



Tradeeasy Holdings Limited

易 買 通 集 團 有 限 公 司

Third Quarterly Report

For the nine months ended 31 December 2004



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 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 Exchange. Listed companies are not generally required to issue paid announcements in gazette newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website 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 Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to Tradeeasy Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover of the Group for the nine months ended 31 December 2004 was HK\$29,200,000 as compared to HK\$25,400,000 for the corresponding period in the previous financial year.
- Net Profit of the Group for the nine months ended 31 December 2004 was HK\$1,700,000 as compared to the net loss of HK\$15,000,000 for the corresponding period in the previous financial year.
- Earning per share of the Group was HK0.41 cents for the nine months ended 31 December 2004 as compared to the loss per share of HK3.74 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 2004.

THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2004

The board of directors (the "Board") of Tradeeasy Holdings Limited (the "Company") is pleased to announce 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 2004, together with the comparative unaudited figures for the corresponding periods in 2003 respectively, are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited three months ended 31 December		Unaudited nine months ended 31 December	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
TURNOVER	2	9,783	7,663	29,225	25,443
Cost of sales		(5,665)	(4,525)	(15,524)	(15,697)
Gross profit		4,118	3,138	13,701	9,746
Other revenue		7	5	17	32
Selling and distribution costs		(526)	(530)	(1,529)	(1,378)
General and administrative expenses		(2,423)	(3,186)	(7,676)	(10,056)
Advertising and promotion expenses		(696)	(457)	(2,374)	(1,976)
Other operating expenses		(375)	(11,087)	(405)	(11,320)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		105	(12,117)	1,734	(14,952)
Finance costs		-	-	-	-
PROFIT/(LOSS) BEFORE TAX		105	(12,117)	1,734	(14,952)
Tax	3	-	-	-	-
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		105	(12,117)	1,734	(14,952)
DIVIDEND		-	-	-	-
EARNING/(LOSS) PER SHARE (HK cents)	4				
Basic		0.03	(3.03)	0.41	(3.74)
Diluted		0.03	N/A	0.41	N/A

Notes:–

1. Basis of preparation and consolidation

These unaudited consolidated financial statements have been prepared in accordance with the Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

The unaudited consolidated financial statements include the financial statements of the Company and its subsidiaries for the nine months ended 31 December 2004. The results of subsidiaries acquired or disposed of during the period are consolidated from or to their effective dates of acquisition or disposal, respectively. The unaudited consolidated financial statements also comply with the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2. Turnover

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

Revenue from the following activities have been included in turnover:

	Unaudited for the three months ended 31 December		Unaudited for the nine months ended 31 December	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Integrated marketing solution services	2,589	1,298	6,027	3,577
Application Service Provider services	4,606	3,990	14,931	13,189
Technical consultancy services	2,588	2,375	8,267	8,677
	9,783	7,663	29,225	25,443



3. Tax

No provision for Hong Kong profits tax has been made as the Group either had no assessable profits arising in Hong Kong, or had losses brought forward from the prior year to offset the assessable profits during the three months and nine months ended 31 December 2004.

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

Tradeeasy Information Technology (Beijing) Limited, a wholly foreign-owned enterprise established and operating in Beijing, is subject to mainland China enterprise income tax at a rate of 33%. Pursuant to a notice dated 8 January 2001 issued by 北京市海澱區國家稅務局, Tradeeasy Information Technology (Beijing) Limited has status as 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 the years 2000 to 2002 to be followed by a 50% reduction in the enterprise income tax rate for the years 2003 to 2005.

4. Earning/(Loss) per share

4

The calculation of basic earning/(loss) per share for the three months and the nine months ended 31 December 2004 and 2003 respectively, is based on the net profit from ordinary activities attributable to shareholders of HK\$100,000 and HK\$1,700,000 (2003: net loss of HK\$12,100,000 and HK\$15,000,000) and on the weighted average of 421,000,000 ordinary shares in issue (2003: 400,000,000 ordinary shares) during those periods.

The calculation of diluted earnings per share for the three months and the nine months ended 31 December 2004 is based on the net profit from ordinary activities attributable to shareholders of HK\$100,000 and HK\$1,700,000 and on the weighted average number of 422,400,000 shares and 421,600,000 shares respectively, after adjusting for the effects of all dilutive potential shares for the relevant period.

Diluted loss per share for the three months and the nine months ended 31 December 2003 have not been disclosed as the share options outstanding during these periods had an anti-dilutive effect on the basic loss per share for the relevant period.

5. Reserves

	Share premium account HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2003	16,337	66,710	11	(57,235)	25,823
Loss for the period	—	—	—	(14,952)	(14,952)
At 31 December 2003	<u>16,337</u>	<u>66,710</u>	<u>11</u>	<u>(72,187)</u>	<u>10,871</u>
At 1 April 2004	16,337	66,710	11	(79,179)	3,879
Issue of shares*	840	—	—	—	840
Share issue expenses*	(53)	—	—	—	(53)
Profit for the period	—	—	—	1,734	1,734
At 31 December 2004	<u>17,124</u>	<u>66,710</u>	<u>11</u>	<u>(77,445)</u>	<u>6,400</u>

* On 25 February 2004, the Company has entered into a Subscription Agreement, whereby it has conditionally agreed to place 21,000,000 new shares to Bay2Peak Strategies Limited at a price of HK\$0.05 per share. This transaction was completed on 19 April 2004.

DIVIDEND

The Board does not recommend payment of any dividend for the nine months ended 31 December 2004 (2003: Nil).

BUSINESS REVIEW

Financial Review

The nine months period ended 31 December 2004 is an important period for the group in each of the following aspects: implementing strategies, streamlining operations, striking for efficiency and growing business. The results of the aforesaid aspects are encouraging and as a result, the Group recorded growth in terms of both turnover and profit.

The turnover for the nine months ended 31 December 2004 was HK\$29,200,000 as compared to HK\$25,400,000 for the corresponding period in 2003, representing an increase of 14.9%. Gross profit ratio has increased to 47% from 38% in 2003. The Group has also recorded a profit of HK\$1,700,000 during the nine months under review as compared to the net loss of HK\$15,000,000 for the corresponding period of the previous year.



As far as the Group's segment performance of the nine months ended 31 December 2004 is concerned, the turnover for Integrated Marketing Solution Services has increased by 68.5% to HK\$6,000,000 (2003: HK\$3,600,000). The turnover for ASP services has increased by 13.2 % to HK\$14,900,000 (2003: HK\$13,200,000). The turnover for Technical Consultancy Services has decreased by 4.7 % to HK\$8,300,000 (2003: HK\$8,700,000).

Operation Review

The Group had undertaken numerous initiatives and important strategies to strengthen its business in Year 2004. Extra resources was allocated to develop a larger Buyer Department aimed at recruiting more quality buyers, understanding buyers' sourcing needs, providing in-depth personal services and making sure our trade matching can be conducted in the most effective way. The Management believes that providing results to sellers is the only way to secure re-subscription, which is the key to success of continuous growth of our business. The Group has participated in overseas trade shows in the fast-developing markets such as Dubai and has been successfully recruiting buyers. The number of quality buyer members has increased to 250,000, with an increase of 20% as compared that of 2003. More than 400 buyers had participated in our Procurement Meetings and Matching Conferences, and successfully met up with more than 2,000 sellers. Many major international chain stores, designer labels and giant department stores have become our Buyer Members in 2004 and started to work closely with our Buyer Department.

6

The Group's ASP services, e-IMS, has been modified with more advanced database management, templates generation and users account management functions. The ASP services continue to grow while demand for management automation increases. The servers' farm was re-constructed with new hardware and latest technology to cope with the increasing amount of data transactions.

The first issue of Tradeeasy's trade directory was published in February 2004. The directory is positioned as members' newsletters with main focus on interviews, which provides extra details on sellers to complement sellers' information on tradeeasy.com. Copies of the trade directories were widely distributed in overseas trade shows and were well received by the market. The income from directories expects to increase and becomes significant in the Integrated Marketing Services.

Streamlining our operations had always been our priority focus. A thorough review on workflow and document flow for all departments was completed. A new IT team was set up in PRC to develop new internal automation and reporting systems for efficient operations and better management.

PROSPECT

The Group is optimistic towards the forthcoming quarter and foresees the export activities will continue to grow in Hong Kong and PRC. In January 2005, most of the international trade regulations for China's accession to the World Trade Organization will be finalised. Export quota for garment industries to North American countries and European countries will be lifted. International buyers are planning to increase their PRC purchases as PRC becomes a non-quota country. Inquiries from overseas buyers to our sellers are increasing, at the same time, number of buyers participating in trade shows conducted in Hong Kong and PRC is surging. The Management believes demand for B2B services will also increase.

The Group has been actively looking for alliances to broaden its client base, to enlarge its product range and to provide the Group with new business opportunities. The Group entered into a content provider agreement with Yahoo! Hong Kong (Holdings) Limited in the second quarter of 2004, to provide the Group's B2B content onto Yahoo! Hong Kong's Business Finder Directory. One of the initiatives for the management is to develop a B2B transaction model. A number of alliances were identified to put the model together and expect to start a pilot program in the second quarter of 2005.

While the overall internet infrastructure in PRC has improved substantially in the past few years, the Group and its alliances believe this is the right timing to develop more ASP services for Supply Chain Management. The prototype will be completed in March 2005.

The Group has established a strong management team in 2004 and a streamlined working process. The Group will cautiously scale up the business by appointing more agents, develop more branches and roll out more products in 2005.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2004, 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:

Name of director	Number of ordinary shares held	Percentage of the Company's issued share capital
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	10,994,162	2.61
	<u>62,191,166</u>	<u>14.77</u>

The interests of the directors in the share options of the Company are separately disclosed under the heading "Share Option Scheme".

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" above and in the "Share option scheme" below, 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 Company by ordinary resolutions passed at its extraordinary general meeting held on 16 December 2004 has refreshed the limit on grant of options under the existing Scheme. The refreshed limit of 10% of the shares in issue represents 42,100,000 shares as at the date of the approval by the shareholders in the extraordinary general meeting.

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 such term is defined in the GEM Listing Rules) abstaining from voting.

If options are granted to a connected person (as such term is defined in the GEM Listing Rules) or its 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 by way of 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 subscription price of a share in respect of any particular option granted under the Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price shall be the higher 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.

10

On 22 April 2003, the Company granted certain employees under the Scheme a total of 32,000,000 share options, of which 4,000,000 share options were lapsed during the nine months ended 31 December 2004 to subscribe for shares of HK\$0.01 each in the capital of the Company which are exercisable at any time from 23 June 2003 to 22 June 2008 at an exercise price of HK\$0.037 per share. The price of the Company's shares as at the date of the grant of the share option was HK\$0.037 per share. This is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

Further on 6 October 2004, the Company granted an employee under the Scheme 4,000,000 share options to subscribe for shares of HK\$0.01 each in the capital of the Company which are exercisable at any time from 4 November 2004 to 3 November 2009 at an exercise price of HK\$0.03 per share. The average closing price for the 5 Business Days preceding the date of grant of the Company's share was HK\$0.03 per share. The vesting period of the share option is from the date of grant until the commencement of the exercise period.

As at 31 December 2004, all of the options remained outstanding.

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 2004, 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:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
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.

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" 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 to review the Company's annual reports and accounts, half-year reports and quarterly reports and to provide advices and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Company's financial reporting process and internal control procedures of the Group. The audit committee has three members comprising all the independent non-executive directors, Mr. Lau Chi Yiu and Mr. Wu Yao Hua, Terence and Mr. Lau Ho Man, Edward. Mr. Lau Ho Man, Edward was re-designated as independent non-executive director from non-executive director on 24 September 2004. The audit committee has reviewed the Group's unaudited consolidated quarterly results for the nine months ended 31 December 2004, and confirmed that the preparation of such complied with applicable accounting standards, the requirement of the Stock Exchange and that adequate disclosures had been made.

12

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

Hong Kong, 1 February 2005