



Tradeeasy Holdings Limited  
易貿通集團有限公司



## Third Quarterly Report

For the nine months ended 31 December 2005

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at [www.hkgem.com](http://www.hkgem.com) in order to obtain up-to-date information on GEM-listed issuers.

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



## Highlights

- Turnover of the Group for the nine months ended 31 December 2005 was HK\$30,900,000 as compared to HK\$29,200,000 for the corresponding period in the previous financial year.
- Profit attributable to shareholders for the nine months ended 31 December 2005 was HK\$600,000 as compared to HK\$1,700,000 for the corresponding period in the previous financial year.
- Earnings per share of the Group was HK0.14 cents for the nine months ended 31 December 2005 as compared to HK0.41 cents for the corresponding period in the previous financial year.
- The Board does not recommend the payment of any dividend for the nine months ended 31 December 2005.



## Third Quarterly Unaudited Results for the nine months ended 31 December 2005

The board of directors (the “Directors”) of Tradeeasy Holdings Limited (the “Company”) is pleased to announce that the unaudited consolidated third quarterly results of the Company and its subsidiaries (collectively referred to as the “Group” or “Tradeeasy”) for the three months and the nine months ended 31 December 2005, together with the comparative unaudited figures for the corresponding periods in 2004 respectively, are as follows:

	Notes	Unaudited three months ended 31 December		Unaudited nine months ended 31 December	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
TURNOVER	2	<b>9,801</b>	9,783	<b>30,946</b>	29,225
Cost of sales		<b>(6,265)</b>	(5,665)	<b>(17,867)</b>	(15,524)
Gross profit		<b>3,536</b>	4,118	<b>13,079</b>	13,701
Other revenue		<b>29</b>	7	<b>52</b>	17
Selling and distribution costs		<b>(705)</b>	(526)	<b>(1,904)</b>	(1,529)
General and administrative expenses		<b>(3,065)</b>	(2,423)	<b>(8,595)</b>	(7,676)
Advertising and promotion expenses		<b>(462)</b>	(696)	<b>(1,950)</b>	(2,374)
Other operating expenses		<b>(3)</b>	(375)	<b>(3)</b>	(405)
Finance costs		-	-	-	-
PROFIT/(LOSS) BEFORE TAX		<b>(670)</b>	105	<b>679</b>	1,734
Tax	3	-	-	<b>(73)</b>	-
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		<b>(670)</b>	105	<b>606</b>	1,734
EARNINGS/(LOSS) PER SHARE (HK cents)					
Basic	4	<b>(0.16)</b>	0.03	<b>0.14</b>	0.41
Diluted		<b>(0.16)</b>	0.03	<b>0.15</b>	0.41
DIVIDEND		-	-	-	-



Notes:-

**1. Basis of preparation and consolidation**

The unaudited quarterly results have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) (which also include Hong Kong Accounting Standards 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 Rules Governing the Listing of Securities on the GEM of the Stock Exchange. They have been prepared under the historical cost convention.

In 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs had no material impact on the Group’s results of operations and financial position except certain presentation and disclosure of accounts would be affected.

The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2005. The accounts are unaudited but have been reviewed by the Company’s audit committee.



## 2. Turnover

Turnover represents the value of services rendered during the three-month and nine-month period under review.

Revenue from the following activities has been included in turnover:-

	Unaudited for the three months ended 31 December		Unaudited for the nine months ended 31 December	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Integrated marketing solution services	<b>1,469</b>	2,589	<b>4,845</b>	6,027
Application Service Provider services	<b>5,712</b>	4,606	<b>18,131</b>	14,931
Technical consultancy services	<b>2,620</b>	2,588	<b>7,970</b>	8,267
	<b>9,801</b>	9,783	<b>30,946</b>	29,225

## 3. Taxation

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 (2004: Nil) or had available tax losses brought forward from prior years to offset the assessable profits generated during the period (2004: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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



**3. Taxation** *(continued)*

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

**4. Earnings/(loss) per share**

The calculation of basic earnings/(loss) per share for the three months and the nine months ended 31 December 2005 and 2004 respectively is based on the profit/(loss) attributable to shareholders of HK\$(700,000) and HK\$600,000 respectively (2004: HK\$100,000 and HK\$1,700,000) and on the weighted average of 421,000,000 ordinary shares in issue (2004: 421,000,000 ordinary shares) during those periods.

The calculation of diluted earnings/(loss) per share for the three months and the nine months ended 31 December 2005 and 2004 is based on the profit/(loss) attributable to shareholders for the period of HK\$(700,000) and HK\$600,000 respectively. The number of ordinary shares used in the calculation is 421,000,000 ordinary shares in issue during the periods, as used in the basic earnings/(loss) per share calculation; and 429,728,929 ordinary shares and 442,432,986 ordinary shares respectively, assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the three months and the nine months ended 31 December 2005.



## 5. Movement in reserves

Group	Share	Contributed	Exchange	Accumulated	Total
	premium		fluctuation		
	account	surplus	reserve		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2004	16,337	66,710	11	(79,179)	3,879
Net profit for the year	-	-	-	2,757	2,757
Issue of shares, net of share issue expenses	788	-	-	-	788
At 31 March 2005 and 1 April 2005	17,125	66,710	11	(76,422)	7,424
Net profit for the period	-	-	-	606	606
At 31 December 2005	17,125	66,710	11	(75,816)	8,030

## Dividend

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2005 (2004: Nil).

## Business Review

Tradeeasy recorded a net profit of HK\$0.6 million for the nine months ended 31 December 2005, as compared to the profit of HK\$1.7 million for the corresponding period in 2004. The Group reported a turnover of HK\$30.9 millions for the nine months ended 31 December 2005, as compared to HK\$29.2 millions for the corresponding period in 2004, representing a moderate increase of 5.8%. The decrease in net profit, however, is due to the expenses involved in continuing expansion in sales and marketing teams, research and development as well as the development of a B2B online transaction model.



## Business Review *(continued)*

During the nine months under review, the Company had explored different new projects such as development of a new venture site, issue of a new magazine for apparel and accessories, and the Deep Sourcing Services.

A new venture site has been introduced to facilitate B2B online transactions between the SME international buyers (whose purchases are not bulky but count on much of the venture site for information) and the manufacturers in Mainland China and Hong Kong. Over the past 2 years, the Company had organized several “Procurement Meetings” which had contributed to collecting useful information on buying patterns and needs specifically related to the SME buyers. The Company would enhance the B2B model further by facilitating real transactions through the Internet. A new working team, comprised of international trade experts, has been formed to provide online and off-line technical support to enhance the electronic transactions. With the services engagement between the Company and its alliances for provision of logistics and custom clearing, a beta site has also been launched and is under the testing process.

The Company has successfully published the first issue of the “Tradeeasy Hong Kong China Apparel & Accessories Trade Directory”. This Directory is designed with greatest user-friendliness, providing buyers with extra trade information, ranging from factory audit information, existing clientele information, to production capacity and factory infra-structure. The Directory is well recognized by our buyers from Hong Kong and overseas countries. Although the management believed that internet has been remaining the major source of sellers and products information, our Garment Directory is also an efficient and informative tool for those potential buyers appearing in the international trade shows. In term of information volume, the first issue of our Garment Directory is the most comprehensive directory in Mainland China.



## Business Review *(continued)*

Deep Sourcing Services for buyers continue to be the Company's main focus. The number of buyers in meeting with sellers face to face has recorded an increase of 20% in this third quarter ended 31 December 2005.

In respect of the Research and Development, the Company has put substantial resources in enhancing more sophisticated search engine, more effective Buyer/Seller communications platform, and higher eCommerce functionality.

The garment industry still remained the core industry for the Company. The Company rolled out services to further strengthen its leading position in this area, as evidenced by the publication of our Garment Directory in Mainland China.

## Outlook

The Company has deployed substantial resources in the aforesaid new projects which may affect the profit margins of the Company in first instance, especially the projects are still in the development stage. However, we strongly believe the B2B market is ready to go beyond listing services. We believe the key is to develop an "online" transaction model through internet, with the assistance from "off-line" support. The Company may need some time to smooth out the operation and establish best practices, and our management firmly believes that it will pay out in future.

As international trade between Mainland China and overseas countries will continue to grow, we believe that being able to go further beyond an advertising model, will generate much larger income as well as loyalty from buyers and sellers. As the management has strong international trading background, we are readily prepared to move forward in this project.



## Outlook *(continued)*

The Company will put more resources into the development of information technology and will revamp the portal and other services with latest technology. We will integrate the B2B portal together with our transaction platform and provide significantly streamlined B2B services.

## Directors' Interests in Shares and Underlying Shares

At 31 December 2005, the interests of the directors in the share capital of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

<b>Name of director</b>	<b>Number of shares directly beneficially held</b>	<b>Percentage of the Company's issued share capital</b>
Yu Lup Fat, Joseph	5,301,927	1.26
Yip Kwok Cheung	23,610,662	5.61
Wong Kai Yin, Paul	22,284,415	5.29
To Man Yau, Alex	8,465,462	2.01
	59,662,466	14.17



## Directors' Interests in Shares and Underlying Shares *(continued)*

At 31 December 2005, none of the directors had any interest in the share options of the Company.

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

Save as disclosed above, none of the directors had registered an interest in the shares of the Company that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

## Directors' Rights to acquire Shares or Debentures

Save as disclosed under the heading "Directors' interests in shares and underlying shares" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.



## Share Option Scheme

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

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



## Share Option Scheme *(continued)*

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

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



## Share Option Scheme *(continued)*

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

On 19 December 2005, an extraordinary general meeting was held and obtained shareholders' approval to further grant 7,485,000 options beyond the 10% limit of the Shares in issue.

Name of grantee	Date of grant	Exercise price of share options <i>HK\$</i>	Exercisable period	At 1 April 2005	Granted during the period	At 31 December 2005
Employees in aggregate	22 Apr 2003	0.037	23 Jun 2003 to 22 Jun 2008	12,000,000	-	12,000,000
	6 Oct 2004	0.030	4 Nov 2004 to 3 Nov 2009	4,000,000	-	4,000,000
	27 Sep 2005	0.043	26 Oct 2005 to 25 Oct 2010	-	2,100,000	2,100,000
	20 Dec 2005	0.043	18 Jan 2006 to 19 Feb 2012	-	6,685,000	6,685,000
Others in aggregate	22 Apr 2003	0.037	23 Jun 2003 to 22 Jun 2008	20,000,000	-	20,000,000
	27 Sep 2005	0.043	26 Oct 2005 to 25 Oct 2010	-	4,000,000	4,000,000
	20 Dec 2005	0.043	18 Jan 2006 to 19 Feb 2012	-	800,000	800,000
				36,000,000	13,585,000	49,585,000



## Share Option Scheme *(continued)*

As at 31 December 2005, all of the options remained outstanding. No options had been exercised, lapsed nor cancelled under the Option Scheme during the nine months ended 31 December 2005.

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

## Substantial Shareholders' Interests in Shares

As at 31 December 2005, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

<b>Name</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
Manistar Enterprises Limited <i>(note)</i>	Directly beneficially owned	93,364,070	22.18
CCT Telecom Holdings Limited <i>(note)</i>	Through a controlled corporation	93,364,070	22.18
Lee Dao Bon, Barton	Directly beneficially owned	26,314,938	6.25

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



## Substantial Shareholders' Interests in Shares

*(continued)*

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and underlying shares" above, had registered an interest in the shares capital of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## Competing Interests

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

## Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

## Compliance with Rules 5.34 to 5.45 of the Gem Listing Rules

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules since the listing of the Company's shares on the GEM on 7 March 2002.



## Audit Committee

The Company established an audit committee on 26 September 2001 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are, among other matters, (i) to review the Company's annual reports and accounts, half-yearly reports and quarterly reports and provide advice and comments thereon to the board of directors; and (ii) to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee has three members comprising all the three independent non-executive directors, Mr. Wu Yao Hua, Terence, Mr. Lau Chi Yiu and Mr. Lau Ho Man, Edward. The audit committee has reviewed the Group's consolidated financial statements for the nine months ended 31 December 2005, and confirmed that the preparation of such complied with applicable accounting standards, the requirements of the Stock Exchange and that adequate disclosures had been made.

By Order of the Board of  
**Tradeeasy Holdings Limited**  
**YU LUP FAT, JOSEPH**  
*Chairman*

Hong Kong, 14 February 2006