



 Tradeeasy Holdings Limited
TRADEeasy 易 貿 通 集 團 有 限 公 司

Third Quarterly Report

For the nine months ended 31 December 2002



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK 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 in order to obtain up-to-date information on GEM-listed issuers.

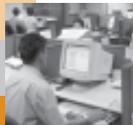
The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of Tradeeasy Holdings Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market 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.

THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2002

The board of directors (the “Directors”) is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group” or “Tradeeasy”) for the three months and nine months ended 31 December 2002 together with the comparative unaudited figures for the corresponding periods ended 31 December 2001 are as follows:

	Notes	Unaudited three months ended 31 December		Unaudited nine months ended 31 December	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
TURNOVER	3	9,272	13,981	26,573	42,654
Cost of sales		(5,856)	(6,259)	(17,714)	(20,677)
Gross profit		3,416	7,722	8,859	21,977
Other revenue		35	36	293	3,089
Selling expenses		(734)	(816)	(2,359)	(2,913)
General and administration expenses		(3,755)	(2,545)	(10,459)	(10,448)
Advertising and promotion expenses		(433)	(904)	(2,155)	(2,401)
Other operating expenses		—	—	(573)	—
(LOSS)/PROFIT FROM OPERATING ACTIVITIES		(1,471)	3,493	(6,394)	9,304
Finance costs		(52)	(81)	(151)	(260)
(LOSS)/PROFIT BEFORE TAX		(1,523)	3,412	(6,545)	9,044
Tax	4	—	—	—	—
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS		(1,523)	3,412	(6,545)	9,044
DIVIDENDS		—	—	—	—
(LOSS)/EARNINGS PER SHARE	5				
Basic		¢(0.38)	¢0.97	¢(1.64)	¢2.58



Notes:

1. Basis of presentation

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 20 September 2001 under the Companies Law (Revised) of the Cayman Islands. In the preparation of the listing of the Company's shares on GEM, a group reorganisation was effected whereby the Company became the holding company of the Group on 20 February 2002. The shares of the Company were listed on GEM on 7 March 2002. The details of the group reorganisation and the listing of the Company's shares on GEM were set out in the prospectus dated 26 February 2002 (the "Prospectus").

The results of the Group have been prepared on a merger basis as if the current group structure had been in existence throughout the periods under review or since the respective date of incorporation or establishment of respective companies now comprising the Group, whichever is the shorter period. All significant intra-group transactions and balances have been eliminated on consolidation.

All financial information relating to the period from 1 April 2002 to 31 December 2002 has not been audited.

2. Principal activities

The Group's principal activities are the provision of integrated marketing solution, Application Service Provider ("ASP") and technical consultancy services.

3. Turnover

Turnover represents the value of services rendered.

Revenue from the following activities has been included in turnover:

	Unaudited three months ended 31 December		Unaudited nine months ended 31 December	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Integrated marketing solution services	1,656	2,860	5,773	11,687
ASP services	3,498	4,650	9,889	12,694
Technical consultancy services	4,118	6,471	10,911	18,273
	9,272	13,981	26,573	42,654

4. Tax

(i) *Hong Kong Profits 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 nine-month period under review (2001: Nil).

(ii) *PRC Income Tax*

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 is entitled to full exemption from Mainland China income tax for the years 2000 to 2002 to be followed by a 50% reduction in the income tax rate for the years 2003 to 2005.



5. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share for the three months and the nine months ended 31 December 2002 is based on the net loss attributable to shareholders of approximately HK\$1.5 million and HK\$6.5 million (2001: net profit of HK\$3.4 million and HK\$9.0 million) and the weighted average of 400,000,000 shares (2001: 350,000,000 shares) deemed to have been in issue during those periods.

Diluted (loss)/earnings per share for the three months and the nine months ended 31 December 2002 and 2001 are not disclosed as no diluting events occurred during those periods.

6. Movement in 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 2001	—	61,914	11	(59,242)	2,683
Profit for the nine months	—	—	—	9,044	9,044
Issue of shares by a subsidiary	—	4,796	—	—	4,796
At 31 December 2001	—	66,710	11	(50,198)	16,523
At 1 April 2002	16,337	66,710	11	(48,708)	34,350
Loss for the nine months	—	—	—	(6,545)	(6,545)
At 31 December 2002	16,337	66,710	11	(55,253)	27,805

7. Contingent liabilities

As at 31 December 2002, the Group had no significant contingent liabilities.



INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2002 (2001: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business and operation review

The Group recorded a turnover of approximately HK\$9.27 million for the quarter ended 31 December 2002, compared with approximately HK\$13.98 million for the quarter ended 31 December 2001. The Group's loss attributable to shareholders for the quarter ended 31 December 2002 was approximately HK\$1.52 million, compared with a profit of approximately HK\$3.41 million for the quarter ended 31 December 2001.

The main focus of the Group during the quarter ended 31 December 2002 was to further implement its strategies towards increasing efficiency and streamlining operations. The selling expenses and promotion expenses were reduced compared with the quarter ended 31 December 2001. The relocation of headquarters to new premises offering more favorable terms, the automation on operation and simplifying workflow were initiated. Their impact on reducing general and administrative expenses is expected to be reflected in future.



In addition to costs control, the management continues to modify existing products, develop new products, enhance the IT infrastructure and explore new markets. The turnover for the quarter ended 31 December 2002 had improved by 13.7% compared to the quarter ended 30 September 2002. The Group's major achievements during the quarter ended 31 December 2002 included:

- *Modifying new products*

The Management believes ASP services will provide tremendous growth potential to the Group. The product development team has been devoted to modify the Management Automation Software e-IMS. The new version was developed during the quarter ended 30 September 2002 and was soft-launched in the quarter ended 31 December 2002. The feedback from the market was encouraging, the objective of streamlining operational procedures was met, and its usability is expected to increase. Final comments were collected and minor adjustments are currently in progress.

- *Developing new products and services*

In view of the growing demand for Hong Kong's SME manufacturers in the PRC consumer market, the Group acted as Agent for the trade show organizer of the Gift and Premium Trade Show in Shanghai. Such activities were well received by the market and generated new sources of income.

The Group organized 15 overseas major buyers to meet with more than 100 sellers face to face in Hong Kong to discuss their buying plans and sourcing needs. Both buyers and sellers were satisfied with such an arrangement. The Group has successfully leveraged on its existing resources to integrate both on-line and off-line services together and generate extra value to the buyers and sellers.

- *Enhancing the IT infrastructure*

Despite the fact that the Group's IT infrastructure has been performing well in handling the tremendous amount of transactions as an ASP, a thorough review and examination on existing infrastructure was introduced. Certain server relocation works, which enable better efficiency, were adopted.

- *Exploring new markets*

With the intention to penetrate the market for major corporations in the PRC, the Group entered into an arrangement with Yahoo! Hong Kong. A number of international corporations placed trial orders with our on-line marketing services.

Prospect

The Group continued to actively implement those strategies so as to achieve greater operational efficiency during the quarter ended 31 December 2002. In view of the fast changes of the technology industries, the Group will continue to be versatile in response to such changes.

The management will stay focused on the ASP model in addition to enhance the existing e-marketing and e-CRM functions. The mission is to help SME exporters in the PRC and Hong Kong to generate more business opportunities.

The SME exporters in the PRC are urging for more off-line marketing support so as to bridge their communication and knowledge gap. The market is looking for deeper integration between on-line and off-line marketing services. The Group is well positioned to provide such services and will devote more resources to develop those services that will be able to generate extra value to the exporters.



DIRECTORS' INTERESTS IN SHARES

As at 31 December 2002, the interests of the Directors and their associates in the share capital of the Company and any associated companies (as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, were as follows:

Name of Director	Number of shares held and nature of interest	
	Personal	Family
Yu Lup Fat, Joseph	5,301,927	—
Yip Kwok Cheung (Note)	23,610,662	518,411
Wong Kai Yin, Paul	23,468,415	—
To Man Yau, Alex	14,994,162	—
	67,375,166	518,411

Note: The family interest of Yip Kwok Cheung in 518,411 shares is held by his wife, Ms. Choy Ching Yee, Ruby.

Save as disclosed above, none of the Directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' Interests in Shares" above and "Share Option Schemes" below, at no time during the period under review 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 children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

On 20 February 2002, two share option schemes, namely Pre-IPO Share Option Scheme and Share Option Scheme (as defined in the Prospectus), were approved by a written resolution of the sole shareholder of the Company. The summary of the terms of each share option scheme has been set out in Appendix V of the Prospectus under the sections headed "Share Option Scheme" and "Pre-IPO Share Option Scheme" respectively.

On 20 February 2002, the Company granted options under the Pre-IPO Share Option Scheme to 57 full-time employees, who are neither the Directors of the Company nor the senior management of the Group, to subscribe for an aggregate of 5,714,500 shares in the Company. No further options were then granted under the Pre-IPO Share Option Scheme. Part of such options that were exercisable to subscribe for an aggregate of 3,638,750 shares were lapsed as at 31 December 2002. Saved as disclosed above, at no time during the nine months ended 31 December 2002, such options granted were exercised or cancelled.

During the nine months ended 31 December 2002, the Company did not grant any share option under the Share Option Scheme.



SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, the following entities holding interests of 10% 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 16(1) of the SDI Ordinance:-

Name of shareholder	Number of shares held	Percentage of the Company's issued capital
Manistar Enterprises Limited	93,364,070	23.34%
CCT Telecom Holdings Limited (Note)	93,364,070	23.34%

Note: Manistar Enterprises Limited is 100% beneficially owned by CCT Telecom Holdings Limited.

Save as disclosed above, the Directors are not aware of any person who directly or indirectly, had a registered interest of 10% or more in the issued share capital of the Company as at 31 December 2002 which was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

SPONSOR'S INTERESTS

As at 31 December 2002, neither Hantec Capital Limited (the "Sponsor") nor any of its respective directors or employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the share capital of the Company or of any members of the Group, or had any right to subscribe for or to nominate persons to subscribe for the share capital of the Company or of any members of the Group.

Pursuant to the agreement dated 26 February 2002 between the Company and the Sponsor, the Sponsor is entitled to receive a fee for acting as the Company's sponsor for the period from 7 March 2002 to 31 March 2004.



COMPETING INTEREST

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

PURCHASES, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Other than in connection with the Company's placing, 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 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules during the period under review.



AUDIT COMMITTEE

The Company established an audit committee on 26 September 2001 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The audit committee has three members comprising two independent non-executive Directors, Mr. Tam King Ching, Kenny and Mr. Wu Yao Hua, Terence and one non-executive Director, Mr. Tam Ngai Hung. The audit committee has reviewed the Group's unaudited consolidated results for the nine months ended 31 December 2002.

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

Hong Kong, 12 February 2003