



CCT<sup>TM</sup>RESOURCES

中建資源集團有限公司  
CCT Resources Holdings Ltd

Interim Report 2009

Stock Code : 8163



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

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





## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL RESULTS**

CCT Resources Holdings Limited (the “Company”) and its subsidiaries (the “Group”) reported a turnover of approximately HK\$2,605,000 for its continuing operations for the six months ended 30 September 2009, up 386.0% from approximately HK\$536,000 for the last corresponding period. The increase in turnover was caused by the first sale of timber from the forestry business and the increase in turnover of the trading business during the six months ended 30 September 2009.

The Group posted a loss of approximately HK\$40,212,000 for the six months ended 30 September 2009, as compared to a loss of approximately HK\$12,966,000 for the six months ended 30 September 2008. The increase in loss was caused mainly by (i) charging of the non-cash accounting imputed interest expense of approximately HK\$19,165,000 on the liability components of the zero coupon convertible bonds; (ii) the non-cash accounting charge of approximately HK\$9,282,000 arising from grant of share options to directors and management of the Company; and (iii) the inclusion of the start-up loss of the forestry business during the period under review. As a result of these charges and loss, the loss of the Group for the three months ended 30 September 2009 was HK\$25,726,000.

The Company has changed its financial year end from 31 March to 31 December effective from the year of 2009 in order to cope with the statutory year end date of the Company’s principal subsidiaries in Indonesia. The six months ended 30 September 2009 therefore represent the interim period for 2009.

### **BUSINESS REVIEW**

The Group is engaged in the integrated forestry businesses and the trading business. The e-commerce business was discontinued by the Group in September 2008 after disposal of such business.

The forest project acquired by the Group last year consists of concessions with an area of 313,500 hectares of natural forests in Papua, Indonesia. The forestry business of the Group comprises the upstream operations of harvesting timber and the downstream operations of producing timber and other wood products, which include sawn timber, wood veneers, wood chips and rattan. The natural forests in Papua are tropical forests which contain a variety of wood species which can be produced into valuable hardwood and softwood timber products. These wood products are widely used in different areas like construction, interior decoration, floors, doors, window frames, furniture and paper manufacturing. China, as the largest wood consumer in the world, is the Group's major targeted market. In the recent years, the demand for wood products in China is robust due to the increasing urbanization and the growing economy of the country.

The Group will also be engaged in the plantation of oil palms and the production of palm oil. The Group will replant oil palm trees in the forest land and process fruits and seeds of oil palms into palm oil for export. Palm oil can be processed into bio-fuel. Bio-diesel is a kind of renewable green energy and its demand is increasing due to the commitment of most industrialized countries to reduce green house gas emissions. Indonesia is a major palm oil producing country, accounting for more than 40% of the total production volume of the world. The Group intends to develop the palm oil business into a major business of the Group which is expected to become a key driver for business growth in the future years.

The forestry business has been developed according to the business plan of the Group. During the quarter ended 30 June 2009, the Group has achieved significant progress in the development of its forestry business. The Group has started to harvest trees and process logs into wood products. The Group's first sawmill was completed and commenced operations during the period. The forestry business has started to generate revenue to the Group as the first sale of timber was made at the end of September, 2009. The second sawmill was also substantially completed during the period and is expected to commence operations in the last quarter of 2009. The construction of a wood veneer factory and a wood chip factory proceeded as planned and these new factories are expected to commence operation in the first quarter of next year.



## OUTLOOK

The global economy has become stabilized and is improving as a result of the stimulus packages implemented by various countries to overcome the financial turmoil. China, as the first major country to recover from the economic downturn, is expected to achieve the goal of 8% economic growth this year. The demand for timber and wood products is expected to rise again as the economy in China continues to rebound. The increasing imbalance of supply and demand of timber products, especially for natural tropical wood products, causes prices of timber products to maintain at a high level and increasing. The supply shortfall provides a highly favourable business opportunity to the forestry industry. The board of the directors of the Company (the "Board") is confident of the prospect of the Group's forestry business given the huge size of the concession areas and the promising outlook of the forestry industry. The Board is satisfied by the progress in the development of the Group's forestry business which is expected to be developed and grown into substantial operations, contributing significant revenue and returns to the Group in the future. Besides the timber business, the future plantation business of the Group offers huge business growth potential as the demand for palm oil as an alternative source of energy to fossil fuels has been increasing. The Board is confident of the prospect of the forestry resource business and will continue to optimize its forest resources in order to capture business opportunities so as to maximize the shareholders' return.

## Discussion on Financial Results

	Six months ended 30 September		
	2009 HK\$'000	2008 HK\$'000	% increase
<b>Continuing operations:</b>			
– Turnover	2,605	536	386.0%
– Loss before finance costs and share option expenses	(11,765)	(2,022)	481.8%
– Share option expenses	(9,282)	–	N/A
– Finance costs	(19,165)	(7,372)	160.0%
Loss from the continuing operations	(40,212)	(9,394)	328.1%
<b>Discontinued operations:</b>			
– Turnover	–	15,302	N/A
Loss from the discontinued operations	–	(3,572)	N/A
<b>LOSS FOR THE PERIOD</b>	<b>(40,212)</b>	<b>(12,966)</b>	<b>210.1%</b>

The Group's continuing operations represent the operations of the forestry business and the trading business. During the six months ended 30 September 2009, the Group's continuing operations reported a significant jump in turnover by 386.0% due to the first sale of timber from the forestry business and the increase in turnover of the trading business.

The Group incurred a loss of approximately HK\$40,212,000 for the six months ended 30 September 2009, up from the loss of approximately HK\$12,966,000 for the six months ended 30 September 2008. The increase in loss was caused mainly by the start-up loss of the forestry business and the finance costs of HK\$19,165,000 which represents a six-month charge of non-cash imputed interest on the liability component of the zero coupon convertible bonds issued in August 2008 whereas the last year charge of the imputed interest covered a period of only one and half months. The loss was also increased as a result of an one-off non-cash accounting charge arising from the grant of share options to directors and management of the Company.

The Group's discontinued operations represent the B2B business previously engaged by the Group, which was disposed in September 2008. The discontinued operations incurred a loss of HK\$3,572,000 for the period ended 30 September 2008.

### Capital Structure and Gearing Ratio

HK\$'000	30 September 2009		31 March 2009	
	Amount (Unaudited)	Relative %	Amount (Audited)	Relative %
Convertible bonds (liability component)	523,524	55.3%	523,557	54.7%
Total borrowings	523,524	55.3%	523,557	54.7%
Equity	423,041	44.7%	433,868	45.3%
Total capital employed	946,565	100.0%	957,425	100.0%

The Group's gearing ratio was approximately 55.3% as at 30 September 2009 (31 March 2009: 54.7%). The slight increase in the gearing ratio was due to the decrease in equity caused by loss incurred in the period.

During the three months ended 30 September 2009, the MCL Convertible Bonds with an aggregate principal amount of HK\$22,000,000 were converted into 220,000,000 shares of the Company. The outstanding principal amount of the MCL Convertible Bonds as at 30 September 2009 was HK\$594,880,000.



As the conversion price of the MCL Convertible Bonds is still below the current market price of the Company's share, it is likely that the balance of the MCL Convertible Bonds will be converted into shares of the Company and thus relieving the obligations of the Company to repay the MCL Convertible Bonds. Other than the convertible bonds, the Group has no other borrowings as at 30 September 2009.

As at 30 September 2009, the maturity profile of all the convertible bonds of the Group is falling due in the second to the fifth year. There was no material effect of seasonality on the Group's borrowing requirements.

### Liquidity and Financial Resources

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Current assets	<b>135,995</b>	149,463
Current liabilities	<b>9,199</b>	7,807
Current ratio	<b>1,478.4%</b>	1,914.5%

Current ratio as at 30 September 2009 was 1,478.4% (31 March 2009: 1,914.5%), reflecting strong liquidity and sound financial position of the Group.

As at 30 September 2009, the Group's total cash balance amounted to approximately HK\$132,252,000 (31 March 2009: HK\$145,349,000), of which HK\$11,289,000 (31 March 2009: Nil) was pledged for general banking facilities. Almost all of the Group's cash was placed on Hong Kong dollar deposits with licensed banks in Hong Kong. The ample cash balance provides sufficient cash resources to the Group to cover all cash requirements, including working capital and capital expenditure needs.

## **Foreign currency exposure**

The Group's reporting currency is in Hong Kong dollars. During the period ended 30 September 2009, most of the transactions of Group's forestry business were denominated in Hong Kong dollars, Indonesian Rupiah or in US dollars. As the Hong Kong dollar remains pegged to the US dollar, the exchange fluctuation of the US dollar against the Hong Kong dollar was not significant during the period ended 30 September 2009. As such, the forestry business did not have any significant exposure to foreign exchange risk during the period under review as the timber operation was still in the start-up stage.

The Board considers that the Group's exposure to foreign exchange risk is not significant at present and therefore, no hedging transaction was entered into during the period.

## **Contingent liabilities**

As at 30 September 2009, the Group did not have any significant contingent liabilities.

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

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

## **Significant investments**

The Group did not acquire or hold any significant investment during the six months ended 30 September 2009.





## **Pledge of assets**

As at 30 September 2009, save for the pledged deposits of HK\$11,289,000, the Group did not have any pledge of assets.

## **Capital commitments**

The Group's capital commitments amounted to approximately HK\$14,804,000 (31 March 2009: HK\$19,562,000) as at 30 September 2009, which was mainly related to capital expenditure for the forestry business of the Group and all of which will be financed by internal resources.

## **Employees and Remuneration Policy**

As at 30 September 2009, the Group employed 203 staff (31 March 2009: 124). The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitive remuneration package to employees. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. At 30 September 2009, there were outstanding share options of approximately 268,500,000 (31 March 2009: 68,500,000).

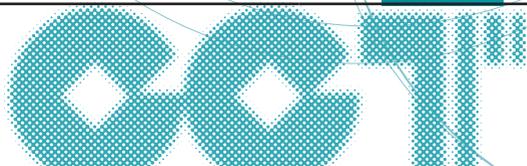
## UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

The board of directors (the “Board”) of the Company is pleased to announce that the unaudited condensed consolidated interim results of the Group for the three months and the six months ended 30 September 2009, together with the comparative unaudited figures for the corresponding period in 2008, are as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2009

	Notes	Three months ended		Six months ended	
		30 September		30 September	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
<b>CONTINUING OPERATIONS</b>					
REVENUE	2	380	267	2,605	536
Cost of sales		(334)	(175)	(2,445)	(377)
Gross profit		46	92	160	159
Other income and gains		-	139	226	271
General and administrative expenses		(7,032)	(1,200)	(12,151)	(2,452)
Equity-settled share option expenses		(9,096)	-	(9,282)	-
Finance costs	5	(9,644)	(7,372)	(19,165)	(7,372)
<b>LOSS BEFORE TAX</b>	4	<b>(25,726)</b>	<b>(8,341)</b>	<b>(40,212)</b>	<b>(9,394)</b>
Tax	6	-	-	-	-
<b>LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>(25,726)</b>	<b>(8,341)</b>	<b>(40,212)</b>	<b>(9,394)</b>
<b>DISCONTINUED OPERATIONS</b>					
Loss for the period from discontinued operations		-	(3,180)	-	(3,572)
<b>LOSS FOR THE PERIOD</b>		<b>(25,726)</b>	<b>(11,521)</b>	<b>(40,212)</b>	<b>(12,966)</b>



## CONDENSED CONSOLIDATED INCOME STATEMENT (continued)

For the six months ended 30 September 2009

	Notes	Three months ended 30 September		Six months ended 30 September	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Loss attributable to:					
Owners of the parent		(25,380)	(11,355)	(39,325)	(12,678)
Minority interests		(346)	(166)	(887)	(288)
		<b>(25,726)</b>	<b>(11,521)</b>	<b>(40,212)</b>	<b>(12,966)</b>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (in HK cents)	9				
Basic					
– For loss for the period		(0.59)	(0.94)	(0.92)	(1.05)
– For loss from continuing operations		(0.59)	(0.68)	(0.92)	(0.77)
Diluted					
– For loss for the period		N/A	N/A	N/A	N/A
– For loss from continuing operations		N/A	N/A	N/A	N/A

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2009

	Three months ended 30 September		Six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(25,726)	(11,521)	(40,212)	(12,966)
Other comprehensive gain/(loss), after tax:				
Exchange difference on translating foreign operations	1	(3,203)	17	(3,915)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(25,725)	(14,724)	(40,195)	(16,881)
Total comprehensive loss attributable to:				
Owners of the parent	(25,379)	(14,558)	(39,308)	(16,593)
Minority interests	(346)	(166)	(887)	(288)
	(25,725)	(14,724)	(40,195)	(16,881)



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

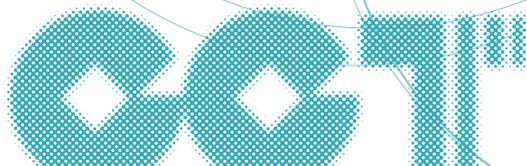
As at 30 September 2009

	Notes	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		27,168	24,055
Forest concessions	10	833,801	833,801
Total non-current assets		860,969	857,856
<b>Current assets</b>			
Inventories		620	–
Trade receivables	11	–	834
Prepayments, deposits and other receivables		3,123	3,280
Pledged time deposits		11,289	–
Cash and cash equivalents		120,963	145,349
Total current assets		135,995	149,463
<b>Total assets</b>		<b>996,964</b>	<b>1,007,319</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	14	44,231	42,031
Reserves		378,810	391,837
		423,041	433,868
<b>Minority interests</b>		<b>41,200</b>	<b>42,087</b>
<b>Total equity</b>		<b>464,241</b>	<b>475,955</b>
<b>Non-current liabilities</b>			
Convertible bonds	13	523,524	523,557
<b>Current liabilities</b>			
Trade payables	12	–	817
Other payables and accruals		9,199	6,990
Total current liabilities		9,199	7,807
<b>Total liabilities</b>		<b>532,723</b>	<b>531,364</b>
<b>Total equity and liabilities</b>		<b>996,964</b>	<b>1,007,319</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the six months ended 30 September 2009

	Attributable to owners of the parent									
	Issued share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Equity component of		Total (Unaudited) HK\$'000	Minority Interest (Unaudited) HK\$'000	Total Equity (Unaudited) HK\$'000
						convertible bonds (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000			
At 1 April 2009	42,031	351,925	66,710	1,659	(560)	116,875	(144,772)	433,868	42,087	475,955
Loss for the period	-	-	-	-	-	-	(39,325)	(39,325)	(887)	(40,212)
Other comprehensive gain	-	-	-	-	17	-	-	17	-	17
Total comprehensive loss	-	-	-	-	17	-	(39,325)	(39,308)	(887)	(40,195)
Issue of new shares upon conversion of convertible bonds	2,200	21,215	-	-	-	(4,216)	-	19,199	-	19,199
Equity-settled share option arrangements	-	-	-	9,282	-	-	-	9,282	-	9,282
At 30 September 2009	44,231	373,140	66,710	10,941	(543)	112,659	(184,097)	423,041	41,200	464,241
At 1 April 2008	11,803	75,006	66,710	1,605	169	-	(97,450)	57,843	(4)	57,839
Loss for the period	-	-	-	-	-	-	(12,678)	(12,678)	(288)	(12,966)
Other comprehensive loss	-	-	-	-	(3,915)	-	-	(3,915)	-	(3,915)
Total comprehensive loss	-	-	-	-	(3,915)	-	(12,678)	(16,593)	(288)	(16,881)
Exercise of share options	344	2,264	-	(1,301)	-	-	-	1,307	-	1,307
Issue of convertible bonds	-	-	-	-	-	173,435	-	173,435	-	173,435
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	42,172	42,172
At 30 September 2008	12,147	77,270	66,710	304	(3,746)	173,435	(110,128)	215,992	41,880	257,872



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 September 2009

	Six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Net cash inflow/(outflow) from operating activities	(8,395)	1,782
Net cash inflow/(outflow) from investing activities	(16,008)	129,161
Net cash inflow from financing activities	–	1,307
Net increase/(decrease) in cash and cash equivalents	(24,403)	132,250
Effect of foreign exchange rate changes, net	17	(3,915)
Cash and cash equivalents at beginning of period	145,349	37,303
Cash and cash equivalents at end of period	120,963	165,638
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	120,963	122,592
Non-pledged time deposits with original maturity of less than three months when acquired	–	43,046
	120,963	165,638

Notes:

## 1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") (which also include the Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the GEM Listing Rules. They have been prepared under the historical cost convention. These unaudited condensed consolidated interim results are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited condensed consolidated interim results should be read in conjunction with the Group's audited annual financial statements for the year ended 31 March 2009 ("2008/09 Annual Report"). The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group's 2008/09 Annual Report, except for the impact of the adoption of the Standards and Interpretation described below.

### **HKAS 1 (Revised) Presentation of Financial Statements** (effective for annual periods beginning on or after 1 January 2009)

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). The Group has elected to present a separate income statement and a statement of comprehensive income.

### **HKFRS 8 Operating Segments** (effective for annual periods beginning on or after 1 January 2009)

HKFRS 8 is a disclosure standard that has resulted in a re-designation of the Group's reportable segments, but has no impact on the results or financial positions of the Group.



The following amendments and interpretations issued by the HKICPA which are or have become effective and did not have any significant impact on the accounting policies of the Group.

HKFRSs (Amendments)	Improvements to HKFRSs
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>

The unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2009 have been reviewed by the Company's audit committee (the "Audit Committee").

## 2. 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 during the six-month period under review.

An analysis of revenue is as follows:

	Three months ended		Six months ended	
	30 September		30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Sale of goods attributable to the continuing trading business	–	267	2,225	536
Sale of goods attributable to the continuing forestry business	380	–	380	–
Rendering of services attributable to the discontinued B2B Business	–	7,087	–	15,302
	<b>380</b>	7,354	<b>2,605</b>	15,838

### 3. Segment Information

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. HKFRS 8 replaces the requirement under HKAS 14 to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of HKFRS 8 did not have any effect on the Group's results of operations or financial position.

The Group determines that in accordance with HKFRS 8, there are three business reportable segments which are the continuing trading business and the forestry business and the discontinued B2B business.

For the six months ended 30 September 2009	Continuing operations				Group Totals (Unaudited)
	Trading business (Unaudited)	Forestry business (Unaudited)	Total (Unaudited)	Reconciliations (Unaudited)	
HK\$'000					
Segment revenue:					
Revenue from external customers	2,225	380	2,605	-	2,605
Operating loss	(20)	(11,783)	(11,803)	-	(11,803)
Interest income	-	38	38	-	38
Finance costs	-	(19,165)	(19,165)	-	(19,165)
Reconciled item:					
Unallocated expenses					
- equity-settled share option expenses	-	-	-	(9,282)	(9,282)
Loss before tax	(20)	(30,910)	(30,930)	(9,282)	(40,212)
Expenditure for non-current assets	-	4,758	4,758	-	4,758
Depreciation and amortisation	-	(1,638)	(1,638)	-	(1,638)
Other material non-cash items					
Equity-settled share option expenses	-	-	-	(9,282)	(9,282)



For the six months ended  
30 September 2008

	Continuing operations			Discontinued operations		Group Total (Unaudited)
	Trading business (Unaudited)	Forestry business (Unaudited)	Total (Unaudited)	B2B business (Unaudited)	Reconciliations (Unaudited)	
Segment revenue:						
Revenue from external customers	536	-	536	15,302	-	15,838
Operating loss	(70)	(1,504)	(1,574)	(3,719)	-	(5,293)
Interest income	-	209	209	6	-	215
Finance costs	-	(7,372)	(7,372)	-	-	(7,372)
Share of result of associate	-	-	-	141	-	141
Reconciled item:						
Unallocated expenses	-	-	-	-	(657)	(657)
Loss before tax	(70)	(8,667)	(8,737)	(3,572)	(657)	(12,966)
Expenditure for non-current assets	-	16,990	16,990	-	-	16,990
Depreciation and amortisation	-	(6)	(6)	(929)	-	(935)

30 September 2009

	Continuing operations				Group Total (Unaudited)
	Trading business (Unaudited)	Forestry business (Unaudited)	Total (Unaudited)	Reconciliations (Unaudited)	
Segment assets	731	946,840	947,571	-	947,571
Reconciled item:					
Unallocated corporate assets	-	-	-	49,393	49,393
Total assets	731	946,840	947,571	49,393	996,964
Total liabilities	595	532,128	532,723	-	532,723

31 March 2009

	Continuing operations				Group Total (Audited)
	Trading business (Audited)	Forestry business (Audited)	Total (Audited)	Reconciliations (Audited)	
Segment assets	1,878	955,550	957,428	-	957,428
Reconciled item:					
Unallocated corporate assets	-	-	-	49,891	49,891
<b>Total assets</b>	<b>1,878</b>	<b>955,550</b>	<b>957,428</b>	<b>49,891</b>	<b>1,007,319</b>
Segment liabilities	1,086	530,078	531,164	-	531,164
Reconciled item:					
Unallocated corporate liabilities	-	-	-	200	200
<b>Total liabilities</b>	<b>1,086</b>	<b>530,078</b>	<b>531,164</b>	<b>200</b>	<b>531,364</b>

The accounting policies of the reportable segments are the same as the Group's accounting policies. Central corporate office income and expenses, assets and liabilities that are not directly related to reportable segments have not been allocated to the operating segments. Performance is evaluated on the basis of profit or loss from operations before taxation. Taxation charge/(credit) is not allocated to reportable segments.

Additional disclosures on segments information by geographical location for the period ended 30 September 2009 and 2008 are shown below:

For the six months ended 30 September	Indonesia		Hong Kong		Mainland China		Group Totals	
	2009 (Unaudited)	2008 (Unaudited)	2009 (Unaudited)	2008 (Unaudited)	2009 (Unaudited)	2008 (Unaudited)	2009 (Unaudited)	2008 (Unaudited)
Continuing operations:								
Revenues	380	-	2,225	536	-	-	2,605	536
Discontinued operations:								
Revenues	-	-	-	10,302	-	5,000	-	15,302



#### 4. Loss before tax

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

	Three months ended 30 September		Six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
<b>CONTINUING OPERATIONS</b>				
Depreciation	853	6	1,638	6
<b>DISCONTINUED OPERATIONS</b>				
Depreciation	-	362	-	694
Amortisation of deferred development expenditure	-	-	-	235

#### 5. Finance costs

	Three months ended 30 September		Six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
<b>CONTINUING OPERATIONS</b>				
Interest charge on convertible bonds	9,644	7,372	19,165	7,372

The charge represents the imputed interest on the liability component of the convertible bonds for the periods.

#### 6. Tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2008: Nil). Overseas profits tax has not been provided as the overseas subsidiaries had no taxable income for the period.

There were no income tax relating to the other comprehensive income during the period (2008: Nil).

#### 7. Dividend

No interim dividend has been paid or declared by the Company or any of its subsidiaries during the six months ended 30 September 2009 (2008: Nil).

## 8. Discontinued operations

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

The Sale Transaction was completed on 23 September 2008.

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

	Three months ended 30 September		Six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Revenue	-	7,087	-	15,302
Cost of sales	-	(4,662)	-	(10,687)
Gross profit	-	2,425	-	4,615
Other income and gains	-	62	-	243
Selling and distribution costs	-	(772)	-	(1,443)
General and administrative expenses	-	(6,468)	-	(8,096)
Advertising and promotion expenses	-	(1,240)	-	(1,708)
Other expenses	-	(549)	-	(686)
Share of profits of associates	-	-	-	141
Loss before tax	-	(6,542)	-	(6,934)
Tax	-	-	-	-
Loss for the period from discontinued operations	-	(6,542)	-	(6,934)
Gain on disposal of the discontinued operations	-	3,362	-	3,362
	-	(3,180)	-	(3,572)
Loss per share (HK cents): <i>(Note 9)</i>				
Basic, from the discontinued operations	-	(0.25)	-	(0.28)
Diluted, from the discontinued operations	-	N/A	-	N/A

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



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

	Six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Net cash outflow from operating activities	-	(7,993)
Net cash outflow from investing activities	-	(37)
Net cash inflow from financing activities	-	7,999
<b>Total net cash outflow from discontinued operations</b>	<b>-</b>	<b>(31)</b>

### 9. Loss per share attributable to owners of the parent

The calculation of basic loss per share are based on:

	Three months ended 30 September		Six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
<b>Loss</b>				
Loss attributable to owners of the parent				
– continuing operations	(25,380)	(8,266)	(39,325)	(9,319)
– discontinued operations	-	(3,089)	-	(3,359)
	<b>(25,380)</b>	<b>(11,355)</b>	<b>(39,325)</b>	<b>(12,678)</b>
<b>Shares</b>				
Weighted average number of ordinary shares in issue during the period	<b>4,307,714,217</b>	1,214,749,000	<b>4,255,717,306</b>	1,210,049,546

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

## 10. Forest concessions

The Group acquired certain forest concession licenses in the Papua Province of Indonesia through acquisitions of subsidiaries, which provides the Group with the right to exploit and harvest trees in 313,500 hectares of forest area.

## 11. Trade receivables

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

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Current to 30 days	–	834

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

## 12. Trade payables

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

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Current to 30 days	–	817

The trade payables are non-interest-bearing and are normally settled on credit terms of 30 days.



### 13. Convertible Bonds

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

Subject to the restrictions specified below, the MCL Convertible Bonds were convertible at the option of the bondholders into ordinary shares in the Company at the initial conversion price of HK\$0.1 per share (subject to adjustment as provided in the terms and conditions of the MCL Convertible Bonds) at any time from the date of issue and ending on the fifth business day before the third anniversary of the date of issue:

- The bondholders do not have the right to convert any principal amount of the MCL Convertible Bonds into new shares of the Company thereof, if upon such conversion, MCL and the parties acting in concert with it will be interested in 30% (or such amount as may from time to time be specified in the Codes on Takeovers and Mergers and Share Repurchases as being the level for triggering a mandatory general offer) or more of the enlarged issued share capital of the Company at the date of relevant conversion;
- The conversion of the MCL Convertible Bonds shall not cause the Company to be in breach of the minimum public float requirement as stipulated under Rule 11.23 of the GEM Listing Rules; and
- The bondholders do not have the right to convert any MCL Convertible Bonds with the principal amount falling between the range of HK\$350,000,000 to HK\$776,880,000 at any time during the period from the issue date up to and inclusive of the date that falls on the first anniversary of the issue date.

The MCL Convertible Bonds are unsecured, interest-free and have a maturity date of 12 August 2011. Unless converted into the shares of the Company, the outstanding balance of the MCL Convertible Bonds would be redeemed in full on maturity.

During the prior financial year ended 31 March 2009, the MCL Convertible Bonds with an aggregate principal amount of approximately HK\$160,000,000 were converted into 1,600,000,000 shares in the Company of HK\$0.01 each. During the period under review, the MCL Convertible Bonds with an aggregate principal amount of approximately HK\$22,000,000 were converted into 220,000,000 shares in the Company of HK\$0.01 each. The outstanding principal amount of the MCL Convertible Bonds as at 30 September 2009 was HK\$594,880,000.

#### 14. Share Capital

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Authorised:		
20,000,000,000 ordinary shares of HK\$0.01 each	<b>200,000</b>	200,000
Issued and fully paid:		
4,423,149,000 (31 March 2009: 4,203,149,000) ordinary shares of HK\$0.01 each	<b>44,231</b>	42,031

#### 15. Contingent Liabilities

As at 30 September 2009, the Group did not have any significant contingent liabilities.

#### 16. Operating Lease Arrangements

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

At 30 September 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Within one year	<b>1,849</b>	1,849
In the second to fifth years, inclusive	<b>847</b>	1,772
	<b>2,696</b>	3,621



## 17. Capital Commitments

In addition to the operating lease commitments detailed in note 16 above, the Group had the following commitments at the balance sheet date:

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Authorised, but not contracted for purchase of plant and machinery	<b>6,246</b>	19,562
Contracted but not provided for purchase of plant and machinery	<b>8,558</b>	–
	<b>14,804</b>	19,562

## 18. Comparative Figures

Certain comparative figures have been re-classified to conform with the current period's presentation.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

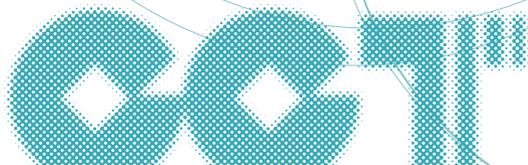
As at 30 September 2009, the directors and the chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or Rule 5.46 of the GEM Listing Rules:

### (a) Interests and short positions in the shares and the underlying shares of the share options of the Company as at 30 September 2009

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

Name of directors	Number of the shares interested and nature of interest			Approximate percentage of the total issued share capital of the Company (%)
	Personal	Corporate	Total	
Mak Shiu Tong, Clement ( <i>Note</i> )	19,344,000	2,031,764,070	2,051,108,070	46.37
Ma Hang Kon, Louis	1,180,000	–	1,180,000	0.03
Tam Ngai Hung, Terry	7,500,000	–	7,500,000	0.17
Fung Hoi Wing, Henry	550,000	–	550,000	0.01
Lau Ho Wai, Lucas	950,000	–	950,000	0.02

*Note:* Of the shareholdings in which Mr. Mak Shiu Tong, Clement was interested, 2,031,764,070 shares of the Company were beneficially held by Manistar Enterprises Limited ("Manistar"), an indirect wholly-owned subsidiary of CCT Telecom Holdings Limited ("CCT Telecom"). Mr. Mak Shiu Tong, Clement is deemed to be interested in such shares of the Company under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of CCT Telecom through his interest in the shareholdings of 45.11% of the total issued share capital in CCT Telecom as at 30 September 2009.



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

### (a) Interests and short positions in the shares and the underlying shares of the share options of the Company as at 30 September 2009 *(continued)*

- (ii) Long positions in the underlying shares of the share options granted under the share option scheme of the Company:

Name of directors	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 of the Company (%)
Mak Shiu Tong, Clement	5/7/2006	14/8/2006 - 13/8/2011	0.038	22,500,000	22,500,000	0.51
Ma Hang Kon, Louis	6/10/2008	6/4/2009 - 13/8/2011	0.195	5,000,000	5,000,000	0.11
	6/10/2008	6/10/2009 - 13/8/2011	0.195	5,000,000	5,000,000	0.11
Tam Ngai Hung, Terry	5/7/2006	14/8/2006 - 13/8/2011	0.038	18,000,000	18,000,000	0.41
	7/7/2009	11/8/2009 - 6/3/2012	0.160	40,500,000	40,500,000	0.92
Cheng Yuk Ching, Flora	5/7/2006	14/8/2006 - 13/8/2011	0.038	5,000,000	5,000,000	0.11
	7/7/2009	11/8/2009 - 6/3/2012	0.160	46,000,000	46,000,000	1.04
William Donald Putt	5/7/2006	14/8/2006 - 13/8/2011	0.038	5,000,000	5,000,000	0.11
	7/7/2009	11/8/2009 - 6/3/2012	0.160	3,500,000	3,500,000	0.08
Fung Hoi Wing, Henry	7/7/2009	11/8/2009 - 6/3/2012	0.160	3,500,000	3,500,000	0.08
Lau Ho Wai, Lucas	7/7/2009	11/8/2009 - 6/3/2012	0.160	3,500,000	3,500,000	0.08
Lam Kin Kau, Mark	7/7/2009	11/8/2009 - 6/3/2012	0.160	3,500,000	3,500,000	0.08
Chan Hoi Tung, Tony <i>(resigned on 31 October 2009)</i>	14/11/2008	14/5/2009 - 13/8/2011	0.116	4,000,000	4,000,000	0.09
	14/11/2008	14/11/2009 - 13/8/2011	0.116	4,000,000	4,000,000	0.09

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

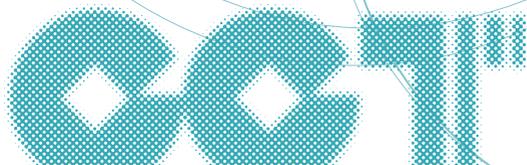
### (b) Interests and short positions in the shares and the underlying shares of an associated corporation – CCT Telecom as at 30 September 2009

Long positions in the shares of CCT Telecom:

Name of directors	Number of the shares interested and nature of interest			Total	Approximate percentage of the total issued share capital of CCT Telecom (%)
	Personal	Family	Corporate		
Mak Shiu Tong, Clement <i>(Note 1)</i>	715,652	-	294,775,079	295,490,731	45.11
Tam Ngai Hung, Terry	500,000	-	-	500,000	0.08
Cheng Yuk Ching, Flora <i>(Note 2)</i>	14,076,713	160,000	-	14,236,713	2.17
William Donald Putt	591,500	-	-	591,500	0.09

*Notes:*

1. *Of the shareholdings in which Mr. Mak Shiu Tong, Clement was interested, an aggregate of 294,775,079 shares of CCT Telecom were beneficially held by Capital Force International Limited, New Capital Industrial Limited and Capital Winner Investments Limited, all of which are corporations wholly-owned by him, his spouse and his two sons. Mr. Mak Shiu Tong, Clement is deemed to be interested in such shares of CCT Telecom under the SFO as he controls the exercise of one-third or more of the voting power at general meetings of Capital Force International Limited, New Capital Industrial Limited and Capital Winner Investments Limited.*
2. *Of the shareholdings in which Ms. Cheng Yuk Ching, Flora was interested, 160,000 shares of CCT Telecom were beneficially owned by the spouse of Ms. Cheng Yuk Ching, Flora, who is deemed to be interested in such shares of CCT Telecom under the provisions of Part XV of the SFO or Rule 5.46 of the GEM Listing Rules.*



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

### (c) Interests and short positions in the shares and the underlying shares of the share options of an associated corporation – CCT Tech International Limited (“CCT Tech”) as at 30 September 2009

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

Name of directors	Number of the shares interested and nature of interest			Total	Approximate percentage of the total issued share capital of CCT Tech (%)
	Personal	Corporate			
Mak Shiu Tong, Clement <i>(Note)</i>	120,000,000	33,026,391,124	33,146,391,124		50.67
Tam Ngai Hung, Terry	20,000,000	–	20,000,000		0.03
Cheng Yuk Ching, Flora	18,000,000	–	18,000,000		0.03

*Note:* Of the shareholdings in which Mr. Mak Shiu Tong, Clement was interested, 33,026,391,124 shares of CCT Tech were held by CCT Telecom through its indirect wholly-owned subsidiaries. Mr. Mak Shiu Tong, Clement is deemed to be interested in such shares of CCT Tech under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of CCT Telecom through his interest in the shareholdings of 45.11% of the total issued share capital in CCT Telecom as at 30 September 2009.

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

### (c) Interests and short positions in the shares and the underlying shares of the share options of an associated corporation – CCT Tech International Limited (“CCT Tech”) as at 30 September 2009 *(continued)*

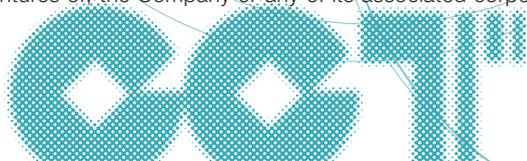
- (ii) Long positions in the underlying shares of the share options granted under the share option scheme of CCT Tech:

Name of directors	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 of CCT Tech (%)
Tam Ngai Hung, Terry	23/7/2009	23/7/2009 - 6/11/2012	0.01	223,000,000	223,000,000	0.34
Cheng Yuk Ching, Flora	23/7/2009	23/7/2009 - 6/11/2012	0.01	245,000,000	245,000,000	0.37
William Donald Putt	23/7/2009	23/7/2009 - 6/11/2012	0.01	8,000,000	8,000,000	0.01

Save as disclosed above, as at 30 September 2009, none of the directors and the chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or Rule 5.46 of the GEM Listing Rules.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed “Directors’ Interests in Shares and Underlying Shares” above and “Share Option Scheme” below, at no time during the period for the six months ended 30 September 2009 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the directors and the chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.



## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2009, the following persons (not being the directors or the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

- (i) Long positions in the shares of the Company as at 30 September 2009:

Name of shareholders	Capacity and nature of interest	Notes	Number of the shares interested	Approximate percentage of the total issued share capital of the Company (%)
Merdeka Commodities Limited ("MCL")	Directly beneficially owned		700,000,000	15.83
Merdeka Finance Group Limited	Through a controlled corporation	<i>1</i>	700,000,000	15.83
Lai Wing Hung	Directly beneficially owned and through a controlled corporation	<i>1 and 2</i>	775,000,000	17.52
Manistar	Directly beneficially owned		2,031,764,070	45.93
CCT Telecom Securities Group Limited	Through a controlled corporation	<i>3</i>	2,031,764,070	45.93
CCT Telecom	Through a controlled corporation	<i>3</i>	2,031,764,070	45.93

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

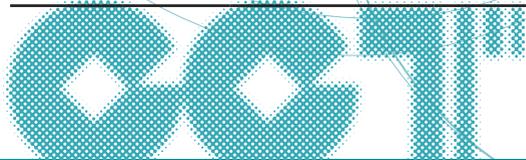
(i) Long positions in the shares of the Company as at 30 September 2009: (continued)

Notes:

1. The 700,000,000 shares of the Company were held by MCL, a subsidiary of Merdeka Finance Group Limited which is deemed to be interested in such shares of the Company under the SFO as it is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of MCL through its shareholdings of 70% of the total issued share capital in MCL as at 30 September 2009.
2. Of the shareholdings in which Mr. Lai Wing Hung was interested, 700,000,000 shares of the Company were held by MCL. Mr. Lai Wing Hung is deemed to be interested in such shares of the Company under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of MCL through his 15% personal shareholdings in MCL and through his 100% shareholdings in Merdeka Finance Group Limited, which in turn held 70% shareholdings in MCL as at 30 September 2009. The remaining 75,000,000 shares of the Company were beneficially owned by Mr. Lai Wing Hung personally.
3. The shares of the Company were held by Manistar, which is wholly-owned by CCT Telecom Securities Group Limited which in turn is a wholly-owned subsidiary of CCT Telecom.

(ii) Long positions in the underlying shares of the convertible bonds of the Company as at 30 September 2009:

Name of the holder of the convertible bonds	Description of equity derivatives	Principal amount of the convertible bonds HK\$	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company (%)
MCL	MCL Convertible Bonds (Note)	594,880,000	5,948,800,000	134.49
Merdeka Finance Group Limited	MCL Convertible Bonds (Note)	594,880,000	5,948,800,000	134.49
Lai Wing Hung	MCL Convertible Bonds (Note)	594,880,000	5,948,800,000	134.49



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

- (ii) Long positions in the underlying shares of the convertible bonds of the Company as at 30 September 2009: *(continued)*

*Note: The MCL Convertible Bonds with an outstanding principal amount of HK\$594,880,000 as at 30 September 2009, were issued by the Company to MCL on 12 August 2008 following the completion of the agreement entered into amongst the Company, MCL and Merdeka Timber Group Ltd. ("MTG") in connection with the acquisition and subscription by the Company of the shares in MTG representing 100% shareholdings in MTG on that date. The MCL Convertible Bonds, due on 12 August 2011, are unlisted, interest-free and convertible into the shares of the Company (subject to conversion restrictions and conversion lock-up provisions pursuant to the MCL Convertible Bonds) at the conversion price of HK\$0.10 per share of the Company (subject to adjustment pursuant to the MCL Convertible Bonds). Merdeka Finance Group Limited is deemed to be interested in such underlying shares of the Company under the SFO as it is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of MCL through its shareholdings of 70% of the total issued share capital in MCL as at 30 September 2009. Mr. Lai Wing Hung is deemed to be interested in such underlying shares of the Company under the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of MCL through his 15% personal shareholdings in MCL and through his 100% shareholdings in Merdeka Finance Group Limited, which in turn held 70% shareholdings in MCL as at 30 September 2009.*

Save as disclosed above, the directors and the chief executive of the Company are not aware that there is any party who, as at 30 September 2009, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

## **SHARE OPTION SCHEME**

The share option scheme of the Company (the "Share Option Scheme") was effective on 7 March 2002. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. As at 30 September 2009, there were 268,500,000 share options outstanding under the Share Option Scheme. Based on these outstanding share options, the total number of shares available for issue is 268,500,000, which represents approximately 6.07% and 6.07% of the total issued share capital of the Company as at 30 September 2009 and the date of the Interim Report 2009 respectively. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 268,500,000 additional ordinary shares of the Company, additional share capital of HK\$2,685,000 and share premium of HK\$34,112,000 (before the share issue expenses).

## SHARE OPTION SCHEME (continued)

Details of the movements of the share options under the Share Option Scheme during the six months ended 30 September 2009 were as follows:

Name or category of the participants	Number of share options				Outstanding as at 30 September 2009	Date of grant of the share options	Exercise period of the share options	Exercise price of the share options (Note 1) HK\$ per share	Price of the shares before the date of grant (Note 2) HK\$ per share
	Outstanding as at 1 April 2009	Granted during the period	Exercised during the period	Expired/ Forfeited during the period					
<b>Executive directors</b>									
Mak Shiu Tong, Clement	22,500,000	-	-	-	22,500,000	5/7/2006	14/8/2006 - 13/8/2011	0.038	0.035
Ma Hang Kon, Louis	5,000,000	-	-	-	5,000,000	6/10/2008	6/4/2009 - 13/8/2011	0.195	0.185
	5,000,000	-	-	-	5,000,000	6/10/2008	6/10/2009 - 13/8/2011	0.195	0.185
Tam Ngai Hung, Terry	18,000,000	-	-	-	18,000,000	5/7/2006	14/8/2006 - 13/8/2011	0.038	0.035
	-	40,500,000	-	-	40,500,000	7/7/2009	11/8/2009 - 6/3/2012	0.160	0.157
Cheng Yuk Ching, Flora	5,000,000	-	-	-	5,000,000	5/7/2006	14/8/2006 - 13/8/2011	0.038	0.035
	-	46,000,000	-	-	46,000,000	7/7/2009	11/8/2009 - 6/3/2012	0.160	0.157
William Donald Putt	5,000,000	-	-	-	5,000,000	5/7/2006	14/8/2006 - 13/8/2011	0.038	0.035
	-	3,500,000	-	-	3,500,000	7/7/2009	11/8/2009 - 6/3/2012	0.160	0.157
Chan Hoi Tung, Tony (resigned on 31 October 2009)	4,000,000	-	-	-	4,000,000	14/11/2008	14/5/2009 - 13/8/2011	0.116	0.112
	4,000,000	-	-	-	4,000,000	14/11/2008	14/11/2009 - 13/8/2011	0.116	0.112
	68,500,000	90,000,000	-	-	158,500,000				
<b>Independent non-executive directors</b>									
Fung Hoi Wing, Henry	-	3,500,000	-	-	3,500,000	7/7/2009	11/8/2009 - 6/3/2012	0.160	0.157
Lau Ho Wai, Lucas	-	3,500,000	-	-	3,500,000	7/7/2009	11/8/2009 - 6/3/2012	0.160	0.157
Lam Kin Kau, Mark	-	3,500,000	-	-	3,500,000	7/7/2009	11/8/2009 - 6/3/2012	0.160	0.157
	-	10,500,000	-	-	10,500,000				
<b>Director of certain subsidiaries of the Company</b>									
Pang Tung Choi	-	90,000,000	-	-	90,000,000	7/7/2009	11/8/2009 - 6/3/2012	0.160	0.157
	-	90,000,000	-	-	90,000,000				
<b>Others</b>									
In aggregate	-	9,500,000	-	-	9,500,000	7/7/2009	7/7/2009 - 6/3/2012	0.160	0.157
	-	9,500,000	-	-	9,500,000				
	68,500,000	226,100,000	-	-	294,600,000				

## SHARE OPTION SCHEME (continued)

### Notes:

1. The exercise price of the share options is subject to adjustment in the case of capitalisation issue, rights issue, sub-division or consolidation of the shares of the Company, or other similar changes in the Company's share capital.
2. The price of the shares of the Company before the date of the grant of the share options is the closing price of the shares of the Company as quoted on the Stock Exchange on the trading day immediately before the date on which the share options were granted.

At the date of approval of these unaudited condensed consolidated interim financial statements, no share options were exercised subsequent to the balance sheet date.

During the period for the six months ended 30 September 2009, a total of 200,000,000 share options were granted by the Company on 7 July 2009, among which the grant of 190,500,000 share options to the directors of the Company and a director of certain subsidiaries of the Company was beyond the limit under the Share Option Scheme and was subject to shareholders' approval in a general meeting. The Company has obtained approval from its shareholders for the grant of the said 190,500,000 share options at the extraordinary general meeting of the Company which was held on 5 August 2009. The directors of the Company have estimated the following theoretical valuations of the said 190,500,000 share options granted under the Share Option Scheme during the period, calculated using the Black-Scholes option pricing model which is a generally accepted method of valuing share options as at the date of grant of the share options:

Name of grantees	Number of	Theoretical
	share options granted during the period	value of the share options HK\$
Tam Ngai Hung, Terry	40,500,000	1,787,000
Cheng Yuk Ching, Flora	46,000,000	2,030,000
William Donald Putt	3,500,000	154,000
Fung Hoi Wing, Henry	3,500,000	154,000
Lau Ho Wai, Lucas	3,500,000	154,000
Lam Kin Kau, Mark	3,500,000	154,000
Pang Tung Choi	90,000,000	3,971,000
	190,500,000	8,404,000

## SHARE OPTION SCHEME *(continued)*

The fair value of the share options granted during the period for the six months ended 30 September 2009 was HK\$8,958,000 (30 September 2008: Nil) of which the Group recognised a share option expense of HK\$8,958,000 (30 September 2008: Nil) during the period.

The fair value of equity-settled share options granted during the period was estimated as at the date of grant, using the Black-Scholes option pricing 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:

Dividend yield (%)	–
Expected volatility (%)	73 – 78
Historical volatility (%)	73 – 78
Risk-free interest rate (%)	0.2 – 1.0
Expected life of share options ( <i>year</i> )	1.3 – 2.7
Closing share price at grant date ( <i>HK\$</i> )	0.150

The expected life of the share options is based on management expectation 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 share options granted was incorporated into the measurement of fair value.





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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company during the six months ended 30 September 2009.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

### **Corporate Governance Practices**

In the opinion of the directors of the Company, the Company has complied with the code provisions under the Code on Corporate Governance Practices (the “CG Code”) set out in Appendix 15 to the GEM Listing Rules throughout the period for the six months ended 30 September 2009, except for the following deviations from the code provisions of the CG Code:

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

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

None of the existing independent non-executive directors (“INED(s)”) of the Company is appointed for a specific term. However, all INEDs of the Company are subject to retirement by rotation and re-election at every annual general meeting of the Company (the “AGM”) in accordance with the articles of association of the Company.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

*(continued)*

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

#### **Code Provision A.4.2**

The Code Provision A.4.2 provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the articles of association of the Company, any director appointed to fill a casual vacancy shall hold office only until the next following AGM and shall then be eligible for re-election. The Board considers that such a deviation is not material as casual vacancy seldom happens and duration between appointment to fill casual vacancy and the immediate following AGM is less than one year and is considered to be short.

Pursuant to the articles of association of the Company, the chairman and the managing director of the Company shall not be subject to retirement by rotation or also not be taken into account in determining the number of directors to retire in each year. The Board considers that the continuity of the chairman of the Company and his leadership will be essential for the stability of the key management of the Board. On the other hand, the Board will ensure that the directors of the Company other than the chairman of the Company will rotate at least once every three years in order to comply with the Code Provision A.4.2.

Other information on the corporate governance practices of the Company has been disclosed in the corporate governance report contained in the Annual Report 2008/2009 of the Company issued in June 2009.





## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

*(continued)*

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

The Company has not adopted a code of conduct regarding the securities transactions by the directors of the Company but has applied the principles of the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all directors of the Company and the Company is not aware of any non-compliance with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the period for the six months ended 30 September 2009.

### **Remuneration Committee**

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

### **Audit Committee**

The Company has established an audit committee (the “Audit Committee”) with specific written terms of reference formulated in accordance with the requirements of the GEM Listing Rules. The primary duties of the Audit Committee are to ensure the objectivity and credibility of the Company’s financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

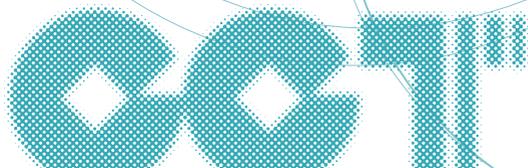
*(continued)*

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

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

The Audit Committee is mainly responsible for (i) reviewing the Company's quarterly results, half-yearly results and annual financial statements and making recommendations as to the approval of the Company's quarterly results, half-yearly results and annual financial statements by the Board; (ii) reviewing and making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and the terms of engagement including the remuneration of the external auditors; (iii) discussing with the external auditors the nature and scope of the audit; (iv) monitoring and assessing the independence and objectivity of the external auditors and the effectiveness of the audit process in accordance with applicable standards; (v) reviewing and monitoring financial reporting and the reporting judgment contained in them; and (vi) reviewing financial and internal control (including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget), accounting policies and practices with management of the Group, internal and external auditors of the Company.

The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2009 and the Interim Report 2009 of the Company, and confirmed that the preparation of such complied with applicable accounting principles and practices adopted by the Company and the requirements of the Stock Exchange, and adequate disclosure had been made.





## **DISCLOSURE ON CHANGE OF INFORMATION OF DIRECTORS PURSUANT TO RULE 17.50A(1) OF THE GEM LISTING RULES**

Mr. Ma Hang Kon, Louis has resigned from the position as the chief executive officer of the Company and Merdeka Timber Group Ltd., a principal subsidiary of the Company, with effect from 31 October 2009.

Mr. Mak Shiu Tong, Clement and Mr. Tam Ngai Hung, Terry have been appointed as the chief executive officer and the chief financial officer of the Company respectively, with effect from 1 November 2009.

### **BOARD OF DIRECTORS**

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

#### *Executive Directors:*

Mr. Mak Shiu Tong, Clement (*Chairman and Chief Executive Officer*)

Mr. Ma Hang Kon, Louis

Mr. Tam Ngai Hung, Terry

Ms. Cheng Yuk Ching, Flora

Dr. William Donald Putt

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

Mr. Lam Kin Kau, Mark

Mr. Fung Hoi Wing, Henry

Mr. Lau Ho Wai, Lucas

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

Hong Kong, 10 November 2009



