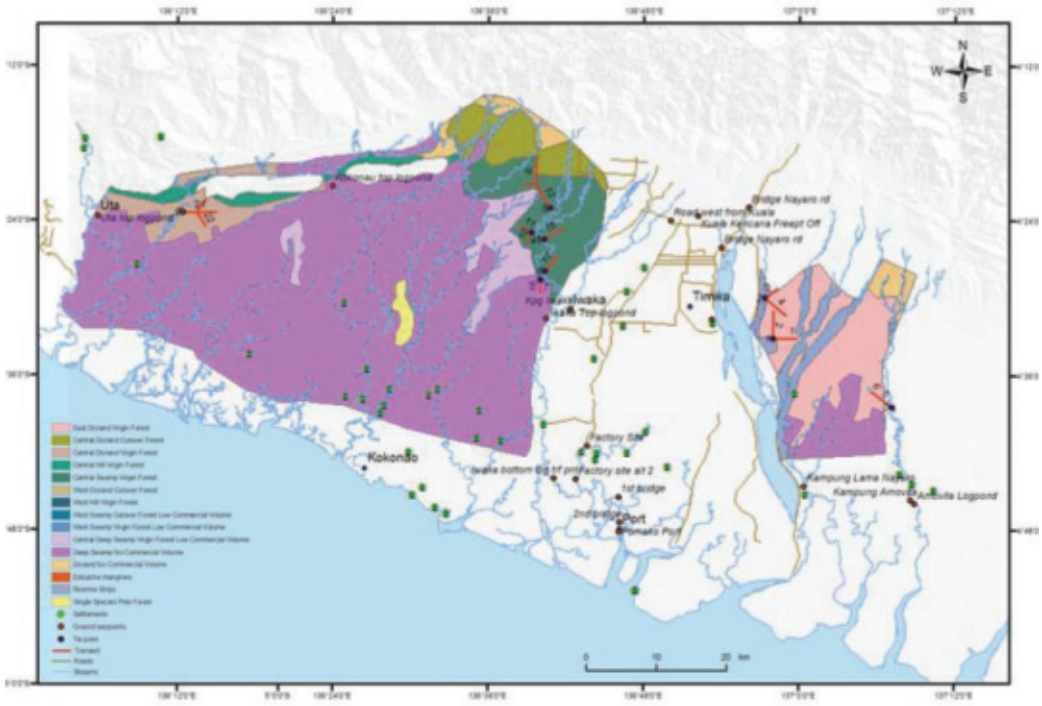
It must be emphasised that, due to time constraints, the Pöyry forest survey is a low intensity survey only carried out in selected locations assessed to hold commercial volumes of standing timber. Results are indicative only and should not be used for detailed planning purposes. It is recommended that a through forest inventory is carried out as soon as possible for the Mimika Concession area.

6.2 PLOTS MEASURED

Table 6-1:
Transect Lines and Plots Measured

Block	Line No	Location	Tie pt no	Bearing (deg)	Distance (m)	No of Plots
East	1	Nayaro	1	90	3,500	35
East	2	Nayaro	1	0	4,000	40
East	3	Nayaro	2	40	2,500	25
East	4	Nayaro	2	120	4,000	40
East	5	Amovita	3	300	4,000	40
East	6	Amovita	3	330	500	5
Centre	10	Iwaka	4	210	1,700	17
Centre	11	Iwaka	4	300	1,800	18
Centre	12	Iwaka	5	330	4,000	40
Centre	13	Iwaka	5	270	1,700	17
Centre	14	Iwaka	5	360	3,500	35
Centre	15	Iwaka	6	60	3,200	32
Centre	16	Iwaka	7	180	2,000	20
Centre	17	Iwaka	8	40	3,000	30
Centre	21	Uta	9	90	5,000	50
Centre	22	Uta	9	150	2,500	25
Centre	23	Uta	9	30	2,500	25
Centre	24	Uta	9	180	4,500	45
Total						**539**

Figure 6-1:
MAP OF INVENTORY TRANSECTS



The survey was carried out in the following forest types:

Table 6-2:
Forest Types Sampled

Forest Type	Location	Plots Measured
Central Dryland Cutover Forest	Iwaka	25
East Dryland Virgin Forest	Nayaro and Amovita	185
Central Inundated Virgin Forest Low Commercial Volume	Iwaka	184
Central Dryland Virgin Forest	Uta	145

6.3 INFORMATION COLLECTED

The following information was measured for each tree:

- Diameter over bark (cm) at breast height or above buttress.
- Species name, either trade name or alternatively local name in Komoro language.
- Log length to first branch or to 30cm small end diameter, all species, provided log form was sufficient for sawmilling and no sign of heart rot or other defect was evident. Although logs of obvious poor form were not cruised, low grade sawlogs which would usually not be felled in a selective logging operation were generally included.
- Large end diameter of top log if a chippable top log of minimum length 4m is available above the sawlog.

In addition, survey crews noted information about soil, topographic conditions, and human activities along the transects.

6.4 LOG AND TREE VOLUME TABLES

There is only limited information available in terms of form factors, taper and volume equations for the commercial timber species in Indonesia. To Pöyry's knowledge there are no by-species log volume equations available for Indonesia's commercial tree species.

The standard log volume formula used in Indonesia for estimation of volume of standing trees utilises a form factor of 0.7 as below. This formula is applied country wide for all natural forest species. It will underestimate volume in cylindrical logs with little taper and overestimate volume of logs with strong taper.

$Volume = \pi \times (d/200)^2 \times L \times 0.7$

Where:

Volume	=	Log volume underbark in cubic metres (m^3)
L	=	Log length in metres (m)
d	=	Average large end diameter of the log over bark in centimetres (cm)

In the absence of any better alternatives Pöyry has utilised this equation for the calculation of individual log volumes during processing of the survey data.

6.5 FOREST SURVEY RESULTS

6.5.1 ASSESSMENT OF STANDING VOLUMES IN THE MIMIKA CONCESSION AREAS

The concession shows significant variability in volume. The total standing volume estimates calculated from the survey data are shown in Table 6-3.

Table 6-3:
Total Standing Volume in Inventoried Forest Types

	Total Standing Volume All Log Grades					Bottom Log up to 30cm SED or First Branch		DBH <30cm, Top Logs and Defect Trees	
Forest Type	**No of plots**	**Stems Per ha**	**Basal Area (m^2/ha)**	**Volume (m^3/ha)**	**+/- 95% Conf. limits**	**Volume (m^3/ha)**	**+/- 95% Conf. limits**	**Volume (m^3/ha)**	**+/- 95% Conf. limits**
Central Dryland Cutover Forest	25	218.2	15.8	118.2	29.1	70.6	29.2	47.6	9.3
East Dryland Virgin Forest	185	228.2	17.5	161.3	11.6	87.1	12.6	74.2	5.4
Central Dryland Virgin Forest	145	167.8	15.6	136.0	11.5	68.3	11.2	67.7	4.4
Central Inundated Virgin Forest Low Commercial Volume	184	171.5	13.4	115.3	12.3	58.7	8.5	56.6	6.8

6.5.2 REDUCTION FACTORS APPLIED TO CALCULATE NET YIELD/HA IN MIMIKA CONCESSION AREAS

To calculate the final extractable volume, the following reduction factors have been applied:

- Felling and transport losses
- Downgrade of volume to chip grade due to log quality, non-commercial species, and defects not identified in cruising.

Table 6-4:
Reduction Factors Applied in Calculation of Net Yield

	DBH 15-29cm	DBH 30-39 cm		DBH 40-49 cm		DBH 50 cm up	
Species Group	Harvesting Losses All Grades	Harvesting Losses All Grades	Sawlog Downgrade to chipwood	Harvesting Losses All Grades	Sawlog Downgrade to chipwood	Harvesting Losses All Grades	Sawlog Downgrade to chipwood
Kayu Indah & Meranti Grp	20%	20%	40%	20%	30%	20%	20%
Rimba Campuran	20%	20%	40%	20%	30%	20%	20%

6.5.3 NET YIELD PER HA CENTRAL DRYLAND CUTOVER FOREST USED IN MODELLING

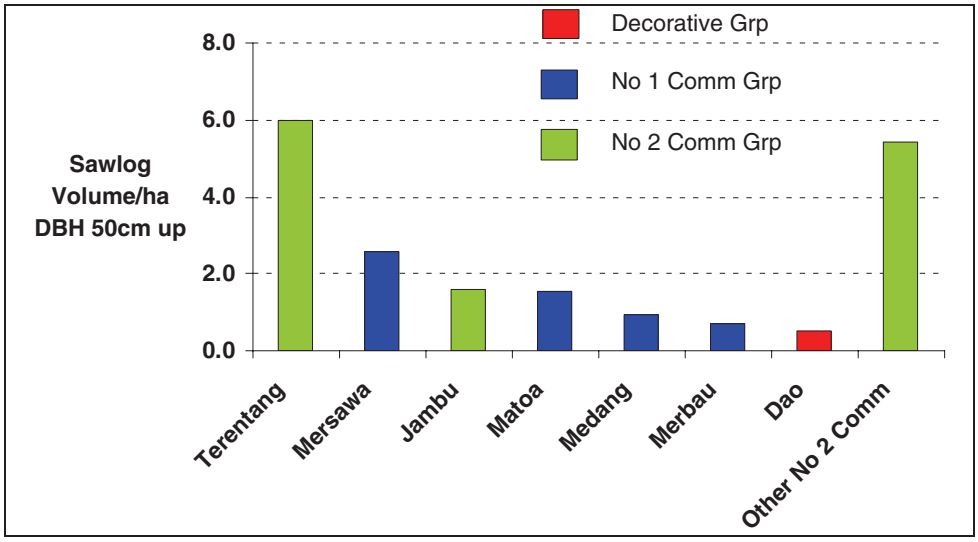
Table 6-5 shows the assessed net extractable volume. Plots were measured in the north east of the Central Block where Jayanti had been logging in the 1990s.

There is a low stocking even in the 30-49 cm class which indicates a long recovery time will be required.

Table 6-5:
Net Extractable Volume Central Dryland Cutover Forest

	Sawlog by DBH Class (m^3/ha)					
Species Group	**30-49 cm**	**50 cm up**	**Total Sawlog**	**Sawlog %**	**Chip (m^3/ha)**	**Total (m^3/ha)**
Decorative Group:						
Dao	0.4	0.5	1.0	2.6%	1.8	2.8
Other Decorative Grade	0.2	0.0	0.2	0.6%	0.3	0.5
Total Decorative Grade	**0.7**	**0.5**	**1.2**	**3.1%**	**2.1**	**3.3**
No 1 Comm (Meranti) Group:						
Merbau	0.0	0.7	0.7	1.9%	0.8	1.5
Medang	0.0	1.0	1.0	2.6%	0.8	1.8
Mersawa	3.0	2.6	5.6	15.0%	8.5	14.1
Matoa	1.5	1.5	3.1	8.3%	5.5	8.6
Nyatoh	0.9	0.0	0.9	2.5%	1.9	2.8
Total No 1 Comm (Meranti) Group	**5.5**	**5.8**	**11.3**	**30.4%**	**17.5**	**28.8**
No 2 Comm (Rimba Campuran) Grp:						
Benuang	0.8	0.0	0.8	2.1%	3.1	3.8
Bintangor	1.2	0.0	1.2	3.1%	1.4	2.5
Jambu	0.0	1.6	1.6	4.3%	1.3	2.9
Pala	0.5	0.0	0.5	1.3%	2.5	3.0
Terentang	2.6	6.0	8.6	23.1%	11.0	19.6
Other No 2 Comm	6.7	5.4	12.1	32.5%	18.5	30.6
Total No 2 Comm Group	**11.7**	**13.0**	**24.7**	**66.5%**	**37.8**	**62.5**
Total All Species Groups	**17.9**	**19.3**	**37.2**	**100.0%**	**57.4**	**94.6**

Figure 6-2:
Species Distribution Sawlogs 50cm up Central Dryland Cutover Forest



6.5.4 NET YIELD PER HA EAST DRYLAND VIRGIN FOREST USED IN MODELLING

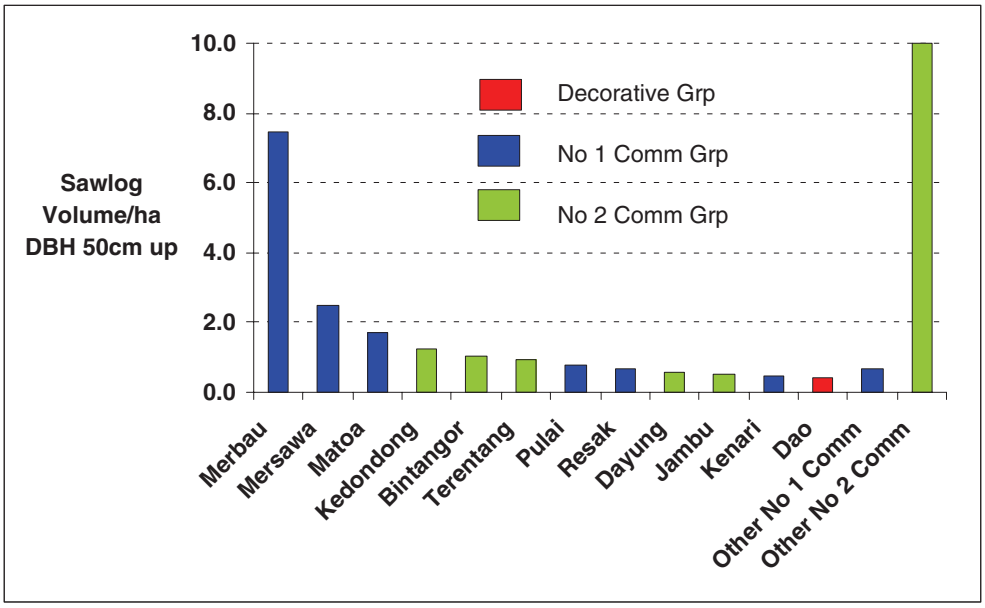
This forest in general holds larger volumes and the fact that the percentage of Merbau sawlogs is relatively high is a good indication that this forest has not been harvested before. The detailed volumes are shown in Table 6-6.

Table 6-6:
Net Extractable Volume East Dryland Virgin Forest

	Sawlog by DBH Class (m^3/ha)					
Species Group	**30-49 cm**	**50 cm up**	**Total Sawlog**	**Sawlog %**	**Chip (m^3/ha)**	**Total (m^3/ha)**
Decorative Group						
Dao	0.1	0.4	0.5	1.3%	0.8	1.2
Other Decorative Group	0.1	0.0	0.1	0.2%	0.1	0.2
Total Decorative Group	**0.1**	**0.4**	**0.6**	**1.5%**	**0.9**	**1.4**
No 1 Comm (Meranti) Group						
Kenari	0.0	0.5	0.5	1.4%	0.4	1.0
Merbau	0.8	7.4	8.2	22.1%	6.9	15.1
Medang	1.0	0.1	1.1	3.0%	2.7	3.8
Mersawa	0.8	2.5	3.3	8.9%	4.0	7.3
Matoa	2.1	1.7	3.8	10.3%	7.4	11.2
Nyatoh	0.3	0.1	0.4	1.1%	0.8	1.2
Pulai	0.3	0.8	1.1	3.0%	1.3	2.4
Resak	1.3	0.7	2.0	5.3%	3.8	5.8
Other No 1 Comm	0.3	0.4	0.7	1.8%	0.8	1.5
Total No 1 Comm Group	**6.9**	**14.3**	**21.2**	**57.0%**	**28.1**	**49.3**

Species Group	Sawlog by DBH Class (m^3/ha) 30-49 cm	50 cm up	Total Sawlog	Sawlog %	Chip (m^3/ha)	Total (m^3/ha)
No 2 Comm (Rimba Campuran) Group						
Bintangor	0.2	1.1	1.3	3.4%	1.5	2.8
Dayung	1.0	0.6	1.6	4.2%	3.0	4.6
Jambu	0.7	0.5	1.3	3.4%	2.0	3.3
Kedondong	0.1	1.3	1.4	3.7%	1.3	2.7
Ketapang	0.4	0.3	0.7	1.9%	1.3	2.0
Pala	0.1	0.1	0.2	0.5%	0.6	0.8
Terentang	0.1	0.9	1.0	2.8%	1.0	2.0
Other No 2 Comm	8.1	9.6	17.6	0.0%	42.5	60.1
Total No 2 Comm Group	**10.7**	**14.3**	**25.0**	**67.4%**	**53.2**	**78.3**
Total All Species Groups	**17.7**	**29.0**	**46.8**	**125.9%**	**82.2**	**129.0**

Figure 6-3:
Species Distribution Sawlogs 50cm up East Dryland Virgin Forest



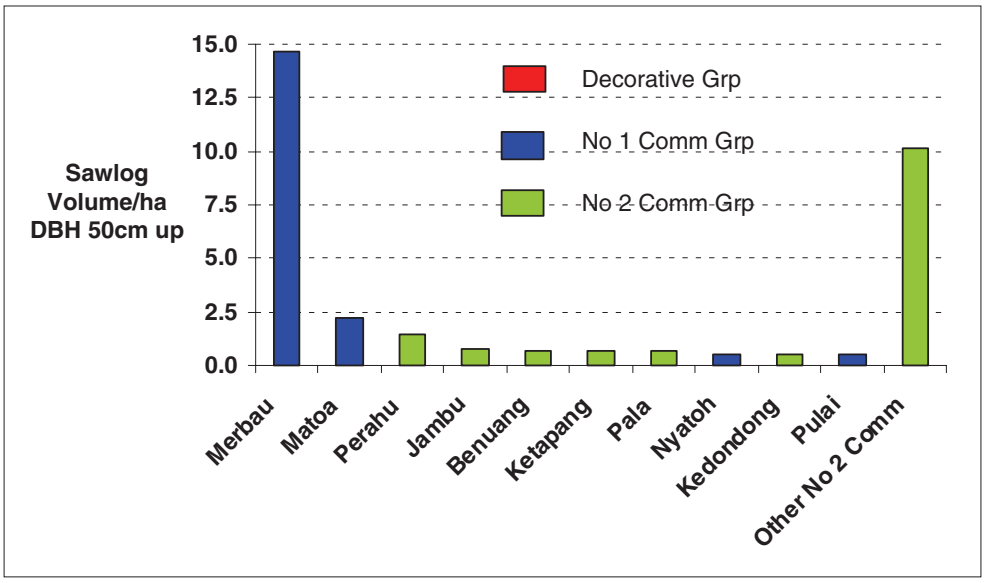
6.5.5 NET YIELD PER HA CENTRAL DRYLAND VIRGIN FOREST USED IN MODELLING

This is the richest forest type of those assessed. The total volume is slightly lower than that of the Eastern Block, but the proportion and absolute volume per ha of merbau is the largest in the area.

Table 6-7:
Net Extractable Volume Central Dryland Virgin Forest

Species Group	Sawlog by DBH Class (m^3/ha) 30-49 cm	50 cm up	Total Sawlog	Sawlog %	Chip (m^3/ha)	Total (m^3/ha)
Total Decorative Group	**0.0**	**0.0**	**0.0**	**0.0%**	**0.0**	**0.0**
No 1 Comm (Meranti) Group						
Merbau	0.3	14.6	14.9	38.1%	9.6	24.5
Matoa	1.9	2.2	4.1	10.5%	16.3	20.5
Nyatoh	0.1	0.5	0.7	1.7%	1.2	1.9
Pulai	0.1	0.5	0.6	1.5%	0.9	1.5
Resak	0.1	0.0	0.1	0.3%	0.1	0.3
Total No 1 Comm Group	**2.5**	**17.9**	**20.4**	**52.1%**	**28.2**	**48.6**
No 2 Comm (Rimba Campuran) Group						
Benuang	0.0	0.7	0.7	1.8%	0.4	1.1
Jambu	0.2	0.8	1.0	2.5%	1.8	2.7
Kedondong	0.0	0.5	0.6	1.5%	0.3	0.9
Ketapang	0.2	0.7	0.9	2.2%	1.1	2.0
Pala	0.3	0.7	1.0	2.6%	3.7	4.7
Perahu	0.3	1.4	1.7	4.3%	2.0	3.7
Other No 2 Comm	2.8	10.1	12.9	33.0%	32.0	44.9
Total No 2 Comm Group	**3.8**	**15.0**	**18.8**	**47.9%**	**41.3**	**60.1**
Total All Species Groups	**6.3**	**32.9**	**39.2**	**100.0%**	**69.5**	**108.8**

Figure 6-4:
Species Distribution Sawlogs 50cm up Central Dryland Virgin Forest



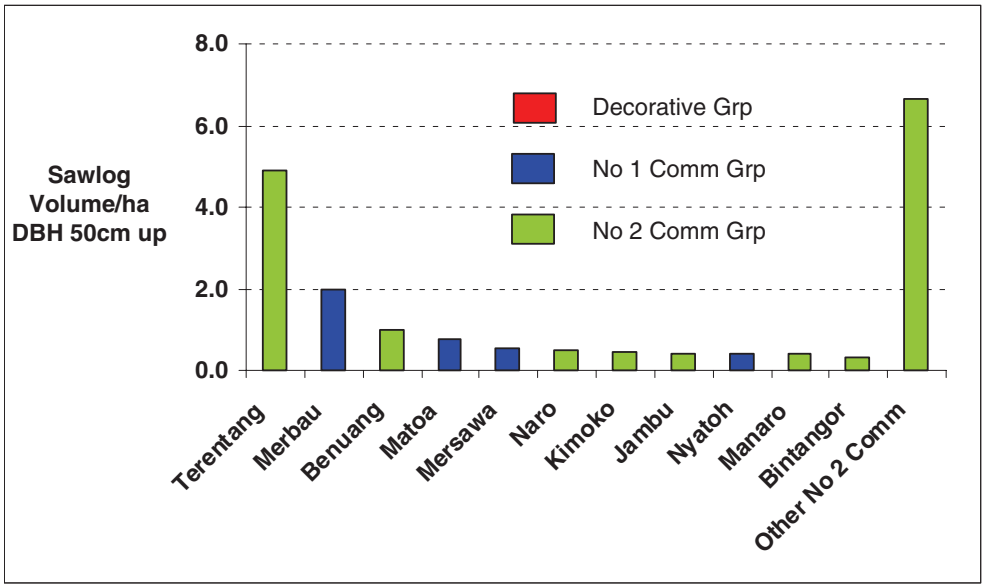
6.5.6 NET YIELD PER HA CENTRAL INUNDATED VIRGIN FOREST LOW COMMERCIAL VOLUME USED IN MODELLING

This forest type has limited commercial value as the growing stock is low and it will be difficult and expensive to utilise the volumes because of the swampiness.

Table 6-8:
Net Extractable Volume Central Swamp Virgin Forest Low Commercial Volume

	Sawlog by DBH Class (m^3/ha)					
Species Group	**30-49cm**	**50cm up**	**Total Sawlog**	**Sawlog %**	**Chip (m^3/ha)**	**Total (m^3/ha)**
Total Decorative Group	**0.1**	**0.0**	**0.1**	**0.2%**	**0.4**	**0.5**
No 1 Comm (Meranti) Group						
Merbau	0.7	2.0	2.7	8.6%	2.6	5.3
Mersawa	0.4	0.5	0.9	2.9%	1.5	2.4
Matoa	0.4	0.8	1.1	3.6%	2.3	3.4
Nyatoh	0.4	0.4	0.8	2.7%	1.0	1.9
Other No 1 Comm	0.4	0.0	0.4	1.3%	0.8	1.2
Total No 1 Comm Group	**2.2**	**3.7**	**5.9**	**19.0%**	**8.2**	**14.1**
No 2 Comm (Rimba Campuran) Group						
Benuang	0.0	1.0	1.0	3.4%	1.8	2.9
Bintangor	0.3	0.3	0.6	2.0%	1.1	1.8
Dayung	0.4	0.0	0.4	1.3%	1.3	1.8
Jambu	0.7	0.4	1.1	3.5%	2.0	3.0
Kimoko	0.6	0.5	1.0	3.3%	3.5	4.5
Manaro	1.0	0.4	1.4	4.6%	3.9	5.3
Naro	0.6	0.5	1.1	3.4%	1.5	2.5
Pala	0.2	0.1	0.4	1.2%	0.9	1.2
Terentang	1.0	4.9	5.9	18.9%	5.2	11.0
Other No 2 Comm	5.7	6.5	12.2	39.3%	31.4	43.6
Total No 2 Comm Group	**10.5**	**14.6**	**25.1**	**80.8%**	**52.5**	**77.7**
Total All Species Groups	**12.8**	**18.3**	**31.1**	**100.0%**	**61.1**	**92.2**

Figure 6-5:
Species Distribution Sawlogs 50cm up Central Inundated Virgin Forest Low Commercial Volume



6.6 ASSUMPTIONS MADE REGARDING NET VOLUME PER HA IN FOREST TYPES NOT SURVEYED

It was not possible to carry out the survey in all forest types, and therefore for modelling purposes a volume per ha has been assumed based on other forest type results. For the five forest types classified as productive or marginal, the following assumptions have been made regarding yield for forest types not covered by survey data. Assumptions are a straight percentage of a selected inventoried forest type applied across all species and log grades.

Table 6-9:
Assumptions Made Regarding Net Volume per ha in Forest Types not Inventoried

Block Forest Type	Have Survey Data	If no survey data, modelled volume per ha calculated by	Factor
East Dryland Virgin Forest	Yes	—	
Central Dryland Cutover Forest	Yes	—	
Central Dryland Virgin Forest	Yes	—	
Central Hill Virgin Forest	No	Factor of Central Dryland Virgin Forest	100%
Central Inundated Virgin Forest Low Commercial Volume	Yes	—	
West Dryland Cutover Forest	No	Factor of Central Dryland Cutover Forest	100%
West Hill Virgin Forest	No	Factor of Central Dryland Virgin Forest	100%
West Inundated Cutover Forest Low Commercial Volume	No	Factor of Central Inundated Virgin Forest Low Commercial Volume	60%
West Inundated Virgin Forest Low Commercial Volume	No	Factor of Central Inundated Virgin Forest Low Commercial Volume	100%

6.7 FOREST SURVEY CONCLUSIONS

The species composition observed in the inventory is diverse, with a high proportion of second grade commercial species in all forest types (58% of the 50 cm up net volume over all forest types surveyed) but especially in the inundated forest types. Of the first grade commercial species, merbau (*Intsia bijuga*) contributed 24%, matoa (*Pometia spp*) 6%, and others combined, including decorative grades, made up 11% of the total volume. Of the second grade commercial species terentang (*Camnosperma spp*), pala hutan (*Myristica spp*), and jambu hutan (*Eugenia and Syzigium spp*) were major contributors.

Merbau is currently by far the most valuable species in Papua and as such is the most important driver of forest value. Logging operators in Papua historically have been reluctant to operate in areas with limited merbau stocking. The Mimika Concession area does contain merbau and the percentage of 50 cm up volume per ha is quite attractive (24%), however, the total volume per ha is rather low so although the percentage appears high the total volume is not. Merbau percentage of total sawlog volume falls to 16% when 30-49 cm small sawlogs are included.

By number of logs, matoa was probably the most common commercial species encountered in the inventory, if 30-49cm sawlogs are included. The species is known for its rather poor log form (fluted and not round logs) and this was certainly the case in the Mimika Concession area. Many of the matoa sawlogs measured showed poor form and would be rather difficult to sell on the open market.

It is the opinion of Pöyry surveyors that the only locations in the Mimika Concessions that would be attractive to a commercial logging contractor are the East Dryland Virgin Forest, Central Dryland Virgin Forest and Central Hill Virgin Forest. The other forest types would be less attractive to operate in due to

- Low 50cm up sawlog volume per ha
- Small piece size
- Large proportion of second grade species in the log mix.

Forest types with extractable sawlog volume DBH 50cm up less than $20m^3$/ha are economically unattractive to log under a selective logging system unless the species mix contains a high proportion of high value species (especially merbau) which is not the case in the Dryland Cutover Forest.

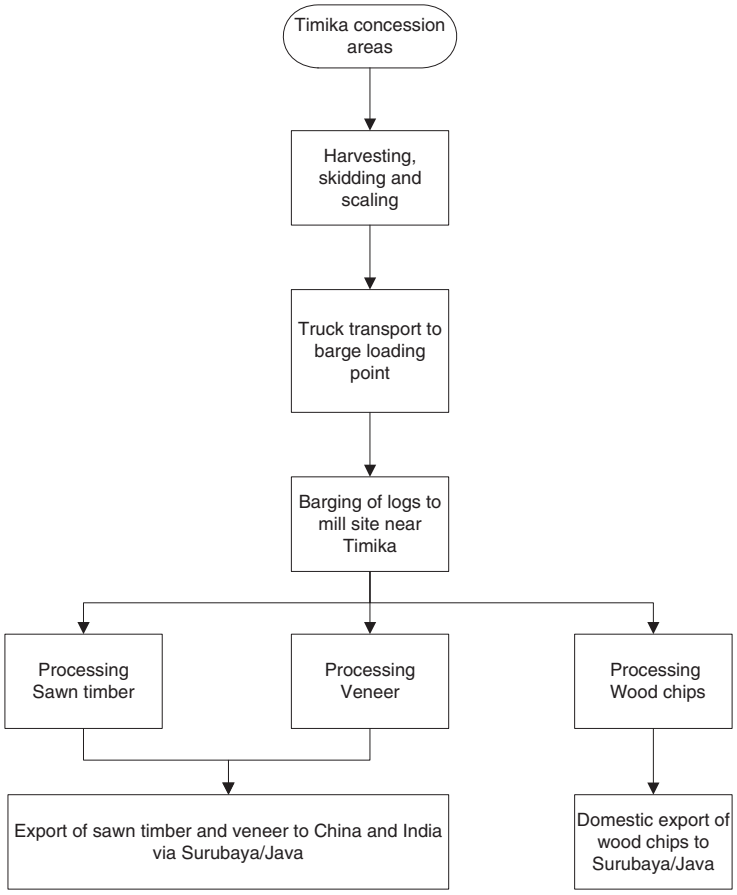
The yield assumptions used in the financial projections and the valuation are based on the results of the Pöyry limited forest survey carried out during the field visit combined with Pöyry experience in similar forest areas elsewhere.

7 WOOD COST STRUCTURE

7.1 WOOD COST DRIVERS AND WOOD COSTS

The proposed wood supply chain for the Timika concession area is shown in Figure 7-1. Due to large rivers traversing the three concession blocks no direct road transport to the planned processing site is feasible. Since all major rivers in the concession area are thought to be navigable by small log barges, at least up to the middle of the harvesting areas, small 180 feet barges can be used for the long distance transport of the logs to the mill site at the Timika harbour.

Figure 7-1:
Proposed Supply Chain for the Timika Concession Area



The costs used in the valuation follow the supply chain from harvest, transport to log pond/barging point, loading and barging to the mill site at Timika harbour. The costs are derived from information provided by local partners, own calculations worked up from first principles, and based on information from other similar operations known to Pöyry. The costs reflect the situation in 2007. The following sections provide a breakdown and explanation of the different costs.

7.2 HARVESTING COSTS

In the Mimika concession area the chainsaw operators usually are paid by cubic meter of extracted timber. The general felling costs of USD0.97/m^3 (IDR9,000/m^3) also include the costs for equipment and fuel. For the skidding operations CAT D6 bulldozers equipped with cable winch gears will be used. It is estimated that the skidder will reach an average productivity of 10 m^3/hour. The detailed cost calculation for the CAT D6 can be found in Appendix 1. The costs for scaling and debarking are taken into account with a USD2.16/m^3 allowance.

Table 7-1:
Harvesting Costs (USD/m^3)

Operation	Productivity (m^3/hour)	Costs (USD/m^3)
Felling	5	0.97
Skidding CAT D6	10	6.08
Scaling and debarking	—	2.16
Total		**9.21**

7.3 CLEARING COSTS FOR CHIP LOGS

Since the recent market price for wood chips is lower than the actual harvesting and transporting costs for chip logs the utilisation of chip logs can not be considered as an economically viable option even though this situation might change in the future. However, since scenario two is a landclearing scenario with a proposed conversion of the suitable areas into agricultural land, small diameter trees actually suitable for the production of chip logs at least have to be felled and crosscut to some extent so that they will not be an obstacle for other operations. The costs for clearing these trees were estimated to be USD6/m^3.

7.4 TRANSPORT COSTS

For the transport of the logs from the forest road to the barge loading points 30 ton log trucks will be used. Depending on the actual piece size the average loading volume will be between 20 to 25 m^3. The transport distance from the actual harvesting area to the barge loading points will differ from year to year depending on the exact location of the harvesting area and the management scheme. Table 7-2 shows the estimated transport distances for the different concessions which have been used for the valuation.

For the loading and unloading of the trucks CAT 966H wheeled loaders will be used. It is estimated that the loaders will reach a productivity of 50 m^3/productive machine hour which results in loading and unloading costs of USD1.55/m^3. The detailed cost calculation for the log trucks and the loader can be found in the appendix in Appendix 1.

Table 7-2:
Average Transport Distances and Costs for Transport to Barging Points

Location	Average Transport Distance to Barging Points (km)	Transport Costs (USD/m^3)
Truck transport in western area	19	2.96
Truck transport in central area	16	2.70
Truck transport in eastern area	16	2.70

7.5 BARGING COSTS

For the transport of the logs to the mill site at the Timika harbour, 180 foot barges towed by a tug boat will be used. One barge can load about 1,500 m^3 of logs. Depending on the actual barging distance the costs vary between USD6.28/m^3 for the eastern area and USD8.81/m^3 for the western area (see Table 7-3). The costs for loading and unloading of the barges are already included in the stated barging costs. The average steaming speed is 10.4 km/hour (5.6 knots/hour) depending on sea conditions, engine performance and stability of cargo on board. The detailed cost calculation for the barging operation can be found in Appendix 1.

Table 7-3:
Average barging distances and costs for barging to mill site

Location	Barging distance (km)	Barging costs (USD/m^3)
Barging from western area	225	8.81
Barging from central area	120	6.50
Barging from eastern area	110	6.28

7.6 ROYALTIES AND TAXES

The government charges different royalties on the volume of commercial species removed. The various commercial species have been allocated to either the A list (no 1 commercial group from the survey results) of more recognised and commercially attractive species (dao, merbau, matoa, nyatoh) or the B list (no 2 commercial group from the survey results) of less commercially known species (nenuang, bitangor, jambu, pala, terentang and others). The nominal values on which these royalties are charged are shown in Table 7-4. Additionally a local government tax of USD0.81/m^3 and a land tax of USD0.54/ha/year has to be paid.

Table 7-4:
Royalties and Taxes

Royalty/Tax	Amount (USD/m^3)
Royalty PSDH A-list	12.95
Royalty PSDH B-list	4.32
Royalty DR A-list	12.80
Royalty DR B-list	9.84
Royalty to locals A-list	5.40
Royalty to locals B-list	3.24
Local government tax	0.81
Land tax	0.54

The **PSDH (Provisi Sumber Daya Hutan)** is a resource tax, charged at 10% of the list price set by the Ministry of Trade. The levy varies between two defined zones and species.

The **DR (Dana Reboisasi)** is the reforestation levy and it is charged in USD. The exact levy varies between three defined zones, diameter and species.

The **local government tax (Retribusi daerah SP3)** is known as a 'donation'.

The **land tax** is paid annually and is calculated on a fixed percent of the listed government value of the land per hectare. It is charged on the gross area of the concession area.

There might be other "unofficial fees" that have to be considered in the valuation:

1. Pre licensing expenses

2. Approximately USD12,000 to USD25,000 for RKT to be approved each year

3. Signing of log inspection reports, at least USD300/month

4. Various honoraria to a range of government officials

5. Transport documentation, about USD200 per shipment

6. Others

In total these fees add up to about USD6.50/m^3.

7.7 ROADING COSTS

Two road types are considered in the valuation:

a) Primary roads that are required to be of a standard sufficient to provide all weather access for the harvesting and transport operations. This means they must have permanent bridges, permanent culverts and sufficient rock surfacing to provide all weather access for forest vehicles. For valuation purposes the construction cost of primary forest roads has been estimated at USD40,000 per km including costs for bridges and culverts. In the western and the eastern blocks a total primary road network with a length of 46 km for each area will be required. In the central area the length of the required network of primary roads is 25 km.

b) Secondary roads can be of a lesser standard than primary roads. They serve as feeder roads for the system of primary roads. While rock-surfacing material is desirable, it may be that in the short term the problem of not having an all weather surface for light vehicles is outweighed by the cost of road upgrading. However, the provision of bridges and culverts is essential if harvesting has to be done all year round. For valuation purposes the construction cost of secondary forest roads has been estimated at USD21,500 per km.

The road network in each concession area will increase over the years with growing operations. The development of the primary and secondary road network in the three harvesting blocks is summarised in Appendix 1. For the secondary roads a rate of 10 m/ha for selective harvesting and of 15 m/ha for land clearing was applied.

The annual costs for road maintenance are estimated to be USD2.50/m^3 extracted logs.

All roads require rock surfacing although secondary roads to a lesser standard. There are good sources of road surfacing material available within the concession area.

The stated costs already include a flat fee for the construction of bridges. In the eastern concession area there is a high standard road operated by PT Freeport Indonesia running north — south along the eastern embankment off the PT Freeport tailings catchment area. However access to PT Freeport roads is restricted and it is unlikely that the roads would be available for log transport to the Timika port area.

7.8 OVERHEAD COSTS

An estimate of the overhead costs associated with the operational forestry activities was made based on data from other operations in Indonesia known to Pöyry. The overhead costs are estimated at USD15.80/m^3. The overhead costs include costs for direct, indirect and corporate activities.

Direct overhead costs are those associated with direct forestry operations. For Forest Management Overheads this includes staff salaries, supervision and quality control of operations. For Harvesting Overheads this includes the supervision of felling and transport operations.

Indirect overhead costs cover the costs of planning, local administration, and general forest maintenance and protection. Corporate overheads include the cost of corporate staff and offices.

The total costs for delivering logs at mill gate are summarised in Table 7-5.

Table 7-5:
Summary of Log Costs Delivered to Mill Gate (excluding land tax of USD0.54/ha)

Costs	Western area	Central area	Eastern area
Inventory and planning (USD/m^3)	1.08	1.08	1.08
Logging planning survey (USD/m^3)	0.45	0.45	0.45
Felling (USD/m^3)	0.97	0.97	0.97
Skidding (USD/m^3)	6.08	6.08	6.08
Scaling and debarking (USD/m^3)	2.16	2.16	2.16
Loading at forest road (USD/m^3)	1.55	1.55	1.55
Transport to barging point (USD/m^3)	2.96	2.70	2.70
Unloading at barging point (USD/m^3)	1.55	1.55	1.55
Barging to mill site (USD/m^3)	8.81	6.50	6.28
Construction of primary roads (USD/m^3)	4.43	1.13	1.24
Construction of secondary roads (USD/m^3)	8.54	8.06	6.98
Road maintenance (USD/m^3)	2.50	2.50	2.50
Royalty PSDH A-Group (USD/m^3)	12.95	12.95	12.95
Royalty PSDH B-Group (USD/m^3)	4.32	4.32	4.32
Royalty DR A-Group (USD/m^3)	12.80	12.80	12.80
Royalty DR B-Group (USD/m^3)	9.84	9.84	9.84
Royalty to locals A-Group (USD/m^3)	5.40	5.40	5.40
Royalty to locals B-Group (USD/m^3)	3.24	3.24	3.24
Local government tax (USD/m^3)	0.81	0.81	0.81
Forest rehabilitation (USD/m^3)	0.00	0.00	0.00
Overhead costs (USD/m^3)	15.80	15.80	15.80
Other documentation, licences etc. (USD/m^3)	3.78	3.78	3.78
RKT fees (USD/m^3)	1.89	1.89	1.89
Total log costs for A-List species	**94.51**	**88.16**	**86.97**
Total log costs for B-List species	**80.76**	**74.41**	**73.22**

8 VALUATION

8.1 VALUATION METHODOLOGY FOR FOREST RESOURCES

The methods employed to value forest resources generally fall into three approaches:

- Assessment of the standing stock at a specific point of time.
- Assessment of the present value of the future cash flows from the current and future resources (revenue and costs).
- Forest land transaction based values.

Each of these methodologies has their strengths and weaknesses.

8.1.1 PREFERRED APPROACH

8.1.2 APPROACH ADOPTED FOR THE VALUATION

The Standing Stock Valuation approach is an accepted and recognised forest valuation approach for mature forest resources and is CCT/Tradeeasy's preferred approach in the valuation of the Mimika Concession Areas.

For the purpose of this report and at the request of CCT/Tradeeasy, Pöyry has conducted a standing stock valuation of the harvesting concession.

8.1.3 STANDING STOCK VALUATION

The standing stock method considers the resource as it currently exists and does not take into account future developments. It has the advantage of simplicity. However, it has the fundamental weakness that it assumes all of the standing volume in a particular resource can be marketed at one specific point of time without impacting on demand, prices or the related cost of doing so.

8.2 PRINCIPAL VALUATION ASSUMPTIONS

8.2.1 VALUATION CURRENCY

The valuation currency is the US dollar (USD). All costs which are denominated in Indonesian rupia have been converted to US dollars at the exchange rate of IRP9,265 per USD1.

8.2.2 VALUATION DATE AND TIMING OF CASH FLOWS

The valuation is as at 1 January 2008.

8.2.3 TAX RATE

No corporate tax rate has been considered in the valuation since it is unclear at present at which rate the concession holder will be taxed in Indonesia.

8.2.4 PRODUCT PRICES

Market information on current log, sawn wood, veneer and wood chip prices gathered by Pöyry from around the Timika region, within Indonesia and within the South East Asian region have been used to estimate expected product prices ex mill gate. Pöyry has also estimated the current market value for logs of selected

species delivered to mill gate (Table 8-1). Presently there is no information available on the price of logs between 30 and 49 cm in diameter, since Pöyry understands these logs are not being regularly traded in the area. To estimate the value of these logs Pöyry has examined the price differential on a cubic meter basis between large (50 cm and up) and small (30-49 cm) logs for the same or similar species in the South East Asian region to derive an acceptable price difference between the small and large logs.

Table 8-1:
Estimated Current Market Log Prices Delivered to Mill Gate (royalties PSDH and DR have been deducted)

Species	Log dimensions	Royalty Group	USD/m³
Merbau	50 cm and up	A	150
Merbau	30-49 cm	A	112
Matoa	50 cm and up	A	95
Matoa	30-49 cm	A	71
Nyatoh	50 cm and up	A	85
Nyatoh	30-49 cm	A	67
Other	50 cm and up	A	95
Other	30-49 cm	A	71
Other commercial Species	50 cm and up	B	110
Other commercial Species	30-49 cm	B	79
Chip logs	<30 cm	C	25

By combining these prices with wood flow volumes for the different species groups Pöyry has derived the weighted average market log price for the broad royalty groups represented in the concession (Table 8-2).

Table 8-2:
Estimated Weighted Average Market Log Prices (royalties PSDH and DR have been deducted)

Category	USD/m³
Royalty Group A	137
Royalty Group B	110
Chip logs	25

Pöyry has also estimated the current market prices in the Timika region for wood based products on an ex mill basis for sawn wood, veneer and MTH wood chips (Table 8-3). As with log prices these are derived from market price data gathered on products within Indonesia and within the wider South East Asian region.

Table 8-3:
Estimated Current Product Prices ex Mill Gate

Royalty Group	Wood product	USD/m³
Royalty Group A (Merbau)	Moldings	664
Other Royalty Group A Species	Moldings	401
Royalty Group B Species	Moldings	380
Royalty Group A (Merbau)	Rough sawn wood	480
Other Royalty Group A Species	Rough sawn wood	283
Royalty Group B Species	Rough sawn wood	255
Royalty Group B Species	Face/back veneer	593
Royalty Group B Species	Long core veneer	186
Royalty Group B Species	Short core veneer	150
Chip logs	MTH Chips	92 (USD/BDMT)[1]

1: Chip price is on an FOB basis

These product prices have been used for the hypothetical mill processing described for wood flows derived from a land clearing scenario. By adjusting the log prices so they would generate an average internal rate of return (IRR) of 10% (based on cash flows on an EBITDA basis) for the entire period each operation runs, it has been possible to derive the theoretical delivered log prices at mill gate for each processing plant (Table 8-4). These log prices, representing how much the processing industry could pay for the log input while giving a return of 10% on the investments were higher than the market log prices shown in Table 8-2. The difference is an expression of the added value the processing industry in Timika would give to the wood in spite of installations which are far from the size a state of the art mill would have today. Pöyry has therefore chosen to use the prices in Table 8-4 for the valuation of the harvesting concessions.

Table 8-4:
Weighted Average of Estimated Log Prices at Mill Gate by Major Royalty Group (royalties PSDH and DR have been deducted)

Royalty Group	Processing Plant	USD/m³
Royalty Group A	Sawmill	163.0
Royalty Group B	Veneer mill	126.0
Chip logs	Chip mill	34.8

8.3 STANDING STOCK VALUATION

Given the situation that the vendors intend to apply for license to clear the land for agriculture development, we have assumed that such licences will be obtained. Suitable areas for agriculture therefore will be cleared during a period of fifteen years, and the remaining areas suitable for selective logging will be managed on a sustainable basis. The standing volumes will then be as shown in Table 8-5.

Table 8-5:
Standing Volumes

Area	Royalty Group	Total standing volume (m^3)
West	A	91,988
	B	323,449
	Chip logs	469,301
Central	A	337,391
	B	548,717
	Chip logs	1,058,397
East	A	278,028
	B	688,033
	Chip logs	1,397,268
Total	**A**	**707,407**
	B	**1,560,199**
	Chip logs	**2,924,966**

The value of the standing stock is obtained by multiplying the standing volumes with the mill gate prices less the costs for bringing the wood to the mill gate. Using this method, the standing stock value has been estimated to be **USD148.7 million (**see Table 8-6).

Table 8-6:
Standing Stock Value for the Concession Area

Area	Gross Area (ha)	Standing Stock Value (USD million)	Standing Stock Value per Gross ha (USD/ha)
West	43,700	24.2	554
Central	229,800	59.3	258
East	40,000	65.2	1,629
Total	**313,500**	**148.7**	**474**

9 ENVIRONMENTAL ISSUES

9.1 ENVIRONMENTAL REQUIREMENTS IN PAPUA

Prior to forest management activities taking place, the concession operator should conduct a proper Environmental Impact Assessment. The assessment covers all environmental aspects that potentially influence forest management activities. The operator must carry out public consultations at provincial and Kabupaten level. The Government agency in charge of approving the report and action plan of the EIA is BAPEDALDA.

The environmental aspects listed for consideration are:

- Biological aspects include flora, fauna and interaction processes.
- Social aspects, including the community adjacent to the forest concession, adat right, working opportunity, livelihood etc.
- Physical aspects, including soil, hydrology, noise etc.

Concession operators are therefore required to formulate programs regarding those issues and eliminate/ mitigate the potential negative impacts.

Calculations for skidding costs

Input data	Purchase price (USD)	172,000
	Duration of utilisation (years)	5
	Utilisation rate (%)	70
	Productive hours (hours/a)	1,540
	Fuel consumption (l/hours)	25.0
	Interest rate (%)	15
	Labour costs (USD/hour)	0.88
	Fuel price (USD/l)	0.76
	Maintenance costs (USD/hour)	4.50
	Productivity (m^3/hour)	10.00
Basic costs	Costs for depreciation (USD/year)	34,400
	Costs for interest (USD/year)	12,900
	Costs for repair and maintenance (USD/year)	6,930
Variable costs	Fuel costs (USD/year)	29,260
	Oil costs (USD/year)	8,778
	Labour costs (USD/year)	1,361
Total costs	Total cost (USD/year)	93,629
	Total cost (USD/hour)	60.80
	Total cost (USD/m^3)	**6.08**

Calculations for loading costs

Input data	Purchase price (USD)	250,000
	Duration of utilization (years)	5
	Utilistaion rate (%0	60%
	Productive hours (hours/a)	1,320
	Fuel consumption (l/hours)	20.0
	Interest rate (%)	15%
	Labour costs (USD/hour)	0.88
	Fuel price (USD/l)	0.76
	Maintenance costs (USD/hour)	5.00
	Productivity (m^3/hour)	50.00
Basic costs	Costs for depreciation (USD/year)	50,000
	Costs for interest (USD/year)	18,750
	Costs for repair and maintenance (USD/year)	6,600
Variable costs	Fuel costs (USD/year)	20,064
	Oil costs (USD/year)	6,019
	Labour costs(USD/year)	1,166
Total costs	USD/year	102,600
	USD/hour	77.73
	USD/m^3	**1.55**

Calculations for truck transport

		Western and Central Block	Eastern Block
Input data	Purchase price (USD)	180,000	180,000
	Duration of utilization (years)	5	5
	Utilisation rate (%)	90%	90%
	Productive hours (hours/a)	1,980	1,980
	Fuel consumption (l/100 km)	50.0	50.0
	Interest rate (%)	15%	15%
	Labour costs (USD/hour)	0.88	0.88
	Fuel price(USD/l)	0.76	0.76
	Maintenance costs (USD/hour)	5.00	5.00
	Average load (m^3)	22.50	22.50
	Average speed (km/hour)	25.00	25.00
	Distance (km)	16.00	19.00
	Loading time (hours)	0.50	0.50
	Unloading time (hours)	0.50	0.50
	Travelling time (incl. loading) (hours)	1.64	1.76
	Productivity (m^3/hour)	13.72	12.78
Basic costs	Costs for depreciation (USD/year)	36,000	36,000
	Costs for interest (USD/year)	13,500	13,500
	Costs for repair and maintenance (USD/year)	9,900	9,900
Variable costs	Fuel costs (USD/m^3)	0.36	0.42
	Oil costs (USD/m^3)	0.11	0.13
	Labour costs (USD/year)	1,750	1,750
Total costs	USD/year	61,150	61,150
	USD/hour	30.88	30.88
	USD/m^3	**2.70**	**2.96**

Calculations for barging costs

Cost	**Western Block (USD)**	**Central Block (USD)**	**Eastern Block (USD)**
Hire cost per month (all inclusive) [USD/month]	48,570	48,570	48,570
Hire Cost per day (all inclusive) [USD/day]	1,597	1,597	1,597
Barge master [USD/day]	12.95	12.95	12.95
Deckhands (2x) [USD/day]	6.48	6.48	6.48
Daily Fixed Costs [USD/day]	1,616.25	1,616.25	1,616.25
Steaming speed [km/hour]	10.40	10.40	10.40
Log ponds to mill [km]	225	120	110
Steaming time both ways [hours]	43	23	21
Load/unloadtime [hours]	5	5	5
Total cycle time [hours]	53	33	31
Diesel consumption [litres/hour]	125	125	125
Diesel consumption [tonnes/hour]	0.11	0.11	0.11
Total consumption [tonnes]	4.60	2.45	2.25
Cost [USD/litre]	0.83	0.83	0.83
Cost per ton [USD/ton]	978	978	978
Fuel costs for round trip [USD]	4,495	2,397	2,198
Load plus unload [USD]	5,127	5,127	5,127
Fixed + variable costs [USD]	13,209	9,752	9,422
Costs per trip [USD/trip]	13,209	9,752	9,422
Loading volume [m^3]	1,500	1,500	1,500
Cost/m^3 [USD/m^3]	**8.81**	**6.50**	**6.28**

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular with regard to the Company and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement contained herein misleading.

2. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company as at 31 December 2007 (being the date of the latest published audited accounts of the Company) and the Latest Practicable Date were as follows:

Authorised:		*HK$*
2,000,000,000	Shares	200,000,000.00

Issued and fully paid or credited as fully paid as at 31 December 2007 and the Latest Practicable Date:

797,123,505	Shares	79,712,350.50

All existing Shares rank equally in all respects, including capital, dividends and voting rights. The Shares in issue are listed on the Stock Exchange. As at the Latest Practicable Date, the Company has the convertible bonds due 2009 with the outstanding principal amount of HK$30,000,000, which may be convertible into 26,548,672 Shares, and the convertible bonds due 2010 with the outstanding principal amount of HK$18,085,360, which may be convertible into 29,942,649 Shares. The holders of the 2009 convertible bonds and the 2010 convertible bonds have informed the Company on 20 May 2008 of their proposed conditional conversion of the convertible bonds in full (details of the proposed conversion are set out in the Company's announcement dated 21 May 2008). The conversion of the 2009 convertible bonds and the 2010 convertible bonds has not taken place as at the Latest Practicable Date. The Company has no share options outstanding under the share option scheme adopted by the Company on 28 February 2002.

Save as disclosed above, since 31 December 2007 (being the date of the latest published audited accounts of the Company), no Shares or loan capital of the Company has been issued or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms has been granted in connection with the issue or sale of any such capital.

3. SHARE CAPITAL OF TRADEEASY

The authorised and issued share capital of Tradeeasy as at 31 March 2007 (being the date of the latest published audited accounts of Tradeeasy), the Latest Practicable Date and immediately after Completion of the Transactions (assuming there will be no change of the shareholding structure between the Latest Practicable Date and Completion) but before conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds, and after the issue of the Conversion Shares upon full conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds at the initial Conversion Price, were and will be as follows:

Authorised:		*HK$*
20,000,000,000	Tradeeasy Shares	200,000,000

Issued and fully paid or credited as fully paid:

972,000,000	Tradeeasy Shares in issue as at 31 March 2007	9,720,000
150,000,000	Tradeeasy Shares issued in relation to the placing and top-up subscription of Tradeeasy Shares under the general mandate of Tradeeasy as announced in the Placing Announcements	1,500,000
92,749,000	Tradeeasy Shares issued by the exercise of the share options of Tradeeasy	927,490

Issued and fully paid or credited as fully paid:		*HK$*
1,214,749,000	Tradeeasy Shares in issue as at the Latest Practicable Date and immediately after Completion of the Transactions	12,147,490
9,157,200,000	Conversion Shares to be issued upon full conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds	91,572,000
10,371,949,000	Tradeeasy Shares	103,719,490

In connection with the placing and top-up subscription of 150,000,000 Tradeeasy Shares under the general mandate of Tradeeasy pursuant to the Placing Announcements, Tradeeasy has paid brokerage fees and placing fees at the rates of 0.25% and 3% respectively of the placing amount to the placing agent, OSK Asia Securities Limited.

Save as disclosed above, as at the Latest Practicable Date, no Tradeeasy Shares or loan capital of Tradeeasy has been issued or is proposed to be issued for cash or otherwise and no other commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

4. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the shares and the underlying shares of the share options and/or the convertible bonds of the Company and its associated corporations

As at the Latest Practicable Date, 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 SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or were required, pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

(1) Interests and short positions in the Shares and the underlying Shares of the convertible bonds of the Company as at the Latest Practicable Date

(i) Long positions in the Shares:

Name of the Director	**Number of the Shares beneficially held and nature of interest**				**Approximate percentage of the total issued share capital**
	Personal	**Family**	**Corporate**	**Total**	*(%)*
Mak Shiu Tong, Clement	715,652	—	238,283,758	238,999,410	29.98
Cheng Yuk Ching, Flora *(Note)*	14,076,713	160,000	—	14,236,713	1.79
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, 160,000 Shares 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.

(ii) Long positions in the underlying Shares of the convertible bonds of the Company:

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)*	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 the Latest Practicable Date, were issued by the Company to New Capital Industrial Limited (a company wholly-owned by Mr. Mak Shiu Tong, Clement and his family members) on 25 April 2005. The 2010 convertible bonds, due on 25 April 2010, are interest-free and convertible into the Shares at the conversion price of HK$0.604 per Share (subject to adjustments according to the terms of the 2010 convertible bonds). The interest of Mr. Mak Shiu Tong, Clement in these underlying Shares has also been disclosed under the section headed "Substantial Shareholders' Interests" below.

(2) The 2009 convertible bonds with an outstanding principal amount of HK$30,000,000 as at the Latest Practicable Date, were issued by the Company to Capital Winner Investments Limited (a company wholly-owned by Mr. Mak Shiu Tong, Clement and his family members) on 23 June 2006. The 2009 convertible bonds, due on 23 June 2009, are interest-free and convertible into the Shares at the conversion price of HK$1.13 per Share (subject to adjustments according to the terms of the 2009 convertible bonds).

(2) Interests and short positions in the shares and the underlying shares of an associated corporation — CCT Tech International Limited as at the Latest Practicable Date

Long positions in the shares of CCT Tech International Limited:

Name of the Director	Number of the shares held	Approximate percentage of the total issued share capital *(%)*
Mak Shiu Tong, Clement	120,000,000	0.18
Tam Ngai Hung, Terry	20,000,000	0.03
Cheng Yuk Ching, Flora	18,000,000	0.03
Chen Li	10,000,000	0.02

(3) Interests and short positions in the shares and the underlying shares of the share options of an associated corporation — Tradeeasy as at the Latest Practicable Date

(i) Long positions in the Tradeeasy Shares:

Name of the Director	Number of the shares held	Approximate percentage of the total issued share capital *(%)*
Mak Shiu Tong, Clement	19,344,000	1.59
Tam Ngai Hung, Terry	7,500,000	0.62

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

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

(b) Particulars of the Directors' other interests

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with the Company or any other member of the Enlarged Group (excluding contracts expiring or determinable by the Company or any member of the Enlarged Group within one year without payment of compensation, other than statutory compensation).

(c) Save as disclosed above, as at the Latest Practicable Date

(i) none of the Directors and the chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or were required, pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange;

(ii) none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2007, being the date of the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group; and

(iii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group which contract or arrangement was subsisting and which was significant in relation to the business of the Enlarged Group taken as a whole.

5. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as was known to, or could be ascertained after reasonable enquiries by, the Directors, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares or the underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO, or directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any other member of the Enlarged Group:

(a) Interests and short position in the Shares and the underlying Shares of the convertible bonds of the Company as at the Latest Practicable Date

(i) Long positions in the Shares:

Name of the Shareholder	Number of the Shares held	Approximate percentage of the total issued share capital *(%)*
Capital Force International Limited *(Note)*	96,868,792	12.15
New Capital Industrial Limited *(Note)*	141,414,966	17.74
	238,283,758	29.89

Note: *Capital Force International Limited and New Capital Industrial Limited are corporations wholly-owned by Mr. Mak Shiu Tong, Clement and his family members, whose interest in such Shares has also been disclosed under the section headed "Disclosure of Interests" above.*

(ii) Long positions in the underlying Shares of the 2010 convertible bonds of the Company:

Name of the holder of the 2010 convertible bonds	Amount of the 2010 convertible bonds *HK$*	Number of the total underlying Shares	Approximate percentage of the total issued share capital *(%)*
New Capital Industrial Limited *(Note)*	18,085,360	29,942,649	3.76

Note: The details of the interest of Mr. Mak Shiu Tong, Clement in these underlying Shares have also been disclosed under the section headed "Disclosure of Interests" above.

(b) Interests in the shares of other members of the Enlarged Group as at the Latest Practicable Date

Name of company	Name of shareholder	Percentage of shareholding controlled *(%)*
PTMTT	PT Amite Nimio *(Note)*	35
PTMTT	Sontang Alboin Manurung *(Note)*	35
PTMTT	Ray Gutafson Manurung *(Note)*	35

Note: PT Amite Nimio is owned as to 50% by Mr. Sontang Alboin Manurung and 50% by Mr. Ray Gutafson Manurung. The interest of the two Mr. Manurung in PTMTT were held indirectly through their shareholding interests in PT Amite Nimio.

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, there was no other person (other than the Directors or the chief executive of the Company) who had any interests or short positions in the Shares and the underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO, or directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any other member of the Enlarged Group.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Enlarged Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group.

8. QUALIFICATIONS AND CONSENTS OF EXPERTS

(i) The following are the qualifications of the experts who have given opinions and advice which are contained in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants
Pöyry	Forest Consultant
Yip Leung & So Limited	Certified Public Accountants

(ii) None of Ernst & Young, Pöyry and Yip Leung & So Limited has any shareholding, directly or indirectly, in the Company or any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any member of the Enlarged Group;

(iii) Each of Ernst & Young, Pöyry and Yip Leung & So Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or reference to its name in the form and context in which it appear; and

(iv) None of Ernst & Young, Pöyry and Yip Leung & So Limited has any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to the Company or any member of the Enlarged Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group since 31 December 2007, the date to which the latest published audited financial statements of the Group was made up.

9. MATERIAL ADVERSE CHANGE

The Directors have confirmed that there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2007, being the date to which the latest published audited financial statements of the Group were made up, up to the Latest Practicable Date.

The Transactions will not have any adverse effect on the operation, liquidity and financial resources, and capital structure of the Enlarged Group.

10. MATERIAL CONTRACTS

The following are the contracts (not being contracts in the ordinary course of business) entered into by the Enlarged Group during the two-year period prior to the Latest Practicable Date:

(i) the placing and subscription agreement dated 13 November 2007 entered into between the vendors (including Manistar and three employees of a subsidiary of Tradeeasy), CCT Telecom, Tradeeasy and the placing agent (OSK Asia Securities Limited) for top-up placing of an aggregate of 150,000,000 existing Tradeeasy Shares and subscription of 150,000,000 new Tradeeasy Shares;

(ii) the agreement dated 10 October 2007 entered into between Huge Partner Limited ("Huge Partner", an indirect wholly-owned subsidiary of the Company) and an independent third party in relation to the disposal of a property by Huge Partner;

(iii) the Agreement (including the Initial S&P Agreement dated 4 October 2007, the Supplemental Agreement dated 17 October 2007, the Second Supplemental Agreement dated 28 February 2008 and the Third Supplemental Agreement dated 20 March 2008);

(iv) the Manistar Subscription Agreement (including the Manistar Initial Subscription Agreement dated 4 October 2007, the Manistar Supplemental Agreement dated 17 October 2007, the Manistar Second Supplemental Agreement dated 28 February 2008 and the Manistar Third Supplemental Agreement dated 20 March 2008); and

(v) the subscription agreement dated 7 March 2006 entered into between the Company and Tradeeasy, pursuant to which Tradeeasy conditionally agreed to allot and issue to the Company (or its nominee(s)) a total of 550,000,000 new Tradeeasy Shares at the subscription price of HK$0.04 per Tradeeasy Share.

11. MISCELLANEOUS

(a) The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and the head office and the principal place of business of the Company in Hong Kong is located at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong.

(b) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) The qualified accountant of the Company is Mr. Cheung Chi Wah, Patrick, who is an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

(d) The company secretary of the Company is Mr. Lam Che Wah, Danny, who is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents of the Enlarged Group are available for inspection at the head office and the principal place of business of the Company in Hong Kong at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong during normal business hours on any Business Day from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and the bye-laws of the Company;

(b) the memorandum and articles of association of MTG;

(c) the letter from the Board, the text of which is set out on pages 9 to 44 of this circular;

(d) the accountants' report on the Group, the text of which is set out in Appendix I of this circular;

(e) the accountants' report on the MTG Group, the text of which is set out in Appendix II of this circular;

(f) the unaudited pro forma financial information of the Enlarged Group and the Remaining Group, the text of which is set out in Appendix III of this circular;

(g) the valuation report from Pöyry, the text of which is set out in Appendix IV of this circular;

(h) the letters of consent from Ernst & Young, Pöyry and Yip Leung & So Limited referred to in the section headed "Qualifications and consents of experts" in this appendix;

(i) the annual reports of the Company for the two financial years ended 31 December 2006 and 2007;

(j) the material contracts referred to in the section headed "Material Contracts" in this appendix; and

(k) this circular.

CCT TELECOM HOLDINGS LIMITED

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

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of the shareholders of CCT Telecom Holdings Limited (the "**Company**") will be held at 2208, 22/F., St. George's Building, 2 Ice House Street, Central, Hong Kong on Wednesday, 18 June 2008 at 10:45 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) "**THAT** (a) the agreement dated 4 October 2007 (the "**Initial S&P Agreement**") entered into amongst Tradeeasy Holdings Limited ("**Tradeeasy**") (a non wholly-owned subsidiary of the Company), Merdeka Commodities Limited ("**MCL**") and Merdeka Timber Group Ltd. ("**MTG**") as amended and revised by (i) the supplemental agreement entered on 17 October 2007 (the "**Supplemental Agreement**"), (ii) the second supplemental agreement entered on 28 February 2008 (the "**Second Supplemental Agreement**"), and (iii) the third supplemental agreement entered on 20 March 2008 (the "**Third Supplemental Agreement**") (the Initial S&P Agreement, the Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement hereinafter collectively referred to as the "**Entire S&P Agreement**", a copy of which is tabled at the meeting and marked "**A**" and initialled by the chairman of the meeting (the "**Chairman**") for identification purposes) in relation to the acquisition by Tradeeasy of the ordinary shares of US$1.00 each in the share capital of MTG (the "**MTG Shares**") from MCL (the "**Acquisition**") and the subscription of the new MTG Shares by Tradeeasy (the "**Subscription**"); (b) the issue of the convertible bonds by Tradeeasy to MCL and/ its designated nominee(s) (the **"MCL Convertible Bonds"**) under the Entire S&P Agreement and the issue and allotment by Tradeeasy of the new shares in Tradeeasy arising from the future conversion of the MCL Convertible Bonds; and (c) all transactions contemplated under the Entire S&P Agreement, including the Acquisition and the Subscription, which constitute a very substantial acquisition for the Company, information relating to which is set out in the circular of the Company dated 30 May 2008 (the "**Circular**"), a copy of which is tabled at the meeting and marked "**B**" and initialled by the Chairman for identification purposes, be and are hereby approved."

(2) "**THAT** subject to and conditional upon the shareholders of Tradeeasy granting the approval to (a) the issue of the MCL Convertible Bonds by Tradeeasy under the Entire S&P Agreement; and (b) the issue of the convertible bonds by Tradeeasy to Manistar Enterprises Limited ("**Manistar**"), a wholly-owned subsidiary of the Company (the "**Manistar Convertible Bonds**"), under the subscription agreement entered on 4 October 2007 (the "**Manistar Initial Subscription Agreement**") between Tradeeasy and Manistar as amended and revised by (i) the supplemental subscription agreement entered on 17 October 2007 (the "**Manistar Supplemental Agreement**"), (ii) the second supplemental subscription agreement entered on 28 February 2008 (the "**Manistar Second Supplemental Agreement**"), and (iii) the third supplemental subscription agreement entered on 20 March 2008 (the "**Manistar Third Supplemental Agreement**") (the Manistar Initial Subscription Agreement, the Manistar Supplemental Agreement, the Manistar Second Supplemental Agreement and the Manistar Third Supplemental Agreement hereinafter collectively referred to as the "**Entire Manistar Agreement**") at the extraordinary general meeting of Tradeeasy, information relating to which is set out in the Circular, the possible very substantial disposal transaction of the Company arising from the possible decrease of the percentage of the shareholdings of Manistar in Tradeeasy as a result of the future conversion of the MCL Convertible Bonds and the Manistar Convertible Bonds, be and is hereby approved."

(3) "**THAT** any director, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in or relating to the Entire S&P Agreement, the Entire Manistar Agreement, the Acquisition, the Subscription, the very substantial acquisition transaction and the possible very substantial disposal transaction and completion thereof, as he/she/they may consider necessary, desirable or expedient."

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

Hong Kong, 30 May 2008

Head office and principal place of business in Hong Kong:
2208, 22/F.
St. George's Building
2 Ice House Street
Central
Hong Kong

Notes:

1. *A form of proxy for use at the SGM is enclosed herewith.*

2. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either executed under its common seal or under the hand of any officer, attorney or other person duly authorised to sign the same.*

3. *Any shareholder entitled to attend and vote at the SGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more shares may appoint not more than two proxies (who must be an individual or individuals) to attend and vote instead of him/her on the same occasion. A proxy need not be a shareholder of the Company but must attend the SGM in person to represent him/her.*

4. *In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 48 hours before the time appointed for holding the SGM or any adjourned meeting thereof (as the case may be). Such prescribed form of proxy for use at the SGM is also published on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company at www.cct.com.hk.*

5. *Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the SGM or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.*

6. *Where there are joint registered holders of any share(s), any one of such joint holders may attend and vote at the SGM or at any adjourned meeting thereof (as the case may be), either in person or by proxy, in respect of such share(s) as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the SGM or at any adjourned meeting thereof (as the case may be), the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.*